MFM HATHAWAY FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 30th September 2017

Marlborough
Fund Managers

MFM HATHAWAY FUND

Authorised Fund Manager and Registrar

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.

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.

Auditor

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

MFM HATHAWAY FUND

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Percentage change and sector position to 30 September 2017

	Six months	1 year	3 years	5 years
MFM Hathaway Fund	11.42%	17.78%	44.39%	86.79%
Sector Average	2.56%	9.25%	27.08%	52.39%
Rank*	1/155	2/151	3/127	3/109
Quartile Ranking*	1	1	1	1

* Based on ranking within The Investment Association's Mixed Investment 40% - 85% Shares sector; the figure after the rank shows the number of funds in the class (*e.g.* 1st out of 155 funds over the six months).
External Source of Economic Data: *Morningstar* (bid to bid, net income reinvested).
(Please note - The figures above are based on the quoted bid prices on the pricing/valuation points of the Fund, which is on a weekly basis on Thursday each week. For example, the figures for 1 year are based on the quoted bid prices for 29 September 2016 and 28 September 2017).

Recent performance

We have pleasure in presenting our fifteenth annual report on our unit trust, which appreciably outperformed in the second half, to take the *total return* to 17.8% over the twelve months, reflecting a 28.395p increase in *accumulation units*. Paradoxically, the percentage figure was almost identical to last year, but the monetary amount was considerably more this time, as we started at a higher point than in 2015 (read on for more about the *compound interest model*).

This compares with our benchmark's 6.6%, the general stock market at 11.6% and blue chips at 11.1%; gilts returned *minus* 5.1%. The fund's standing in the two tables is gratifying while, since launch (November 2002), the units we describe have advanced from 50p to 187.69p – reflecting annual compounding now at almost 9.5% (up from the 8.5% annual run rate recorded a year ago).

We mentioned in the interim report, that we had no intention of changing our benchmark to reflect our current 15% "minimum" allocation to gilts (to remain in our sector) and we explained why. Our stance and reasoning is unchanged, but we note for completeness that a comparator reflecting that actual asset proportion this year would have returned 9.1%; we rest our case.

Amid continuing low inflation in the year (although just now it has spiked up and stands at 2.8%), our *absolute* return was again particularly encouraging and in this formal report, our twenty ninth, we record our twenty fifth positive period return; since we started the fund, the good times have overwhelmed the disappointments and the *relative* exhibits above and below reflect that.

Along the way, the buoyancy of the stock market since 2016, despite the Brexit vote last summer and the outcome of the US election (both of which were widely forecast to spell doom), has served further to weaken our faith in pundits and their solemn predictions.

Equally, as we highlighted last year, a dramatic rise in a security's *market price*, is of course only truly gratifying when it is matched by a corresponding gain in an enterprise's *intrinsic value*. However, unlike in 2016 - which was a general advance - this time the gain in our equity portfolio, was largely down to the market's recognition of the worth of just a few of our investees – see below. In a long-term *value investing* programme, that is often how the cookie crumbles.

In other words, last year we were talking about the possible divergence of *market price* ahead of *fair value* across most of our equity portfolio, whereas this year – particularly in the last six months or so – it has been more about "catch-up" for a few items in our collection.

Meanwhile, the general overstretching in equities is not all completely wild optimism, but the stock market, with a *price/earnings ratio* of 24x and individual securities therefore priced considerably higher, carries the possibility of material declines at some point, although the alternatives, particularly bonds, are hardly attractive. The growing general view though, of equities as being like a commercial rent review – "upwards only" – spells a degree of danger.

In the face of this, all our holdings continue reassuringly to enjoy well above average returns on invested capital; accordingly, we expect our shares to continue to fare at least *relatively* well. Their quality is reassuring, as borne out by their recent behaviour (it wasn't speculation that fuelled their price rises) and their long-haul record.

Investing conditions & portfolio developments in the year

It is good to note the capital advance of certain of our investees, against the background of a stock market that grew 7.5%. We don't normally dwell on gains alone of course though (see below for evidence of that futility), but we thought unitholders might find it useful this time to see how those star performers fared in the year, particularly as some had been smouldering for some time and because we mentioned them in the interim report.

Prominently, the price hikes were: Toyo Tire – up 54% in sterling terms, Games Workshop – up 283%, Electrocomponents – up 81% (a holding we gave special mention to, as requiring patience, in the 2015 annual report) and John Menzies – up 42% (adjusting for the *rights issue*).

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There was just one lacklustre performer of note: Next, which gained just 3%, although it was not purchased until the end of last year, so it is early days – *q.v.* again those previous report comments on holdings such as Electrocomponents and Games Workshop (and how we were awaiting their recognition by the market); Next may be a slow cooker too. This is a situation we have seen before: the retailer fell heavily soon after we acquired it (buying at the very bottom is never easy to achieve) and the customary patience is needed while we await the rewards to come.

