

Marathon Asset Management LLP

Report and Financial Statements

31 March 2016

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COMPANIES HOUSE

Members

W J Arah

N M Ostrer

W R Phillips

Marathon Asset Management (Services) Limited

J J Hosking (non-executive member)

Auditors

Ernst & Young LLP

25 Churchill Place

London E14 5EY

Bankers

Bank of Scotland Plc

33 Old Broad Street

London BX2 1LB

Registered Office

Orion House

5 Upper St Martin's Lane

London WC2H 9EA

Registered No. OC305964

Members' report

The members present their report and financial statements of Marathon Asset Management LLP (the "LLP" or "partnership") for the year ended 31 March 2016.

Principal activities and review of the business

The partnership provides investment management services to institutional investors in various geographical locations including North America, Europe, South Africa and Australia. It is regulated by the Financial Conduct Authority and is registered as an investment advisor with the US Securities and Exchanges Commission. Pillar 3 disclosures are made on the partnership's website.

Results and profit allocations

The members are satisfied with the performance of the partnership during the year and the current balance sheet position, with members' interests amounting to £69,730,943 (2015 – £52,215,456).

Future developments

There are no plans which will significantly change the activities and risks of the LLP in the coming year.

Principal risks and uncertainties

The key risks for the LLP include falling world markets and a decline in investment performance relative to those markets. With approximately 24% of the LLP's clients on performance-related fee schedules, the immediate risks to the LLP of underperforming funds are a decline in revenues, and the longer-term risk of client losses. The majority of the funds managed by the LLP outperformed the benchmarks against which they were measured in the twelve months to 31 March 2016 and performance fee revenues in the year represent approximately 22% of total fee revenues (2015 – 15%).

The LLP also faces structural risks such as a shift in asset allocations by investors away from equities. As over 94% of the LLP's fee revenues are non-sterling denominated, it is also exposed to foreign exchange fluctuations.

Operational risks

Operational risks can be defined as the risk of losses that arise through the inadequacy or failure of internal procedures, people or systems, or as a consequence of external events. The members consider that there are adequate internal systems and controls in place to manage and mitigate operational risks to acceptable levels.

Members' profit allocation

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

Members

The members of the partnership during the year were as follows:

W J Arah

N M Ostrer

W R Phillips

Marathon Asset Management (Services) Limited

J J Hosking (non-executive member)

Members' report

Policy with respect to members' drawings and subscriptions and repayment of members' capital

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

Going concern

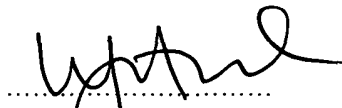
The LLP has considerable financial resources. It is envisaged that assets under management will be maintained at such a level that the related management fee income will continue to comfortably exceed costs during the next twelve months.

The members have assessed the going concern status of the LLP and concluded that the LLP has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Auditors

Ernst & Young LLP will be proposed for reappointment by the members.

Approved by the members and signed on their behalf


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William James Arah
1 July 2016

Statement of members' responsibilities

The Designated members (W J Arah, N M Ostrer and J J Hosking) are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Legislation applicable to limited liability partnerships (Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the Designated members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) including FRS 102 'The Financial reporting standard applicable to the UK and Republic of Ireland' and applicable law. Under the relevant legislation the Designated members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing those financial statements, the Designated members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The Designated members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

to the members of Marathon Asset Management LLP

We have audited the financial statements of Marathon Asset Management LLP for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Reconciliation of Members' Interest, the Cash Flow Statement and the related notes 1 to 13. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Statement of Members' Responsibilities set out on page 4, the designated members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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 limited liability partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the designated members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. 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 limited liability partnership's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

INDEPENDENT AUDITOR'S REPORT

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

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



Michael-John Albert (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

14 July 2016

Statement of Comprehensive Income

for the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover			
Management fees	3	200,490,005	164,496,265
Other income		<u>4,787,195</u>	<u>-</u>
Expenses			
Expenses recharged to Marathon Asset Management (Services) Limited		(61,697,590)	(46,416,161)
Operating expenses		<u>(1,394,671)</u>	<u>3,837,656</u>
Operating Profit	4	142,184,939	121,917,760
Interest receivable and similar income		149,615	80,608
Foreign exchange loss		<u>(1,143,499)</u>	<u>(1,386,163)</u>
Net profit for the financial year available for division among members		<u>141,191,055</u>	<u>120,612,205</u>

All amounts relate to continuing activities.

The accompanying notes form an integral part of these financial statements.

