



MFM HATHAWAY FUND

Annual Report

For the year ended 30th September 2014



Fund Details**MFM Hathaway Fund****Manager and Registrar**

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

Authorised and regulated by the Financial Conduct Authority

Customer Support: (0808) 145 2500 (FREEPHONE)

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 Adviser

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

Authorised and regulated by the Financial Conduct Authority

Auditors

Barlow Andrews LLP
Carlyle House
78 Chorley New Road
Bolton
BL1 4BY

MFM HATHAWAY FUND

CONTENTS	PAGE
AUTHORISED INVESTMENT ADVISER'S REPORT	1
AUTHORISED STATUS AND GENERAL INFORMATION	5
DIRECTORS' STATEMENT	6
STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES	6
TRUSTEE'S REPORT	7
INDEPENDENT AUDITOR'S REPORT	8
COMPARATIVE TABLES	9
ONGOING CHARGES	9
SYNTHETIC RISK AND REWARD INDICATOR	10
PORTFOLIO STATEMENT	11
FINANCIAL STATEMENTS	
Statement of total return	13
Statement of change in net assets attributable to unitholders	13
Balance sheet	14
Notes to the financial statements	15

MFM HATHAWAY FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 30 September 2014

Percentage change and sector position to 30 September 2014

	Six months	1 year	3 years	5 years
MFM Hathaway Fund	0.32%	4.03%	48.14%	63.69%
Sector Average	1.82%	5.74%	35.03%	43.14%
Rank*	119/141	111/136	6/121	4/103
Quartile Ranking*	4	4	1	1

*Based on ranking within IMA Mixed Investment 40% - 85% Shares Sector; the figure after the rank shows the number of funds in the class (e.g. 4th out of 103 funds).

External Source of Economic Data: *Morningstar* (bid to bid, net income reinvested)

Recent performance

We have pleasure in presenting our annual report on our *equity* and *bond* unit trust, which posted an overall advance of 4% in the twelve months. This performance reflects a 5.035p increase in *accumulation* units (this class recording the fund's *total return*), which was slightly behind the 5.9% for the general stock market, 6.0% from blue chips and a gravity defying 5.9% from gilts.

Since launch in November 2002, those units have advanced from 50p to 129.9p – equivalent to annual compounding of 8.5% (down from the accumulated annualised run rate of 9.0% posted a year ago).

In this latest report, our twenty third in twelve years, we record a positive period return for the nineteenth time and the table below illustrates the relevant long term *data*, including comfortably beating our comparator or target *benchmark* since we launched – doubly satisfying as the latter bears no frictional costs (the expenses of running our fund).

It was almost inevitable, after such a strong performance last year (and after a healthy 2012), that we would find it hard to make much headway this year (regression to the mean and all that), particularly since the stock market was also subdued; since our year end, however, equities have drifted lower and – against that - we have seen a healthy positive start to 2014/15, although we have to box eleven more rounds yet; we remain with the elite runners over three and five years.

As ever, the setting in of reality in investors' minds has held back most markets lately - with *quantitative easing (QE)* coming to an end both here and in the US – and also (but not really affecting the long term value of equities), the ebola crisis, the Middle East, Russia/Ukraine are worrying investors.

Turning to government bonds, their performance in the year, might encourage fixed income enthusiasts, although their 85% *total return* since we launched our fund, whilst not a disappointment, represented less than half the return we have had from our equity portfolio. That of course is the relationship with equities you would expect over any longer period, but with some gilts now priced at nearly 40% above par, we would be surprised if they fare so well over the next decade or so.

However, as we said a year ago, expect us to continue casting fixed income stock in a cameo role in the portfolio – winter tyres (more about which below) can be a prudent precaution should the roads turn hazardous; our interim report this year, carried further notes about *why* we hold bonds.

MFM HATHAWAY FUND

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Long term performance – the twelve year record

We set out below the complete and up to date records for our benchmark (restated slightly (upwards) from last year), the FTSE 100 and the general stock market, together with the figures for the fund's equity portfolio:

Year	MFM Hathaway Fund	Benchmark	FTSE 100	FTSE All Share	Our equity portfolio
2002/2013	+ 149.7%	+ 130.4%	+ 132.7%	+ 154.5%	+ 179.3%
2013/2014	+ 4.0%	+ 5.9%	+ 6.0%	+ 5.9%	+ 3.6%
Cumulative	+ 159.8%	+ 144.3%	+ 146.7%	+ 169.7%	+ 189.4%

Developments in the year

In recent fund reports, we issued notes of caution about the general price level and, indeed, as the stock market continued (dimly) to shine in 2014, we became increasingly unenthusiastic about our company share portfolio (*i.e.* about making further purchases of our favourites, though we may add to them here and there); equities may not be as high as they look, but they are high nonetheless.