Meanwhile, in the year, we reduced our holding of Scottish Mortgage Investment Trust to just 2%; this first-class fund has had a stunning run since the financial crisis, but with around half its portfolio in ten very highly priced securities – *e.g.* Amazon, Tesla, Alibaba, Inditex etc. – we considered the interests of our unitholders to be best served by reallocating most of that capital. Indeed, not only do we regard the fundamental economics of the middle two of that group as unattractive (one of them is bailed out by the Federal Government), but we chose Next over the impressive Inditex (think of its excellent worldwide fashion chain Zara) simply on price grounds.

Long-term performance: the fifteen-year record

Turning to the long haul, the numbers below record our *accumulation units* well ahead of our benchmark and the stock market since launch; alongside, gilts have returned 117.3% since 2002 and inflation was close to 55%. Meanwhile, *income unitholders* received capital growth of 183.5% in that time – far ahead of the FTSE All Share's 100.3% – together with dividends, expressed as a yield on their original investment, well up with inflation. Gratifyingly, our long-term equity portfolio record and of course that of the whole fund, was further enhanced in the year, due to the nature of compounding (referred to above and below).

Year	MFM Hathaway Fund	Target Benchmark	FTSE 100	FTSE All Share	Fund equities
2002/2016	+218.6%	+180.2%	+171.7%	+202.1%	+250.2%
2016/2017	+17.8%	+6.6%	+11.1%	+11.6%	+21.8%
Cumulative	+275.3%	+201.3%	+201.9%	+237.3%	+325.5%

Naturally, reflecting the two periods before and after the practical end of the financial crisis, our long-term performance has seen two, almost biblical, phases. First, the time from launch until 3rd March 2009 (the stock market's nadir), over which six-and-a-half-year period we had a total return of just 22.2% and the long recovery shift since, when we enjoyed a total return of 207%.

We have noted before, that funds with bonds alongside equities, are not "supposed" to participate fully in the general stock market, so it is professionally satisfying to continue to surpass the most demanding comparator that is the FTSE All Share Index. We are however, not complacent; indeed, the list of factors to consider always remains long. It is helpful though to review our first fifteen years, what our goals have been (and remain) and how we fared in pursuit of them.

Examining the record then – and the percentages in the tables are *after* all charges – the gratifying long-term outperformance was attributable to two main factors. First, what proved generally to be wise asset allocation proportions between bonds and stocks: in 2002/03 when we started our work, in 2007/08 when we favoured bonds as equities scaled the heights and then the reversal of that decision during and after the financial crisis. Secondly, there was our equity portfolio outperformance (*i.e.* our selection of superior businesses, but at great prices); both operations complemented and enhanced the outcome of the other.

Support for our efforts meanwhile, came from our small group of quality *investment trusts*; in our fund – an engine required by law to have at least twenty cylinders (*i.e.* holdings) – they have provided stable returns over the fifteen years. Equally, since this collection (a subset of the equity portfolio) comprises some very mature underlying portfolios (one fund we held for many years, started in 1868) and they can gear up by (sensible) borrowing when equities are depressed, they have also enabled us – by proxy – to hold some modest underlying gearing in our own portfolio.

Additionally, in down markets – as a side-effect of their borrowing – such vehicles are often available on particularly attractive terms (*i.e.* when irrationally marked down) and therefore then present an additional attraction for the "*closed-ended*" fund aficionado: the "value gap" produced by a market discount from net asset value. Accordingly, they have indeed provided a long-term, healthy contribution, far superior to an index fund or the typical "closet-index" vehicle (the latter sadly a common description of many average and sub-par "*open-ended*" unit trusts).

Furthermore, several, such as Law Debenture, have additional special characteristics which, while not guaranteeing outperformance, do provide a further appreciable tailwind to their portfolio and again therefore to our fund; few seem to notice that they are often playing *with* a stacked deck.

Finally, we have recently accelerated due to our holdings' overall quality, with our equities' *total return* compounding annually at 14.5% since 2012, compared with the FTSE All Share Index's 9.75% and gilts' 3.5%: a good background against which to revisit our goals and methods.

AUTHORISED INVESTMENT ADVISER'S REPORT
for the year ended 30 September 2017

What we have endeavoured to do since 2002: our curriculum and calculus summarized

First, to rehearse the essence of the philosophy of *value investing* (both our stance and pattern of operations): we find the world to be generally in a degree of disarray, but it is a perfect shambles nonetheless; accordingly, the only approach with the prospect of doing well is one whereby you always try to think rationally and objectively. We are always seeking a $ worth of value for 50 cents and – contrary to accepted wisdom – you *can* have your cake and eat it, if your *modus operandi* is one of buying securities that are priced way below *fair value* (which, owing to the general confusion, we are able to do from time to time).