Reconciliation of Members' Interests

for the year ended 31 March 2016

	Members' capital £	Other reserves £	Total members' other interests £	Loans and amounts due to/from members £	Members' total interests £
At 1 April 2015	6,300,000	43,616,062	49,916,062	2,299,394	52,215,456
Profits for the year	-	141,191,055	141,191,055	-	141,191,055
Profits allocated	-	(125,213,282)	(125,213,282)	125,213,282	-
Distributed to members	-	-	-	(125,213,282)	(125,213,282)
Other payments	-	-	-	1,537,714	1,537,714
At 31 March 2016	<u>6,300,000</u>	<u>59,593,835</u>	<u>65,893,835</u>	<u>3,837,108</u>	<u>69,730,943</u>

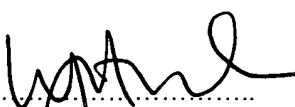
Statement of Financial Position

at 31 March 2016

	Notes	2016 £	2015 £
Current assets			
Debtors	6	53,034,970	44,696,888
Cash at bank and in hand		23,093,921	9,948,699
		<u>76,128,891</u>	<u>54,645,587</u>
Creditors: amounts falling due within one year	7	(10,235,056)	(4,729,525)
Net current Assets		<u>65,893,835</u>	<u>49,916,062</u>
Net Assets attributable to Members		<u>65,893,835</u>	<u>49,916,062</u>
Equity			
Members' capital		6,300,000	6,300,000
Other reserves		59,593,835	43,616,062
		<u>65,893,835</u>	<u>49,916,062</u>
Members' other interests			
Amount payable to members		3,837,108	2,299,394
Members' other interests		65,893,835	49,916,062
Members' total interests		<u>69,730,943</u>	<u>52,215,456</u>

The financial statements were approved by the members on 1 July 2016.

For an on behalf of the members



 William James Arah

The accompanying notes 1 to 13 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2016

	Notes	2016 £	2015 £
<i>Net cash inflow from operating activities</i>	8(a)	<u>138,208,889</u>	<u>118,110,788</u>
<i>Investing activities</i>			
Interest received	8 (b)	<u>149,615</u>	<u>80,608</u>
<i>Net cash flow from investing activities</i>		<u>149,615</u>	<u>80,608</u>
<i>Financing activities</i>			
Distribution to members		<u>(125,213,282)</u>	<u>(129,032,300)</u>
<i>Net cash flow from financing activities</i>		<u>(125,213,282)</u>	<u>(129,032,300)</u>
<i>Net increase / (decrease) in cash and cash equivalents</i>	8 (c)	<u>13,145,222</u>	<u>(10,840,904)</u>
<i>Cash and cash equivalents at 1 April 2015</i>		<u>9,948,699</u>	<u>20,789,603</u>
<i>Cash and cash equivalents at 31 March 2016</i>		<u><u>23,093,921</u></u>	<u><u>9,948,699</u></u>

Notes to the financial statements

at 31 March 2016

1. Accounting policies

Statement of compliance

Marathon Asset Management LLP is a limited liability partnership incorporated in the United Kingdom. The registered office of the LLP is Orion House, 5 Upper St Martin's Lane, London WC2H 9EA.

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as it applies to these financial statements for the year ended 31 March 2016 and retrospectively to the presentation of the comparatives for the year ended 31 March 2015, and in accordance with requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' dated July 2014.

Taxation

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any tax liabilities arising out of their interest in the LLP, which will be assessed on the individual members and not the LLP.

Foreign currencies

The functional and presentational currency is pound sterling (GBP) because the LLP's primary economic environment is the UK and its cost base is in pound sterling.

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the Statement of Comprehensive Income.

Forward contracts

The partnership uses forward foreign currency contracts to reduce exposure to movements in foreign exchange rates. The criteria for forward foreign currency contracts are:

- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the partnership's operations.

Forward foreign currency contracts are initially measured at fair value on the date on which a contract is entered into and are subsequently measured at fair value through profit or loss.

Members' profit allocations

Members' profit allocations are recognised when formally approved.

Interest

Interest is recognised on an accruals basis.

Revenue recognition

Revenue is recognised on an accruals basis, net of VAT.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks.

Debtors

Debtors are measured at fair value on initial recognition.

Notes to the financial statements

at 31 March 2016

Creditors

Creditors are measured at fair value on initial recognition.

Operating leases

Rentals payable under operating leases are charged in the Statement of Comprehensive Income on a straight-line basis over the lease term.

2. Transition to FRS 102

The date of transition to the new framework is 1 April 2014 (i.e. the earliest period for which the LLP presents full comparative information) and accordingly the comparative amounts presented for the financial year ended 31 March 2015 are based on the LLP's financial statements for the year after adjustment for the transition to FRS 102.

As part of the transition to FRS 102, the Profit and Loss Account and Balance Sheet have been renamed to Statement of Comprehensive Income and Statement of Financial Position, respectively.

Changes to the LLP's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. In effect, the accounting policies applied in preparing these financial statements under FRS 102 are consistent with the accounting policies applied in preparing the prior year Financial Statements under the previous accounting framework.

Consequently, the transition to FRS 102 has not resulted in any change to the amounts previously reported and presented in the Statement of Financial Position as at 31 March 2015 or to the Statement of Comprehensive Income reported for the financial year ended 31 March 2015.