Aside from the usual routine portfolio activities, we purchased a holding of Nokian Renkaat, which makes and sells winter tyres as the market leader in Scandinavia and Russia – where it enjoys favourable economics; having acquired it on the back of a mini - replay of the cold war, we expect a satisfactory outcome over the long term.

We also added, as we crossed the year end finishing line, a holding of Games Workshop which retails war gaming kits to enthusiasts (not to be confused with computer games) and which enjoys tremendous economics and is little covered by the analyst community. Likely to present great long term returns, they may not all come at once or in a straight line.

More generally, we continue to receive gratifying business reports from almost all our investees - they represent gifts which keep giving - and they have generally served our unit holders well both over the short term and the long haul. A special mention this time goes to the Daejan property investment trust which we acquired in 2011 (because we considered its market price not fully to reflect improvements in asset values which had occurred and – at 3% - the then dividend yield provided cash flow while we awaited a revision of the situation).

Since acquisition, Daejan has put on 75% in capital growth alone and the dividend has increased.

Accordingly, we are only sellers of (individual) equities where we see better opportunities elsewhere for the capital or where we see a particular holding as no longer representing sufficient value. An example is Tesco, which we divested nearly a year ago, since when it has declined 45% - but still remains unattractive to us.

Patience though, remains the main ingredient and we will continue to look for answers to *business* conundrums and not *market* questions; we will continue to make educated predictions about *what* will happen to a particular business or group of businesses which we understand and might invest in, never *when* it will happen. We will continue to treat the stock market as there to serve us and not to instruct us.

Outlook

With the Federal Reserve set to call an end now to its asset purchases under *QE*, its focus will then very likely turn to interest rates (and *when* to raise them) – probably forcing the hands of other central bankers - which is unlikely to help the equity investor and may at last bring reality to the bondholder's door; mayhem doesn't appear the most likely outcome, but our unit holders should expect a tougher environment for a while (although, as we note above, we have started this year well). The General Election in 2015 will overshadow events for a time.

MFM HATHAWAY FUND

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

In closing, we would remind our investors, as always, to keep their expectations to a sensible level and to remember that securities markets are not one way streets; expect the world to remain a perfect shambles.

We look forward though to reporting the semi - annual performance in the spring, while more about our *value investing* philosophy and the very latest fund prices and performance are on our website. We close by thanking Marlborough who do the administration on the fund (and far more besides) and the auditors – Barlow Andrews – both of whom do a great job; as ever, they set a peerless standard for us to try to live up to.

Graham Englefield
Graham Shaw CFA
Robert Bogle

30 October 2014

www.hathawayinvestment.com

Notes

1. Statistical sources: the benchmark and index figures we quote in the second table are derived from *data* recorded in the Financial Times newspaper (and all are calculated on a *mid-to-mid* price basis, with net income reinvested); the MFM Hathaway Fund, also, shows performance based on the mid-price of *accumulation* units, so that all figures in that exhibit are on the same footing. Movements in the price of an *accumulation* unit provide a complete record, since accrued income is included alongside capital performance (and all charges and costs are taken into account).
2. "Equities" means company shares and the FTSE All Share Index (what we generally mean by "the stock market") records the aggregate experience of almost all quoted companies; "Gilts" means UK government bonds. The FTSE 100 Index covers just the largest quoted companies (the "blue chips" or "large capitalisation" or "large cap" stocks), so we instead use the first of these indices (as to 70%) – the remainder the performance of gilts - in calculating our *comparator* benchmark (it's not a target as such).
3. The benchmark is intended as a rough comparison to judge how adroitly the portfolio has been invested over any period (particularly the chosen allocation between bonds and equities) and it reflects how a typical conservative private investor's commitments might be constructed.
4. The cumulative figures in the second table very accurately show the *total return* from 25.11.02 to 30.09.14; any discrepancy, is due to rounding in preparing discrete statistics and is not material although, as we say above, we have restated the previous benchmark figure this time, in order to be strictly accurate.
5. Any references to "year" (or, for example, "2002/2013") in the tables or the text, is to the fund year or years – October 1st to September 30th - except for 2002/03 (now contained only in aggregate numbers here), which was for the period starting on 25th November 2002 (when we launched the fund). The actual valuation dates for the unit trust (and the comparative indices/benchmark) may, in some years, vary by a day or so from these dates, but we are consistent in using the same numbers to commence subsequent periods etc.