Alongside, our operations include *evaluating* risk and *valuing* it, a task which is more nuanced than accepted wisdom suggests. Indeed, to shine a light: it is fundamentally untrue that *risk* and *reward* are necessarily positively correlated as M&S, at £2 a share, is much less risky than at £10 and yet the former offers considerably more prospective reward. Accordingly, it follows that a portfolio comprising mainly the securities of quality companies, purchased materially below *fair value*, must provide above average prospective returns and below average risk.

In practical terms: over the nearly eighteen years since the turn of the century, the *capital growth* on the FTSE 100 (to our year-end) was just 5.5% (and “only” 75% over our fund’s life) and so we have had to be generally more creative, over the years, than just chasing that rabbit. After all, while enjoying a reputation for a long-term outlook, inflation of around 65% since 1999, made a concentration on capital growth over that time require unthinking patience. Therefore, stubborn though our goals have been, flexibility has been required.

Indeed, as the century’s *total return* on the general stock market has been 125% so far, clearly pursuing true profits (leading to dividends and their growth) from good businesses, and/or finding greater prospects for capital advances than offered by equities generally, was the royal road to a satisfactory outcome. After all, there are *two* FTSE 100 indices (as with all the FTSE records) and concentrating on the usually meaningless *capital* series (which of course doesn’t include dividends), was and always will be myopic; keeping up with its course, *can* leave you better informed, but rarely the wiser.

We therefore seek the best long-term annual compounding, commensurate with the general level of risk carried and so we always have one eye on the *compound interest model*: in simple terms, demonstrating its snowball effect, we achieved an annual compound return about 23% higher than our benchmark since launch, but this produced an additional 74% on an investor’s original commitment. Furthermore, achieve that same annual superiority for another fifteen years (although this is neither promise nor prediction), and that extra return will advance to six times the starting investment, such is the wonder of the phenomenon which entranced Einstein.

Finally, always looking to the long-term, we obey Warren Buffett’s partner Charlie Munger’s “first rule of compounding” (the cousin of patience): “never interrupt it unnecessarily.”

Outlook

Turning to the road ahead, we are generally cautious; alongside the customary “known unknowns” which come with the territory, there are plenty of additional *unknown unknowns* right now. Indeed, with the general political scene tumultuous, financiers’ eyes are on Janet Yellen at the Federal Reserve (probably the only leading central banker blessed with options); meanwhile, it appears that our interest rates may also soon rise, confirming Mark Carney as having behaved for years like the boy who cried wolf in the Aesop’s fable.

So, what then generally looks positive, or at least heading in that direction, amidst current events?

Well, the over-popularity of government bonds is a bubble slowly deflating (although stubbornly unwilling truly to burst); nevertheless, we observed last September that the *risk-free rate* (the total return on a 10-year gilt) “may not be at 0.95% much longer”, since when that *redemption yield* has risen almost 50% to 1.42%, with a corresponding decline in capital value (to just below par).

In fact, almost all other gilts currently enjoy a special position in the race to the bottom next to *structured products (SPs)*; the latter typically provide you an “opportunity” to enter into an insurance policy incurring a premium of, say, two thirds of the total return from the stock market over a set period, in return for a guaranteed one third (the deck is always stacked against you that way).

Mind you, unlike gilts, *SP*s generally give you your money back if the market falls over the life of the contract; holders learn to be thankful for small mercies.

Government bonds generally then, currently offer something not completely dissimilar – a guarantee of *some* (*i.e.* partial) safety (although no protection from inflation on the conventional instruments) – in return for a huge premium equating to the capital loss you elect to endure; the longer dated bonds are particularly unappealing and we therefore hold only the shortest paper available, not wishing to participate in a financial version of the Milgram Experiment.

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Maybe though, more profound change in the bond market is indeed afoot and so normalcy may return before too long: the one factor investors often overlook – time – is beginning once more to assert its influence (and, like gravity, it has never failed), the point being that its unshakeable influence (alongside interest rates) is at the heart of bond mathematics. What was a ten-year gilt a year ago, now has only nine years to run (and certainly fewer and fewer places to hide).

Indeed, when a lack of faith in the merits of overpriced government debt really sets in, it might be messy; the continuing negative yields on certain German state *bunds*, tell a cautionary tale and not a reason to be cheerful for investors. However, as when we bought Segro bonds in 2008, in which we made unitholders some gratifying returns: if there be a calamity, we stand ready to buy.

In the meantime, as we highlighted a year ago, our current view remains that the shares of quality companies, bought for the long-term, represent the best home for capital. Equities therefore remain our core, with holdings spread across a range of industries and geographies, the only common factor being that they must remain attractive to us both in their operations and valuation.

We anticipate our spring report; meanwhile, our website contains more about *value investing*, updated prices/performance figures and all twenty-nine formal reports. We close thanking MFM, our administrators/registrars and Barlow Andrews, our auditors; both do a great job.