No significant classification changes have arisen on presenting the FRS 102 Statement of Financial Position as at 31 March 2015 or on presenting the Statement of Comprehensive Income for the comparative financial year to 31 March 2015.

3. Turnover

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

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

An analysis of turnover by geographical market is as follows:

	2016	2015
	£	£
United Kingdom	11,498,351	8,906,735
North America	152,519,506	124,757,491
Rest of the World	36,472,148	30,832,039
	<u>200,490,005</u>	<u>164,496,265</u>

4. Operating Profit

The auditors' remuneration of £34,150 (2015 – £34,150) has been borne by Marathon Asset Management (Services) Limited through the expense recharge.

The Partnership has no employees and outsources its administration to Marathon Asset Management (Services) Limited.

Notes to the financial statements

at 31 March 2016

5. Members' remuneration

	2016	2015
	£	£
Profit for the year available for division among members	<u>141,195,055</u>	<u>120,612,205</u>
Amount in relation to the member with the largest entitlement to profit	<u>45,472,064</u>	<u>43,211,857</u>

The average number of members (including non-executive members) in the year was 5 (2015 – 5).

6. Debtors

	2016	2015
	£	£
Accrued income	41,106,620	34,811,555
Trade debtors	3,721,434	6,059,565
Other debtors	8,206,916	3,825,768
	<u>53,034,970</u>	<u>44,696,888</u>

7. Creditors: amounts falling due within one year

	2016	2015
	£	£
Amount payable to members	6,150,825	2,299,394
Forward foreign currency contracts	1,030,746	990,343
Other creditors	3,053,485	1,439,788
	<u>10,235,056</u>	<u>4,729,525</u>

8. Notes to the statement of cash flows

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

	2016	2015
	£	£
Operating profit	142,184,939	121,917,760
Foreign exchange loss	(1,143,499)	(1,386,163)
Increase in debtors	(8,338,082)	(4,727,963)
Increase in creditors	5,505,531	2,307,154
	<u>138,208,889</u>	<u>118,110,788</u>

Notes to the financial statements

at 31 March 2016

(b) Return on investments and servicing of financing

	2016	2015
	£	£
Interest received	<u>149,615</u>	<u>80,608</u>
Transactions with members:		
Distributions paid	<u>(125,213,282)</u>	<u>(129,032,300)</u>

(c) Analysis of net cash outflows

	At 1 April 2015 £	Cash flow £	At 31 March 2016 £
Cash at bank	<u>9,948,699</u>	<u>13,145,222</u>	<u>23,093,921</u>

(d) Reconciliation of net cash flow to movement in net funds for the year ended 31 March 2015

	2016	2015
	£	£
Increase / (decrease) in cash in year	<u>13,145,222</u>	<u>(10,840,904)</u>
Change in net funds resulting from cash flows	<u>13,145,222</u>	<u>(10,840,904)</u>
Net funds at 1 April 2015	<u>9,948,699</u>	<u>20,789,603</u>
Net funds at 31 March 2016	<u>23,093,921</u>	<u>9,948,699</u>

9. Financial Instruments

	2016	2015
	£	£
Forward foreign currency contracts	1,030,746	990,343

Forward foreign currency contracts are initially measured at fair value on the date on which a contract is entered into and are subsequently measured at fair value through profit or loss.

10. Events since the balance sheet date

On 23 June 2016, the UK voted to leave the European Union. The impact of this unprecedented decision is currently unknown as the UK government is yet to agree the terms and conditions upon which the UK will leave the European Union. Until such time as formal terms are agreed, there is a high degree of uncertainty and consequently market volatility is expected.

The impact of this volatility and uncertainty on the company is yet to be determined. As at the balance sheet date, there have been no matters that warrant adjustment to the financial results as at 31 March 2016 and for the year then ended.

Notes to the financial statements

at 31 March 2016

There are no other significant events occurring after the balance sheet date, up to the date of approval of the financial statements that would meet the criteria to be disclosed or adjusted in the financial statements as at 31 March 2016 and for the year then ended.

11. Financial commitments

To limit exposure to exchange rate fluctuations in respect of amounts receivable in foreign currencies at a future date, the Partnership has forward contracts to sell US\$ 64,850,000, EUR 5,743,000 and JPY 630,000,000 by 16 December 2016.

At 31 March 2016 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2016</i>	<i>2015</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
Over five years	<u>1,522,951</u>	<u>1,222,951</u>
	<u>1,522,951</u>	<u>1,222,951</u>

12. Related party transactions

Marathon Asset Management (Services) Limited provides services to the Partnership and recharges its expenses to the Partnership, in addition to receiving an allocation of profit. The expense recharge and profit allocation for the year were £61,697,590 (2015 – £46,416,161) and £22,896,339 (2015 – £22,089,234) respectively. The amount due at 31 March 2016 was £6,150,825 (2014 – £2,299,394).

13. Contingent assets

From time to time the LLP may be involved in legal cases and where the outcome of these cases is uncertain, no accrual or provision is made in the financial statements.