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MFM HATHAWAY FUND

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Distributions

		Year 2014	Year 2013	Year 2012	Year 2011
Net income paid 31 May	(inc units)	0.9252ppu	0.8353ppu	0.6043ppu	0.4535ppu
	(acc units)	1.1664ppu	1.0372ppu	0.7399ppu	0.5483ppu
Net income paid 30 November	(inc units)	0.5542ppu	0.5741ppu	0.5019ppu	0.4946ppu
	(acc units)	0.7051ppu	0.7195ppu	0.6194ppu	0.6014ppu

Portfolio Changes

For the year ended 30 September 2014

Purchases	Cost (£)	Sales	Proceeds (£)
Nokian Renkaat	441,612	Berkshire Hathaway 'B'	524,460
Primary Health Properties	391,297	Procter & Gamble	423,863
Booker Group	320,693	Tesco	362,158
Givaudan	316,999	Lloyds Banking Group	130,837
Genus	209,633	Vodafone Group 'C'	53,984
Marston's	195,732	Booker Group 'B'	8,330
BlackRock World Mining Trust	99,580		
Costain Group	78,750		
Games Workshop Group	39,982		
Bond amortisation	2,240		
Total purchases for the year	2,096,518	Total sales for the year	1,503,632

MFM HATHAWAY FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised Status

The Scheme 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.

Nature and Objectives of the Scheme

To achieve long-term growth of investors' capital and income. Though there will be a general emphasis on a fair immediate yield, the Scheme may occasionally buy securities which do not pay dividends. The Investment Advisers to the Manager will undertake their own security analysis (rather than relying on external research sources or commentary) and form their own views as to the merits of specific securities.

At times it may be appropriate for the Scheme not to be fully invested but to hold cash and near cash.

Restrictions

The pattern of operations will concentrate upon investment grade sterling bonds of companies, corporations, public bodies, institutions and sovereign issuers and the equities of corporations considered by the investment adviser to represent sound long-term value.

The Scheme may invest in derivatives and forward transactions for the purposes of hedging only.

Change in Prospectus

No changes have been made since the last report.

Up to date key investor information documents, the full prospectus and manager's reports and accounts for any fund within the manager's range, can be requested by the investor at any time.

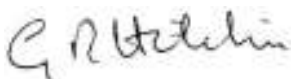
MFM HATHAWAY FUND

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
JOINT MANAGING DIRECTOR



G R HITCHIN
INVESTMENT DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
21 November 2014

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

Marlborough Fund Managers Ltd is the Manager of the Fund.

The rules contained in the Collective Investment Schemes Sourcebook (the COLL) and made by the Financial Conduct Authority pursuant to the Financial Services and Markets Act 2000 require the Manager to prepare financial statements for each annual accounting period, reporting the financial position of the scheme as at the end of that period and of its income for the period. In preparing those financial statements the Manager is required to:

- Comply with the Statement of Recommended Practice relating to Authorised Funds issued by the IMA, the trust deed, and the rules in the COLL.
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

MFM HATHAWAY FUND

TRUSTEE'S REPORT

Statement of Trustee's responsibilities

The trustee is responsible for the safekeeping of all of the property of the scheme (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the trustee to take reasonable care to ensure that the scheme is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("The Sourcebook"), the scheme's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the scheme; the application of income of the scheme; and the investment and borrowing powers of the scheme.

Report of HSBC Bank plc ("the Trustee") to the Unitholders of the MFM Hathaway Fund

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

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

HSBC BANK PLC

LONDON

21 November 2014

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

We have audited the financial statements of the MFM Hathaway Fund for the year ended 30 September 2014 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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. 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 purposes. 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 opinion we have formed.

Respective responsibilities of the authorised fund manager and the auditor

As explained more fully in the Statement of Authorised Fund Manager's responsibilities set out on page 6, the authorised fund manager is 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Fund Manager; and the overall presentation of the financial statements. 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 30 September 2014 and of its net revenue and net gains or losses of the fund property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by IMA, the rules contained in the Collective Investment Schemes Sourcebook and the trust deed;
- there is nothing to indicate that proper accounting records for the fund have not been kept or that the financial statements are not in agreement with those records;
- we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- the information given in the authorised fund manager's report is consistent with the financial statements.