Graham Englefield
Graham Shaw CFA
Robert Bogle

20 October 2017
www.hathawayinvestment.com

Notes

1. Statistical sources: benchmark and index figures (the former an amalgam of certain of the latter – see below) quote *data* recorded in the Financial Times (and all are on a *mid-to-mid* price basis, with income reinvested); fund performance is based on the mid-price of *accumulation units* (except where stated), which provides a complete record, since they carry accrued income alongside capital performance (less all charges and costs). All figures are therefore on a corresponding footing.

2. "Equities" means company shares, the FTSE All Share Index reflecting almost all quoted companies; "gilts" means UK government bonds. The FTSE 100 Index records "blue chips", "large capitalization" or "large cap" stocks; we use the first of these indices, as to 70%, the remainder the performance of all the gilts, in calculating a *comparator* benchmark.

3. Our benchmark is therefore a rough guide as to how the fund's portfolio might have been invested over any period (including the allocation between bonds and equities), reflecting how a typical conservative private investor's commitments might well be constructed.

4. The cumulative figures in the second table very accurately show the *total return* from 25.11.02 to 30.09.17; any discrepancy, is due to rounding and is not material.

5. "Year", "2002/2016" or "2016/17" means the fund year or years – October 1st to September 30th - except for 2002/03 (reflected only within aggregate numbers here), which period commenced 25.11.02 (our launch). Actual valuation dates (and the corresponding *data*) in some years, may vary by a day or so, but we are consistent in using the same numbers to commence subsequent periods etc.

AUTHORISED INVESTMENT ADVISER'S REPORT
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Distributions (pence per unit)

	Year 2017	Year 2016	Year 2015	Year 2014
Income units				
Net income paid 31 May	0.8262	0.4537	0.7198	0.9252
Net income paid 30 November	1.1503	0.9071	0.8373	0.5542
Accumulation units				
Net income paid 31 May	1.0920	0.5973	0.9209	1.1664
Net income paid 30 November	1.5285	1.2510	1.0786	0.7051

Portfolio changes

Purchases	Cost (£)	Sales	Proceeds (£)
UK Treasury 1.5% 22.01.21	1,169,181	UK Treasury 1.75% 22.01.17	674,500
Next	552,704	Scottish Mortgage Investment Trust	476,031
Primary Health Properties	287,387	Menzies (John)	333,772
Menzies (John)	168,526	Givaudan	157,011
Marston's	150,373		
Meggitt	99,994		
Travis Perkins	60,082		
Total purchases for the year	2,488,247	Total sales for the year	1,641,314

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

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.

Investment objective

The objective of the Fund is to achieve long-term growth of investors' capital and income.

Though there will be a general emphasis on a fair immediate yield, the Fund 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 Fund 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 Fund may invest in derivatives and forward transactions for the purposes of hedging only.

Changes in prospectus

No changes have been made since the last report.

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

Remuneration policy

In line with the requirement of UCITS V, Marlborough Fund Managers Ltd 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 2017 are set out below.

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Fund				
Senior Management	11	459,633	354,725	104,907
Risk takers and other identified staff	4	181,184	155,035	26,149
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior Management	0.02	2,029	1,566	463
Risk takers and other identified staff	1.01	62,323	62,252	71

The total number of staff employed by the AFM was 139 at 30 September 2017. The total remuneration paid to those staff was £5,799,615, of which £3,592,633 is attributable to the AFM.

The allocation of remuneration to the AFM is based on Assets Under Management (AUM), as staff work for two AFMs. The allocation of remuneration to the Fund is based on AUM where staff are not directly allocated to the Fund. The way these disclosures are calculated may change in the future.

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
16 November 2017

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

Marlborough Fund Managers Ltd is the authorised fund 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 authorised fund 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 authorised fund manager is required to:

- Comply with the Statement of Recommended Practice relating to Authorised Funds issued by The Investment Association, 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.

The authorised fund manager is required to keep proper accounting records and to manage the Fund in accordance with the regulations, the trust deed and the prospectus.

DEPOSITARY'S REPORT

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of MFM Hathaway Fund (''the Trust'') for the period ended 30 September 2017

The Depositary in its capacity of Trustee of MFM 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 into the 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 **LONDON**

16 November 2017

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

Opinion

We have audited the financial statements of MFM Hathaway Fund (the 'fund') for the year ended 30 September 2017 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 30 September 2017 and of its net revenue and net capital gains or losses on the fund property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the trust deed.

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. 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 FRC's 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the authorised fund manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised fund manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The authorised fund manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the report of the authorised fund manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- 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.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the fund and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the authorised fund manager.

We have nothing to report in respect of the following matters to which the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the fund have not been kept; or
- the financial statements are not in agreement with those records.

Responsibilities of the authorised fund manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 7, 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, and for such internal control as the authorised fund 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 authorised fund 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 authorised fund manager either intends to liquidate the fund or to cease activity, or have 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

This report is made solely to the fund's unitholders, as a body, in accordance with 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 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.

