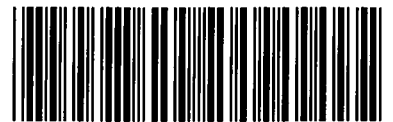


Marathon Asset Management LLP

Report and Financial Statements

31 March 2018

MONDAY



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17/12/2018
COMPANIES HOUSE

Members

W J Arah

N M Ostrer

W R Phillips

Marathon Asset Management (Services) Limited

J J Hosking (non-executive member)

Auditor

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 2018.

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 £56,242,222 (2017 – £60,447,451).

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 20% 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 2018. Performance fee revenues in the year represent approximately 8% of total fee revenues (2017 – 14%).

The LLP also faces structural risks such as a shift in asset allocations by investors away from equities. As over 96% 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 (resigned as at 9 April 2018)

Marathon Asset Management (Services) Limited

J J Hosking (non-executive member)

Members' report (continued)

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.

Auditor

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

Approved by the members and signed on their behalf



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Neil Ostrer
28 June 2018

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

Opinion

We have audited the financial statements of Marathon Asset Management LLP for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Reconciliation of Members' Interests, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 11, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.

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 2018 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 to 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the limited liability partnership 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 members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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 members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARATHON ASSET MANAGEMENT LLP (continued)

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 4, the members are 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 members determine 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 members are responsible for assessing the partnership'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 members either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

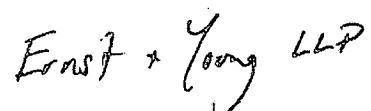
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARATHON ASSET MANAGEMENT LLP (continued)

Use of our report

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 to Limited Liability Partnerships. 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, slightly slanted style.

David Reeves (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 July 2018

Statement of Comprehensive Income

for the year ended 31 March 2018

	Notes	2018 £	2017 £
Turnover			
Management fees	2	216,000,959	218,240,807
Other income		13,349	1,781,020
Expenses			
Expenses recharged from Marathon Asset Management (Services) Limited		(69,241,670)	(68,675,656)
Operating expenses		(1,943,533)	(3,904,608)
Operating Profit			
Interest receivable and similar income	3	144,829,105	147,441,563
Foreign exchange gain / (loss)		99,452	139,703
		972,973	(4,608,317)
Net profit for the financial year available for division among members		<u>145,901,530</u>	<u>142,972,949</u>

All amounts relate to continuing activities.

Reconciliation of Members' Interests

for the year ended 31 March 2018

	Members' capital £	Other reserves £	Total members' other interests £	Loans and amounts due to/(from) members £	Members' total interests £
At 1 April 2016	6,300,000	59,593,835	65,893,835	3,837,108	69,730,943
Profits for the year	-	142,972,949	142,972,949	-	142,972,949
Profits allocated	-	(151,630,119)	(151,630,119)	151,630,119	-
Distributed to members	-	-	-	(151,630,119)	(151,630,119)
Other payments	-	-	-	(626,322)	(626,322)
At 31 March 2017	<u>6,300,000</u>	<u>50,936,665</u>	<u>57,236,665</u>	<u>3,210,786</u>	<u>60,447,451</u>
Profits for the year	-	145,901,530	145,901,530	-	145,901,530
Profits allocated	-	(145,985,977)	(145,985,977)	145,985,977	-
Distributed to members	-	-	-	(145,985,977)	(145,985,977)
Other payments	-	-	-	(4,120,782)	(4,120,782)
At 31 March 2018	<u>6,300,000</u>	<u>50,852,218</u>	<u>57,152,218</u>	<u>(909,996)</u>	<u>56,242,222</u>

The accompanying notes 1 to 11 form an integral part of these financial statements.

Statement of Financial Position

at 31 March 2018

	<i>Notes</i>	2018 £	2017 £
<i>Current assets</i>			
Debtors	5	48,200,213	51,498,384
Cash at bank and in hand		<u>11,752,863</u>	<u>14,150,715</u>
		59,953,076	65,649,099
<i>Creditors: amounts falling due within one year</i>	6	<u>(2,800,858)</u>	<u>(8,412,434)</u>
<i>Net current Assets</i>		<u>57,152,218</u>	<u>57,236,665</u>
<i>Net Assets attributable to Members</i>		<u>57,152,218</u>	<u>57,236,665</u>
<i>Equity</i>			
Members' capital		6,300,000	6,300,000
Other reserves		<u>50,852,218</u>	<u>50,936,665</u>
		<u>57,152,218</u>	<u>57,236,665</u>
<i>Members' other interests</i>			
Amount (receivable from) / payable to members		(909,996)	3,210,786
Members' other interests		<u>57,152,218</u>	<u>57,236,665</u>
Members' total interests		<u>56,242,222</u>	<u>60,447,451</u>

The financial statements were approved by the members on 28 June 2018.