21 November 2014

BARLOW ANDREWS LLP
CHARTERED ACCOUNTANTS & STATUTORY AUDITORS
78 CHORLEY NEW ROAD
BOLTON

MFM HATHAWAY FUND

COMPARATIVE TABLES

Price and distribution record

INCOME UNITS - Units first offered at 50p on 4 November 2002.

	Highest issue price	Lowest redemption price	Net income per unit	Net income per £1,000 invested 8 Jan 2009
2009	69.53p	49.47p	1.2876p	£21.47
2010	81.71p	66.02p	1.0149p	£16.93
2011	83.25p	70.30p	0.9481p	£15.81
2012	85.48p	72.88p	1.1062p	£18.45
2013	105.17p	82.68p	1.4094p	£23.51
2014*	107.71p	96.19p	1.4794p	£24.67

(*up to 30 September 2014)

ACCUMULATION UNITS - Units first offered at 50p on 4 November 2002.

	Highest issue price	Lowest redemption price	Net income per unit	Net income per £1,000 invested 8 Jan 2009
2009	82.89p	57.69p	1.5108p	£21.60
2010	98.78p	78.89p	1.2138p	£17.36
2011	101.23p	85.48p	1.1497p	£16.44
2012	106.15p	89.24p	1.3593p	£19.40
2013	132.59p	102.67p	1.7567p	£25.12
2014*	135.80p	123.07p	1.8715p	£26.76

(*up to 30 September 2014)

Number of units in issue/Net asset value per unit

	Net asset value of scheme property	Income units in issue	Accumulation units in issue	Net asset value per unit	
				Income	Accum
at 30 Sept 2012	£8,043,556	5,017,144	4,181,275	78.78p	97.84p
at 30 Sept 2013	£9,476,059	4,851,739	4,012,242	95.62p	120.56p
at 30 Sept 2014	£10,257,521	4,790,947	4,500,236	97.24p	124.42p

ONGOING CHARGES

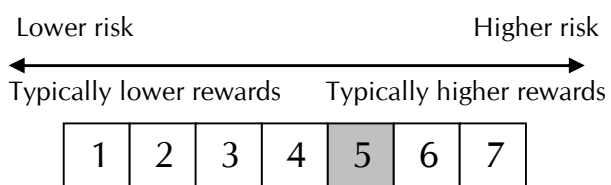
	Ongoing charges
30 September 2013	1.56%
30 September 2014	1.58%

The ongoing charge figure is based on expenses for the year. This figure may vary from year to year. It excludes:

- Performance fees
- Portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment scheme.

MFM HATHAWAY FUND

SYNTHETIC RISK AND REWARD INDICATOR



The risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the fund. It is calculated based on the volatility of the fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used. This Fund has been measured as 5 because it has experienced significant volatility historically.

MFM HATHAWAY FUND

PORTFOLIO STATEMENT

as at 30 September 2014

Holding or nominal value as at 30 Sept 2014		Bid value £	Percentage of total net assets %
LOAN STOCKS (14.33%, 30 Sept 13 - 15.71%)			
1,018,000	Treasury 2% 22/01/16	1,034,609	10.09
428,500	Treasury 1.75% 22/01/17	435,204	4.24
	Total Loan Stocks	<u>1,469,813</u>	<u>14.33</u>
BANKS (1.17%, 30 Sept 13 - 2.70%)			
19,125	HSBC Holdings	120,373	1.17
	Total Banks	<u>120,373</u>	<u>1.17</u>
BEVERAGES (4.29%, 30 Sept 13 - 3.92%)			
65,400	Britvic	440,142	4.29
	Total Beverages	<u>440,142</u>	<u>4.29</u>
CHEMICALS (2.77%, 30 Sept 13 - 3.31%)			
134,350	Synthomer	284,150	2.77
	Total Chemicals	<u>284,150</u>	<u>2.77</u>
CONSTRUCTION & MATERIALS (3.87%, 30 Sept 13 - 2.94%)			
140,000	Costain Group	396,550	3.87
	Total Construction & Materials	<u>396,550</u>	<u>3.87</u>
EQUITY INVESTMENT INSTRUMENTS (16.23%, 30 Sept 13 - 14.46%)			
21,750	BlackRock World Mining Trust	92,546	0.90
21,600	Caledonia Investments	466,992	4.55
163,250	Henderson High Income Trust	283,239	2.76
77,300	Law Debenture Corp	399,255	3.89
181,500	Scottish Mortgage Investment Trust	423,258	4.13
	Total Equity Investment Instruments	<u>1,665,290</u>	<u>16.23</u>
FOOD & DRUG RETAILERS (2.84%, 30 Sept 13 - 4.28%)			
238,000	Booker Group	291,550	2.84
	Total Food & Drug Retailers	<u>291,550</u>	<u>2.84</u>
INDUSTRIAL ENGINEERING (1.89%, 30 Sept 13 - 1.91%)			
303,333	Severfield	194,133	1.89
	Total Industrial Engineering	<u>194,133</u>	<u>1.89</u>
LEISURE GOODS (0.37%, 30 Sept 13 - Nil)			
6,400	Games Workshop Group	38,080	0.37
	Total Leisure Goods	<u>38,080</u>	<u>0.37</u>
MOBILE TELECOMMUNICATIONS (2.00%, 30 Sept 13 - 4.19%)			
99,818	Vodafone Group	205,575	2.00
	Total Mobile Telecommunications	<u>205,575</u>	<u>2.00</u>
NONEQUITY INVESTMENT INSTRUMENTS (1.09%, 30 Sept 13 - 1.06%)			
200,000	M & G High Income Investment Trust (Inc)	112,000	1.09
	Total Nonequity Investment Instruments	<u>112,000</u>	<u>1.09</u>
OIL & GAS PRODUCERS (2.65%, 30 Sept 13 - 2.75%)			
59,835	BP	271,860	2.65
	Total Oil & Gas Producers	<u>271,860</u>	<u>2.65</u>