Barlow Andrews LLP
Chartered Accountants
Statutory Auditor
Carlyle House
78 Chorley New Road
Bolton

16 November 2017

COMPARATIVE TABLE

Income and Accumulation units were first offered at 50p on 4 November 2002.

Income units **Change in net assets per unit**	**Year to 30.09.2017 pence**	**Year to 30.09.2016 pence**	**Year to 30.09.2015 pence**
Opening net asset value per unit	116.77	101.50	97.24
Return before operating charges*	25.22	18.56	7.46
Operating charges	(1.98)	(1.93)	(1.64)
Return after operating charges*	23.24	16.63	5.82
Distribution on income units	(1.98)	(1.36)	(1.56)
Closing net asset value per unit	138.03	116.77	101.50
* after direct transaction costs of:	0.15	0.22	0.17
Performance			
Return after charges	19.90%	16.38%	5.99%
Other information			
Closing net asset value	£6,092,033	£5,167,700	£4,581,053
Closing number of units	4,413,669	4,425,557	4,513,410
Operating charges	1.57%	1.58%	1.59%
Direct transaction costs	0.12%	0.18%	0.16%
Prices			
Highest unit price	145.74p	125.16p	112.62p
Lowest unit price	113.81p	99.86p	92.81p

Accumulation units **Change in net assets per unit**	**Year to 30.09.2017 pence**	**Year to 30.09.2016 pence**	**Year to 30.09.2015 pence**
Opening net asset value per unit	153.67	131.84	124.42
Return before operating charges*	33.31	24.36	9.52
Operating charges	(2.61)	(2.53)	(2.10)
Return after operating charges*	30.70	21.83	7.42
Distributions	(2.62)	(1.85)	(2.00)
Retained distributions on accumulation units	2.62	1.85	2.00
Closing net asset value per unit	184.37	153.67	131.84
* after direct transaction costs of:	0.20	0.28	0.22
Performance			
Return after charges	19.98%	16.56%	5.96%
Other information			
Closing net asset value	£8,740,404	£6,877,458	£5,718,764
Closing number of units	4,740,654	4,475,495	4,337,802
Operating charges	1.57%	1.58%	1.59%
Direct transaction costs	0.12%	0.18%	0.16%
Prices			
Highest unit price	192.99p	163.32p	145.09p
Lowest unit price	149.70p	129.68p	118.74p

Operating charges are the same as the ongoing charges and are the total expenses paid by the Fund 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 are as a percentage of the average net asset value over the year and the average units in issue for the pence per unit figures.

MFM HATHAWAY FUND

SYNTHETIC RISK AND REWARD INDICATOR

Lower risk Higher risk

Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7

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 4 because it has experienced moderate volatility historically.

PORTFOLIO STATEMENT
as at 30 September 2017

Holding or nominal value		Bid value £	Percentage of total net assets %
	LOAN STOCKS (15.28%, 30 Sept 16 - 15.10%)		
2,202,000	UK Treasury 1.5% 22.01.21	2,266,331	15.28
	Total Loan Stocks	2,266,331	15.28
	AEROSPACE & DEFENCE (4.17%, 30 Sept 16 - 3.64%)		
117,625	Meggitt	618,119	4.17
	Total Aerospace & Defence	618,119	4.17
	BEVERAGES (3.29%, 30 Sept 16 - 3.24%)		
65,400	Britvic	487,884	3.29
	Total Beverages	487,884	3.29
	EQUITY INVESTMENT INSTRUMENTS (7.05%, 30 Sept 16 - 10.60%)		
163,250	Henderson High Income Trust	308,134	2.07
77,300	Law Debenture Corporation	455,297	3.07
67,000	Scottish Mortgage Investment Trust	283,075	1.91
	Total Equity Investment Instruments	1,046,506	7.05
	FOOD & DRUG RETAILERS (4.64%, 30 Sept 16 - 4.85%)		
336,000	Booker Group	688,128	4.64
	Total Food & Drug Retailers	688,128	4.64
	GENERAL RETAILERS (3.82%, 30 Sept 16 - Nil)		
10,750	Next	566,525	3.82
	Total General Retailers	566,525	3.82
	INDUSTRIAL TRANSPORTATION (5.28%, 30 Sept 16 - 5.90%)		
72,500	Ocean Wilsons Holdings	783,000	5.28
	Total Industrial Transportation	783,000	5.28
	LEISURE GOODS (6.75%, 30 Sept 16 - 2.13%)		
51,225	Games Workshop Group	1,001,449	6.75
	Total Leisure Goods	1,001,449	6.75
	PERSONAL GOODS (3.12%, 30 Sept 16 - 4.37%)		
146,000	PZ Cussons	463,550	3.12
	Total Personal Goods	463,550	3.12
	PHARMACEUTICALS & BIOTECHNOLOGY (4.86%, 30 Sept 16 - 5.67%)		
34,740	Genus	720,855	4.86
	Total Pharmaceuticals & Biotechnology	720,855	4.86
	REAL ESTATE INVESTMENT & SERVICES (1.08%, 30 Sept 16 - 1.26%)		
2,735	Daejan Holdings	159,724	1.08
	Total Real Estate Investment & Services	159,724	1.08
	REAL ESTATE INVESTMENT TRUSTS (6.11%, 30 Sept 16 - 4.54%)		
741,800	Primary Health Properties	906,851	6.11
	Total Real Estate Investment Trusts	906,851	6.11
	SUPPORT SERVICES (13.78%, 30 Sept 16 - 12.91%)		
100,000	Electrocomponents	621,000	4.19
135,133	Menzies (John)	970,255	6.54
31,005	Travis Perkins	452,053	3.05
	Total Support Services	2,043,308	13.78