For an on behalf of the members



Neil Ostrer

The accompanying notes 1 to 11 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2018

	Notes	2018 £	2017 £
<i>Net cash inflow from operating activities</i>	7 (a)	<u>143,488,673</u>	<u>142,547,210</u>
<i>Investing activities</i>			
Interest received	7 (b)	<u>99,452</u>	<u>139,703</u>
<i>Net cash flow from investing activities</i>		99,452	139,703
<i>Financing activities</i>			
Distribution to members	7 (c)	<u>(145,985,977)</u>	<u>(151,630,119)</u>
<i>Net cash flow from financing activities</i>		<u>(145,985,977)</u>	<u>(151,630,119)</u>
<i>Net (decrease) / increase in cash and cash equivalents</i>	7 (d)	<u>(2,397,852)</u>	<u>(8,943,206)</u>
<i>Cash and cash equivalents at 1 April 2017</i>		<u>14,150,715</u>	<u>23,093,921</u>
<i>Cash and cash equivalents at 31 March 2018</i>		<u>11,752,863</u>	<u>14,150,715</u>

The accompanying notes 1 to 11 form an integral part of these financial statements.

Notes to the financial statements

at 31 March 2018

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") 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.

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 bank and instant-access money market investments.

Debtors

Debtors are measured at fair value on initial recognition.

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.

Notes to the financial statements

at 31 March 2018

2. Turnover

Turnover represents investment management fees stated net of value added tax. These are recognised as they fall due under the terms of the individual client agreements 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:

	2018	2017
	£	£
United Kingdom	7,993,110	9,921,439
North America	160,970,457	156,890,229
Rest of the World	47,037,392	51,429,139
	<u>216,000,959</u>	<u>218,240,807</u>

3. Operating Profit

The auditors' remuneration of £37,500 (2017 – £36,500) 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.

4. Members' remuneration

	2018	2017
	£	£
Profit for the year available for division among members	<u>145,901,530</u>	<u>142,972,949</u>
Amount in relation to the member with the largest entitlement to profit	<u>48,673,230</u>	<u>51,455,378</u>

The average number of members (including non-executive members) in the year was 5 (2017 – 5).

5. Debtors

	2018	2017
	£	£
Accrued income	40,427,735	43,542,808
Trade debtors	2,178,336	3,372,792
Amount owed by members	909,996	-
Other debtors	4,684,146	4,582,784
	<u>48,200,213</u>	<u>51,498,384</u>

Notes to the financial statements

at 31 March 2018

6. Creditors: amounts falling due within one year

	2018	2017
	£	£
Amount payable to members	-	3,210,786
Forward foreign currency contracts	-	44,812
Other creditors	2,800,858	5,156,836
	<u>2,800,858</u>	<u>8,412,434</u>

7. Notes to the statement of cash flows

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

	2018	2017
	£	£
Operating profit	144,829,105	147,441,563
Foreign exchange gain / (loss)	972,973	(4,608,317)
Decrease in debtors	3,298,171	1,536,586
Decrease in creditors	(5,611,576)	(1,822,622)
	<u>143,488,673</u>	<u>142,547,210</u>

(b) Investing activities

	2018	2017
	£	£
Interest received	<u>99,452</u>	<u>139,703</u>

(c) Financing activities

Distributions paid	<u>(145,985,977)</u>	<u>(151,630,119)</u>
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(d) Analysis of net cash outflows

	<i>At</i>		<i>At</i>
	<i>1 April</i>	<i>Cash flow</i>	<i>31 March</i>
	<i>2017</i>		<i>2018</i>
	£	£	£
Cash at bank	<u>14,150,715</u>	<u>(2,397,852)</u>	<u>11,752,863</u>

Notes to the financial statements

at 31 March 2018

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

(e) Reconciliation of net cash flow to movement in net funds for the year ended 31 March 2018

	2018	2017
	£	£
(Decrease) in cash in year	(2,397,853)	(8,943,206)
Change in net funds resulting from cash flows	(2,397,853)	(8,943,206)
Net funds at 1 April 2017	14,150,715	23,093,921
Net funds at 31 March 2018	<u>11,752,863</u>	<u>14,150,715</u>

8. Financial Instruments

	2018	2017
	£	£
Forward foreign currency contracts	-	(44,811)

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. Included within the foreign exchange gain in the Statement of Comprehensive Income of £972,973 (2017: £4,608,317 loss) is a gain on forward foreign exchange contracts for the year of £2,828,545 (2017: £8,093,556 loss). Also included in the foreign exchange gain is a foreign exchange loss of £1,855,572 (2017: £3,485,239 gain), relating to translation of the overseas debtors and cash balances during the year. During the year the company ceased trading in forward foreign currency contracts.

9. Events since the balance sheet date

There are no 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 2018 and for the year then ended.

10. Financial commitments

At 31 March 2018 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	2018	2017
	£	£
Operating leases which expire:		
Over five years	<u>1,522,951</u>	<u>1,522,951</u>
	<u>1,522,951</u>	<u>1,522,951</u>

Notes to the financial statements

at 31 March 2018

11. 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 £69,241,670 (2017 – £68,675,656) and £24,654,847 (2017 – £25,358,205) respectively. The amount owed by Members at 31 March 2018 was £909,996 (2017 – amount due of £3,210,786).