MFM HATHAWAY FUND

PORTFOLIO STATEMENT (CONTINUED)

as at 30 September 2014

Holding or nominal value as at 30 Sept 2014	Bid value £	Percentage of total net assets %
PHARMACEUTICALS & BIOTECHNOLOGY (2.13%, 30 Sept 13 - Nil)		
19,400 Genus	218,638	2.13
Total Pharmaceuticals & Biotechnology	<u>218,638</u>	<u>2.13</u>
REAL ESTATE INVESTMENT & SERVICES (2.60%, 30 Sept 13 - 2.24%)		
5,475 Daejan Holdings	266,140	2.60
Total Real Estate Investment & Services	<u>266,140</u>	<u>2.60</u>
REAL ESTATE INVESTMENT TRUSTS (6.67%, 30 Sept 13 - 2.94%)		
30,357 Land Securities Group	314,195	3.06
112,000 Primary Health Properties	370,160	3.61
Total Real Estate Investment Trusts	<u>684,355</u>	<u>6.67</u>
SUPPORT SERVICES (11.63%, 30 Sept 13 - 13.29%)		
26,000 De La Rue	126,100	1.23
100,000 Electrocomponents	224,600	2.19
150,000 ISC	469,500	4.58
22,515 Travis Perkins	372,173	3.63
Total Support Services	<u>1,192,373</u>	<u>11.62</u>
TRAVEL & LEISURE (4.82%, 30 Sept 13 - 3.16%)		
336,000 Marston's	493,920	4.82
Total Travel & Leisure	<u>493,920</u>	<u>4.82</u>
UNIT TRUST/OEIC (3.11%, 30 Sept 13 - 3.12%)		
264,105 Invesco Perpetual Income (No Trail) Inc	318,695	3.11
Total Unit Trusts/OEIC	<u>318,695</u>	<u>3.11</u>
OVERSEAS EQUITIES (13.77%, 30 Sept 13 - 16.68%)		
4,625 Fresenius Medical Care	198,255	1.93
320 Givaudan	313,593	3.06
17,870 Kone 'B'	440,525	4.30
16,660 Nokian Renkaat	311,751	3.04
4,812 Verizon Communications	147,929	1.44
Total Overseas Equities	<u>1,412,053</u>	<u>13.78</u>
UNQUOTED SECURITIES (Nil, 30 Sept 13 - Nil)		
65,000 Anglo & Overseas Trust	0	0.00
Total Unquoted Securities	<u>0</u>	<u>0.00</u>
Portfolio of investments	10,075,690	98.23
Net current assets on capital account	181,831	1.77
Net assets	<u>10,257,521</u>	<u>100.00</u>