PORTFOLIO STATEMENT
as at 30 September 2017

Holding or nominal value		Bid value £	Percentage of total net assets %
	TRAVEL & LEISURE (3.71%, 30 Sept 16 - 4.46%)		
509,300	Marston's	550,044	3.71
	Total Travel & Leisure	550,044	3.71
	OVERSEAS SECURITIES (15.80%, 30 Sept 16 - 17.43%)		
4,625	Fresenius Medical Care	337,655	2.28
220	Givaudan	356,281	2.40
17,870	KONE 'B'	698,866	4.71
56,600	Toyo Tire & Rubber	950,888	6.41
	Total Overseas Securities	2,343,690	15.80
	UNQUOTED SECURITIES (0.00%, 30 Sept 16 - 0.00%)		
65,000	Anglo & Overseas Trust	0	0.00
	Total Unquoted Securities	0	0.00
	Portfolio of investments	14,645,964	98.74
	Net current assets on capital account	186,473	1.26
	Net assets	14,832,437	100.00

STATEMENT OF TOTAL RETURN
for the year ended 30 September 2017

	Notes	30 September 2017 £	£	30 September 2016 £	£
Income:					
Net capital gains/(losses)	4		2,241,096		1,551,466
Revenue	6	419,073		314,329	
Expenses	7	(205,567)		(173,242)	
Net revenue/(expense) before taxation		213,506		141,087	
Taxation	8	(4,683)		(60)	
Net revenue/(expense) after taxation			208,823		141,027
Total return before distributions			2,449,919		1,692,493
Distributions	9		(208,823)		(141,027)
Change in net assets attributable to unitholders from investment activities			2,241,096		1,551,466

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
for the year ended 30 September 2017

	30 September 2017 £	£	30 September 2016 £	£
Opening net assets attributable to unitholders		12,045,158		10,299,816
Amounts receivable on issue of units	622,656		576,305	
Amounts payable on cancellation of units	(199,364)		(464,054)	
		423,292		112,251
Change in net assets attributable to unitholders from investment activities		2,241,096		1,551,466
Retained distribution on accumulation units		122,891		81,625
Closing net assets attributable to unitholders		14,832,437		12,045,158

BALANCE SHEET
as at 30 September 2017

	Notes	30 September 2017	30 September 2016
		£	£
Assets:			
Fixed Assets:			
Investments	15	14,645,964	11,575,827
Current Assets:			
Debtors	10	131,387	27,413
Cash and bank balances		110,695	504,539
Total assets		14,888,046	12,107,779
Liabilities:			
Creditors:			
Distribution payable on income units		50,771	40,146
Other creditors	11	4,838	22,475
Total liabilities		55,609	62,621
Net assets attributable to unitholders		14,832,437	12,045,158

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2017

1 ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared in compliance with FRS102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

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. The principal accounting policies adopted are set out below.

b Going concern

The authorised fund manager has at the time of approving the financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c Revenue

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

Stock dividends, received as shares to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue.

Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. The tax treatment follows the accounting treatment of the principal amount.

Bank interest is accounted for on an accrual basis. Interest earned from debt securities is accounted for on an effective yield basis. Effective yield takes account of all expected cash flows from a bond over its lifetime.

d Expenses

All expenses are accounted for on an accruals basis and, other than those relating to purchase and sale of investments, are charged against income as shown in these accounts.

e Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on net revenue for the year. The taxable amount differs from net revenue as reported in the Statement of Total Return (SOTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SOTR. Deferred tax assets and liabilities are offset when the Fund has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

f Valuation of investments

The investments of the Fund have been valued at their fair value at 12 noon on 29 September 2017. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the authorised fund manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the authorised fund manager's best estimate of a fair and reasonable value for that investment. The fair value excludes any element of accrued interest.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2017

ACCOUNTING POLICIES

g Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the net capital gains/(losses) for the year.

h Cash and bank balances
Cash and bank balances include deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within creditors in liabilities.

i Financial assets
The authorised fund manager has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Fund's financial instruments.

Financial assets are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include amounts receivable for the issue of units, accrued income and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or uncollectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

j Financial liabilities
Financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of units and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, the Fund's obligations are discharged, cancelled, or they expire.