MFM HATHAWAY FUND

FINANCIAL STATEMENTS

For the year ended 30 September 2014

Statement of total return

	Notes	30 September 2014		30 September 2013	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		133,216		1,657,375
Revenue	6	315,912		280,429	
Expenses	7	(162,631)		(137,407)	
Finance costs: Interest	9	0		(93)	
Net revenue/(expense) before taxation		<u>153,281</u>		<u>142,929</u>	
Taxation	8	<u>(1,229)</u>		<u>(1,860)</u>	
Net revenue/(expense) after taxation			<u>152,052</u>		<u>141,069</u>
Total return before distributions			285,268		1,798,444
Finance costs: Distributions	9		(152,052)		(141,069)
Change in net assets attributable to unitholders from investment activities			<u><u>133,216</u></u>		<u><u>1,657,375</u></u>

Statement of change in net assets attributable to unitholders

	30 September 2014		30 September 2013	
	£	£	£	£
Opening net assets attributable to unitholders		9,476,059		8,043,556
Amounts receivable on issue of units	780,670		415,801	
Amounts payable on cancellation of units	<u>(214,283)</u>		<u>(710,792)</u>	
		566,387		(294,991)
Stamp duty reserve tax		(573)		(629)
Change in net assets attributable to unitholders from investment activities		133,216		1,657,375
Retained distribution on accumulation units		82,432		70,748
Closing net assets attributable to unitholders		<u><u>10,257,521</u></u>		<u><u>9,476,059</u></u>

MFM HATHAWAY FUND

FINANCIAL STATEMENTS
as at 30 September 2014

Balance sheet

	Notes	30 September 2014		30 September 2013	
		£		£	
Assets:					
Investment assets		10,075,690		9,349,252	
Debtors	10	62,642		66,282	
Cash and bank balances	11	190,040		91,421	
Total other assets		<u>252,682</u>		<u>157,703</u>	
Total assets		<u>10,328,372</u>		<u>9,506,955</u>	
Liabilities:					
Investment liabilities		0		0	
Creditors	12	(44,298)		(3,042)	
Distribution payable on income units		(26,553)		(27,854)	
Total other liabilities		<u>(70,851)</u>		<u>(30,896)</u>	
Total liabilities		<u>(70,851)</u>		<u>(30,896)</u>	
Net assets attributable to unitholders		<u>10,257,521</u>		<u>9,476,059</u>	

FINANCIAL STATEMENTS

Notes to the financial statements

1 ACCOUNTING POLICIES

- a Basis of preparation
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised funds issued by the Investment Management Association in October 2010.
- b Valuation of investments
The investments of the Fund have been valued using bid market values ruling on international stock exchanges at 12 noon on 30 September 2014, being the last valuation point of the year. Market value is defined by the SORP as fair value which is generally the bid value of each security. Where applicable investments are valued to exclude accrued income. Where a stock is unlisted or where there is a non liquid market, a valuation for this stock has been obtained from market makers where possible, and suspended stocks are normally valued at their suspension price. However, where the Manager believes that these prices do not reflect a fair value, or where no reliable price exists for a security, it is valued at a price which in the opinion of the Manager reflects a fair and reasonable price for that investment. Anglo Overseas Trust will be removed from the valuation when we receive confirmation that the stock has been wound up and no other liquidation payments are due to be paid.
- c Foreign exchange
All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at 12.00 noon on 30 September 2014.
- d Revenue
Revenue includes dividends on shares when the security is quoted ex - dividend by 30 September 2014 and interest received and accrued up to that date. Interest accruals on bond stocks take into account the gain or loss which is expected on each holding from the starting point (normally the date and cost of purchase) to the expected date of maturity. All UK dividends are disclosed net of UK tax.
- e Expenses
Expenses (other than those relating to the purchase and sale of investments) are charged against income as shown in these accounts.
- f Taxation/Deferred taxation
The tax accounting treatment follows that of the principal amount. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounts purposes. The deferred tax balance is not discounted.

2 DISTRIBUTION POLICIES

- a Basis of distribution
The policy of the Fund is to distribute any net revenue shown as such in the statement of total return. This amount therefore takes into account the treatment of accumulation units and of management expenses as described in the accounting policies above.
- b Accumulation units
Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.
- c Interest from debt securities
Revenue on bonds is recognised on an effective yield basis. Effective yield takes account of all expected cash flows flows from a bond over its lifetime.
- d 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.

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective as stated on page 5, the Fund holds a number of financial instruments. The Fund's financial instruments, other than derivatives, comprise securities and other instruments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

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

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 Manager in pursuance of the investment objective and policy as set out in the Full Prospectus.

Investment limits set out in the Trust Deed, the Full 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 are denominated in currencies other than sterling which is the Trust's functional currency.

The manager 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 on currency, into sterling on the day of receipt.