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. Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b 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 6, 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 authorised fund 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 authorised fund manager 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 authorised fund 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 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 authorised fund manager as an acceptable counterparty.

The Fund invests in fixed interest bonds, which are generally viewed as lower-risk investments than equities. However the solvency of organisations with whom the Fund invests cannot be guaranteed, and any difficulty may adversely affect the Fund's performance. Although bonds have a fixed coupon or interest payment, the Fund will be buying and selling bonds on a regular basis, and so the overall level of income will fluctuate.

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 authorised fund manager.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2017

4 NET CAPITAL GAINS/(LOSSES)	**30 September 2017 £**	**30 September 2016 £**
The net gains/(losses) on investments during the year comprise:		
Non-derivative securities	2,240,299	1,553,144
Currency gains/(losses)	1,135	(1,156)
Transaction charges	(338)	(522)
Net capital gains/(losses)	2,241,096	1,551,466

5 PURCHASES, SALES AND TRANSACTION COSTS		**30 September 2017 £**	**30 September 2016 £**
Purchases excluding transaction costs			
Equities		1,141,401	1,723,171
Debt securities		1,165,684	1,366,141
Corporate actions		168,526	0
		2,475,611	3,089,312
Equities:	Commissions	3,424	4,444
	Taxes and other charges	5,715	5,111
Debt securities:	Commissions	3,497	4,098
Total purchase transaction costs		12,636	13,653
Purchases including transaction costs		2,488,247	3,102,965
Purchase transaction costs expressed as a percentage of the principal amount:			
Equities:	Commissions	0.30%	0.26%
	Taxes and other charges	0.50%	0.30%
Debt securities:	Commissions	0.30%	0.30%
Sales excluding transaction costs			
Equities		969,826	2,151,613
Debt securities		674,500	1,018,000
		1,644,326	3,169,613
Equities:	Commissions	(2,910)	(5,653)
	Taxes and other charges	(102)	(141)
Total sale transaction costs		(3,012)	(5,794)
Sales net of transaction costs		1,641,314	3,163,819
Sale transaction costs expressed as a percentage of the principal amount:			
Equities:	Commissions	0.30%	0.26%
	Taxes and other charges	0.01%	0.01%
Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:			
Commissions		0.07%	0.13%
Taxes and other charges		0.04%	0.05%
		0.11%	0.18%
Transaction handling charges		£338	£522

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.

	30 September 2017	30 September 2016
Average portfolio dealing spread at the balance sheet date	0.27%	0.45%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2017

6 REVENUE	**30 September 2017**	**30 September 2016**
	£	**£**
UK dividends	312,310	208,680
UK dividends (unfranked)	0	2,471
Overseas dividends	96,060	88,445
Interest on debt securities	10,662	14,577
Bank interest	41	156
Total revenue	419,073	314,329

7 EXPENSES	**30 September 2017**	**30 September 2016**
	£	**£**
Payable to the authorised fund manager or associate:		
Manager's periodic charge	196,317	164,661
Registration fees	554	562
	196,871	165,223
Payable to the Trustee or associate:		
Trustee's fees	4,530	3,946
Safe Custody fees	1,271	1,175
	5,801	5,121
Other expenses:		
Financial Conduct Authority fee	194	190
Audit fee	2,701	2,708
	2,895	2,898
Total expenses	205,567	173,242

8 TAXATION	**30 September 2017**	**30 September 2016**
	£	**£**
a Analysis of the tax charge for the year		
Overseas tax	4,683	60
Total tax charge	4,683	60
b Factors affecting the tax charge for the year		
Net revenue before taxation	213,506	141,087
Corporation tax at 20%	42,701	28,217
Effects of:		
Revenue not subject to taxation	(81,674)	(59,425)
Unrelieved excess management expenses	38,973	31,208
Overseas tax	4,683	60
Current tax charge	4,683	60

At 30 September 2017 the Fund has deferred tax assets of £183,802 (30.09.16 - £144,829) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS — **30 September 2017** **£** / **30 September 2016** **£**

The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:

	30 September 2017	**30 September 2016**
	£	**£**
Interim	86,861	45,600
Final	123,232	96,136
Amounts deducted on cancellation of units	1,567	1,835
Amounts added on issue of units	(2,833)	(2,544)
Revenue brought forward	(4)	0
Distributions	208,823	141,027

Details of the distribution per unit are set out in the distribution table in note 16.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2017

10 DEBTORS	30 September 2017 £	30 September 2016 £
Amounts receivable for issue of units	78,435	2,242
Accrued income	41,091	17,094
Taxation recoverable	11,861	8,077
Total debtors	131,387	27,413

11 OTHER CREDITORS	30 September 2017 £	30 September 2016 £
Purchases awaiting settlement	0	18,565
Accrued expenses	4,838	3,910
Total other creditors	4,838	22,475