Interest rate risk

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates. The Fund invests in fixed and floating 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 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. 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.

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 manager.

Credit 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 Manager as an acceptable counterparty.

MFM HATHAWAY FUND

FINANCIAL STATEMENTS

Notes to the financial statements

4 NET CAPITAL GAINS/(LOSSES)

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

	30 September 2014 £	30 September 2013 £
Non-derivative securities	133,552	1,657,770
Transaction charges	(336)	(395)
Net capital gains/(losses)	<u>133,216</u>	<u>1,657,375</u>

5 PURCHASES, SALES AND TRANSACTION COSTS

	30 September 2014 £	30 September 2013 £
Purchases excluding transaction costs	2,084,186	1,468,113
Commissions	6,010	4,027
Taxes	6,235	3,680
Contract Charges and PTM Levy	87	48
Total purchase transaction costs	<u>12,332</u>	<u>7,755</u>
Purchases including transaction costs	<u>2,096,518</u>	<u>1,475,868</u>

Sales excluding transaction costs	1,508,030	1,035,861
Commissions	(4,337)	(3,105)
Contract Charges and PTM Levy	(61)	(4)
Total sale transaction costs	<u>(4,398)</u>	<u>(3,109)</u>
Sales net of transaction costs	<u>1,503,632</u>	<u>1,032,752</u>

Transaction handling charges	<u>336</u>	<u>395</u>
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6 REVENUE

	30 September 2014 £	30 September 2013 £
UK dividends	232,374	210,174
UK dividends (unfranked)	9,412	9,107
Overseas dividends	43,759	34,219
Interest on debt securities	30,098	24,723
Bank interest	269	2,206
Total revenue	<u>315,912</u>	<u>280,429</u>

7 EXPENSES

	30 September 2014 £	30 September 2013 £
Payable to the Manager or associate:		
Manager's periodic charge	154,281	130,383
Registration fees	544	651
	<u>154,825</u>	<u>131,034</u>
Payable to the Trustee or associate:		
Trustee's fees	3,704	3,129
Safe Custody fees	1,045	846
	<u>4,749</u>	<u>3,975</u>
Other expenses:		
Financial Conduct Authority fee	177	148
Audit fee	2,880	2,250
	<u>3,057</u>	<u>2,398</u>
Total expenses	<u>162,631</u>	<u>137,407</u>

FINANCIAL STATEMENTS

Notes to the financial statements

8 TAXATION

	30 September 2014	30 September 2013
	£	£
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	0	0
Overseas tax	1,229	1,860
Total tax charge	<u>1,229</u>	<u>1,860</u>
b Factors affecting the tax charge for the year		
Net revenue before taxation	153,281	142,929
Corporation tax at 20%	<u>30,656</u>	<u>28,586</u>
Effects of:		
Revenue not subject to taxation	(55,226)	(48,879)
Unrelieved excess management expenses	24,570	20,293
Overseas tax	1,229	1,860
Current tax charge	<u>1,230</u>	<u>1,860</u>

At 30 September 2014 the Fund had surplus management expenses of £448,349 (30.09.13 - £325,497). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, no deferred tax asset has been recognised.

9 FINANCE COSTS

	30 September 2014	30 September 2013
	£	£
Distributions and interest		
The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:		
Interim	95,767	81,894
Final	58,286	56,723
Add: Revenue deducted on cancellation of units	837	4,374
Deduct: Revenue received on creation of units	(2,837)	(1,918)
Deduct: Revenue brought forward	(1)	(4)
Finance costs: Distributions	<u>152,052</u>	<u>141,069</u>
Finance costs: Interest	0	93
Total finance costs	<u>152,052</u>	<u>141,162</u>

Details of the distribution per unit are set out in the distribution table in note 15.

10 DEBTORS

	30 September 2014	30 September 2013
	£	£
Amounts receivable for creation of units	34,365	47,137
Accrued income	27,947	16,294
Taxation recoverable	330	2,851
Total debtors	<u>62,642</u>	<u>66,282</u>

11 CASH AND BANK BALANCES

	30 September 2014	30 September 2013
	£	£
Capital bank account	156,179	50,991
Revenue bank account	33,861	40,430
Total cash and bank balances	<u>190,040</u>	<u>91,421</u>

MFM HATHAWAY FUND

FINANCIAL STATEMENTS

Notes to the financial statements

12 CREDITORS

	30 September 2014	30 September 2013
	£	£
Purchases awaiting settlement	39,982	0
Accrued expenses	4,316	3,042
Total creditors	<u>44,298</u>	<u>3,042</u>

13 RELATED PARTIES

The Manager 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 Unitholders' Net Assets on page 13.