12 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 net assets attributable to unitholders.
Amounts paid to the manager in respect of the manager's periodic charge and registration fees are disclosed in note 7.
The total amounts due to/(from) the manager at the year end were as follows:

	30 September 2017 £	30 September 2016 £
Marlborough Fund Managers Ltd	(78,289)	(2,082)

13 UNITHOLDERS' FUNDS

The Fund has income and accumulation units in issue (minimum investment £1.000) and the annual management charge is 1.5%.
During the year the authorised fund manager has issued and cancelled units as set out below:

	Income units	Accumulation units
Opening units in issue at 1 October 2016	4,425,557	4,475,495
Unit issues	84,806	308,790
Unit cancellations	(82,311)	(54,526)
Unit conversions	(14,383)	10,895
Closing units in issue at 30 September 2017	4,413,669	4,740,654

14 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 £732,298 (30.09.16 - £578,791). 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 2017:	Investments £	Net current assets £	Total £
Euro	1,036,521	8,179	1,044,700
Swiss franc	356,281	3,282	359,563
Japanese Yen	950,888	400	951,288
	2,343,690	11,861	2,355,551

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2017

RISK DISCLOSURES

Foreign currency risk (continued)

Foreign currency exposure at 30 September 2016:	Investments £	Net current assets £	Total £
Euro	993,012	7,546	1,000,558
Swiss franc	497,642	532	498,174
Japanese Yen	608,367	0	608,367
	2,099,021	8,078	2,107,099

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 £117,778 (30.09.16 - £105,355). A five per cent increase would have an equal and opposite effect.

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 2017 £**	**30 September 2016 £**
Sterling	2,266,331	1,818,780

Weighted fixed interest rates:	**30 September 2017 %**	**30 September 2016 %**
Sterling	1.46	1.54

Weighted average period for financial assets with fixed interest rates:	**30 September 2017 years**	**30 September 2016 years**
Sterling	3.32	2.82

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

	30 September 2017 £	**30 September 2016 £**
Within one year:		
Distribution payable on income units	50,771	40,146
Other creditors	4,838	22,475
	55,609	62,621

15 FAIR VALUE HIERARCHY FOR INVESTMENTS
Fair value hierarchy as at 30 September 2017

	30 September 2017		**30 September 2016**	
Valuation technique	**Assets (£)**	**Liabilities (£)**	**Assets (£)**	**Liabilities (£)**
Level 1	14,645,964	0	11,575,827	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	14,645,964	0	11,575,827	0

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2017

FAIR VALUE HIERARCHY FOR INVESTMENTS

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 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2 - Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3 - Inputs are unobservable (i.e. for which market date is unavailable) for the asset or liability.

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.

16 DISTRIBUTION TABLE
For the period from 1 October 2016 to 31 March 2017

INCOME UNITS
Group 1: units purchased prior to 1 October 2016
Group 2: units purchased on or after 1 October 2016

	Net revenue to 31 Mar 2017 pence per unit	Equalisation to 31 Mar 2017 pence per unit	Distribution paid 31 May 2017 pence per unit	Distribution paid 31 May 2016 pence per unit
Group 1	0.8262p	0.0000p	0.8262p	0.4537p
Group 2	0.5601p	0.2661p	0.8262p	0.4537p

ACCUMULATION UNITS
Group 1: units purchased prior to 1 October 2016
Group 2: units purchased on or after 1 October 2016

	Net revenue to 31 Mar 2017 pence per unit	Equalisation to 31 Mar 2017 pence per unit	Distribution paid 31 May 2017 pence per unit	Distribution paid 31 May 2016 pence per unit
Group 1	1.0920p	0.0000p	1.0920p	0.5973p
Group 2	0.3917p	0.7003p	1.0920p	0.5973p

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

Franked	97.09%
Unfranked	2.91%

£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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2017

DISTRIBUTION TABLE
For the period from 1 April 2017 to 30 September 2017

INCOME UNITS
Group 1: units purchased prior to 1 April 2017
Group 2: units purchased on or after 1 April 2017

	Net revenue to 30 Sep 2017 pence per unit	Equalisation to 30 Sep 2017 pence per unit	Distribution payable 30 Nov 2017 pence per unit	Distribution paid 30 Nov 2016 pence per unit
Group 1	1.1503p	0.0000p	1.1503p	0.9071p
Group 2	0.1108p	1.0395p	1.1503p	0.9071p

ACCUMULATION UNITS
Group 1: units purchased prior to 1 April 2017
Group 2: units purchased on or after 1 April 2017

	Net revenue to 30 Sep 2017 pence per unit	Equalisation to 30 Sep 2017 pence per unit	Distribution payable 30 Nov 2017 pence per unit	Distribution paid 30 Nov 2016 pence per unit
Group 1	1.5285p	0.0000p	1.5285p	1.2510p
Group 2	0.8176p	0.7109p	1.5285p	1.2510p

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

Franked	100.00%
Unfranked	0.00%

£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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