During the year the Manager held units in the Fund and had a holding of 99.996 units at the year end.

During the year, the scheme paid management and registration charges to its manager as follows:

		Outstanding at year end	
		30 September 2014	30 September 2013
	£	£	£
Marlborough Fund Managers Ltd	154,825	137	164

During the year, the scheme paid trustee and safe custody fees and transaction charges to its trustee as follows:

		Outstanding at year end	
		30 September 2014	30 September 2013
	£	£	£
HSBC Bank	5,085	1,756	800

14 RISK DISCLOSURES

Interest rate risk

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

Financial assets with fixed interest rates:		30 September 2014	30 September 2013
		£	£
Sterling		<u>1,469,813</u>	<u>1,488,661</u>
Weighted fixed interest rates:		30 September 2014	30 September 2013
		%	%
Sterling		<u>1.90</u>	<u>1.87</u>
Weighted average period for financial assets with fixed interest rates:		30 September 2014	30 September 2013
		years	years
Sterling		<u>1.61</u>	<u>2.61</u>

FINANCIAL STATEMENTS

Notes to the financial statements

RISK DISCLOSURES (continued)**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 2014:

	Investments £	Net current assets £	Total £
Euro	950,531	330	950,861
Swiss franc	313,593	0	313,593
US dollar	147,929	0	147,929
	<u>1,412,053</u>	<u>330</u>	<u>1,412,383</u>

Foreign currency exposure at 30 September 2013:

	Investments £	Net current assets £	Total £
Euro	677,715	2,851	680,566
US dollar	902,887	0	902,887
	<u>1,580,602</u>	<u>2,851</u>	<u>1,583,453</u>

15 DISTRIBUTION TABLE

For the period from 1 October 2013 to 31 March 2014

INCOME UNITS

Group 1: units purchased prior to 1 October 2013

Group 2: units purchased on or after 1 October 2013

	Net revenue to 31 Mar 2014 pence per unit	Equalisation to 31 Mar 2014 pence per unit	Distribution paid 31 May 2014 pence per unit	Distribution paid 31 May 2013 pence per unit
Group 1	0.9252p	0.0000p	0.9252p	0.8353p
Group 2	0.4382p	0.4870p	0.9252p	0.8353p

ACCUMULATION UNITS

Group 1: units purchased prior to 1 October 2013

Group 2: units purchased on or after 1 October 2013

	Net revenue to 31 Mar 2014 pence per unit	Equalisation to 31 Mar 2014 pence per unit	Distribution paid 31 May 2014 pence per unit	Distribution paid 31 May 2013 pence per unit
Group 1	1.1664p	0.0000p	1.1664p	1.0372p
Group 2	0.5525p	0.6139p	1.1664p	1.0372p

For Corporate Unitholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	88.73%
Unfranked	11.27%

£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

0.0000p is the trustee's net liability to corporation tax per unit.

MFM HATHAWAY FUND

FINANCIAL STATEMENTS

Notes to the financial statements

DISTRIBUTION TABLE (continued)

For the period from 1 April 2014 to 30 September 2014

INCOME UNITS

Group 1: units purchased prior to 1 April 2014

Group 2: units purchased on or after 1 April 2014

	Net revenue to 30 Sep 2014 pence per unit	Equalisation to 30 Sep 2014 pence per unit	Distribution payable 30 Nov 2014 pence per unit	Distribution paid 30 Nov 2013 pence per unit
Group 1	0.5542p	0.0000p	0.5542p	0.5741p
Group 2	0.3086p	0.2456p	0.5542p	0.5741p

ACCUMULATION UNITS

Group 1: units purchased prior to 1 April 2014

Group 2: units purchased on or after 1 April 2014

	Net revenue to 30 Sep 2014 pence per unit	Equalisation to 30 Sep 2014 pence per unit	Distribution payable 30 Nov 2014 pence per unit	Distribution paid 30 Nov 2013 pence per unit
Group 1	0.7051p	0.0000p	0.7051p	0.7195p
Group 2	0.3927p	0.3124p	0.7051p	0.7195p

For Corporate Unitholders the percentage split between Franked and Unfranked income relating to this distribution was:

Franked	85.80%
Unfranked	14.20%

£0.00 is the trustee's net liability to corporation tax in respect of the gross revenue.

0.0000p is the trustee's net liability to corporation tax per unit.

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