

LIONTRUST ASSET MANAGEMENT PLC



ANNUAL REPORT AND ACCOUNTS 2010

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\*These sections make up the Directors' Report.

## **Forward-Looking Statements**

This report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses and plans of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that have not yet occurred. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this report should be construed as a profit forecast.

Liontrust Asset Management PLC is the holding company of a specialist fund management group providing process-driven portfolio management services to a range of funds which are targeted primarily at professional investors and advisers.

The Group currently manages approximately £1.1 billion in segregated and pooled institutional fund accounts, unit trusts, offshore funds, individual savings accounts and hedge funds on behalf of 10,000 investors.

# Financial Highlights

## Results and dividend

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**Loss before tax £1.005 million** (2009: Profit before tax £12.350 million)

**Adjusted profit before tax of £796,000 after adding back expenses for the cost reduction and restructuring programme, depreciation and intangible asset amortisation, severance compensation and expenses related to share incentivisation** (2009: £14,332 million)

**Net cash and financial assets of £20.1 million** (2009: £21.7 million)

**Performance fees of £3.449 million were earned during the financial year** (2009: £16.241 million)

**Realised gain on financial assets of £1.261 million earned during the financial year** (2009: £143,000)

**Basic earnings per share 3.6 pence** (2009: 28.3 pence)

**No second interim dividend** (2009: 5 pence per share)

**Total dividend for the year 2.5 pence per share** (2009: 7.5 pence per share)

## Funds under management

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**Funds under management as at 31 March 2010 £1.149 billion** (2009: £1.888 billion)

## Directors and Advisers

### Directors, Registered Office and Company number

Adrian John Reginald Collins (Chairman)

John Stephen Ions (Chief Executive)

Vinay Kumar Abrol (Chief Operating Officer and Chief Financial Officer)

Christopher John Edmeades (Chief Risk Officer)

Glyn Vincent Hirsch (Non-executive Director)

Graham Leslie Hooper (Non-executive Director)

James Gerald Sanger (Non-executive Director)

2 Savoy Court, London WC2R 0EZ

Registered in England with Company Number 2954692

### Company Secretary

Mark Jackson

Tower Bridge House

St Katharine's Way

London E1W 1DD

### Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Hay's Galleria

1 Hay's Lane

London SE1 2RD

### Legal Advisers

Macfarlanes LLP

20 Cursitor Street

London EC4A 1LT

### Bankers

HSBC Bank PLC

60 Queen Victoria Street

London EC4N 4TR

### Financial Adviser and Corporate Broker

Altium Capital Limited

30 St James's Square

London SW1Y 4AL

### Registrars

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

# Chairman's Statement

## Introduction

This is my first report to shareholders as your chairman and I regret to say that assets under management have continued to fall, now standing at £1.1 billion on 15 June 2010. Our cost base is still too high given our revenue and your new Chief Executive, John Ions, is addressing this and other important issues. He has only been with the company for a short time but his appointment has my full backing and I am delighted he has clearly got to grips early with the business issues following the resignation of Nigel Legge in May 2010.

The good news is that we have continued to maintain our fund management strength and our balance sheet is robust with just over £20 million in net cash and financial assets. I believe our client base is now stable – albeit at low levels of assets under management.

The key to growing assets under management will be our focus on administration, sales and marketing as well as our fund management capability and performance. With an open and honest culture at all levels of management, I see no reason why Liontrust cannot regain its previous financial strength and deliver the returns shareholders expect.

## Results

Adjusted profit before tax was £796,000 after adding back expenses for the cost reduction and restructuring programme, depreciation and intangible asset amortisation, severance compensation and expenses related to share incentivisation (2009: £14.332 million).

## Assets under management and sales

On 31 March 2010, our assets under management stood at £1.149 billion and were broken down by type and process as follows:

Process	Total £m	Institutional £m	Retail £m	Offshore Funds £m
The Liontrust Cashflow Solution	823	311	470	42
The Liontrust Economic Advantage	245	–	245	–
The Liontrust Credit Process	24	–	–	24
Indexed	57	–	57	–
<b>Total</b>	<b>1,149</b>	<b>311</b>	<b>772</b>	<b>66</b>

A reconciliation of fund flows and assets under management over the year is as follows:

	Total £m	Institutional £m	UK Retail £m	Offshore Funds £m
<b>Opening AuM – 1 April 2009</b>	<b>1,888</b>	<b>1,069</b>	<b>717</b>	<b>102</b>
Inflows	235	29	164	42
Outflows	(1,503)	(937)	(471)	(95)
<b>Net flows</b>	<b>(1,268)</b>	<b>(908)</b>	<b>(307)</b>	<b>(53)</b>
Market movement	529	150	362	17
<b>Closing AuM – 31 Mar 2010</b>	<b>1,149</b>	<b>311</b>	<b>772</b>	<b>66</b>

Assets under management as at 15 June 2010 were £1.057 billion.

## Dividend

The Board has considered the current market environment and the financial performance of the Group in the current year in determining the level of the dividend for the year. Accordingly, the Board has decided not to pay a second interim dividend. The total dividend for the full year amounts to 2.5 pence per share (2009: 12.5 pence per share).

## Directorate changes

Chris Edmeades joins the board with immediate effect as Chief Risk Officer. He brings a vast range of relevant experience having joined Liontrust in 2002 as Head of Risk Management. Further information on Chris Edmeades is set out on page 10.

## Outlook

We are at a turning point in the fortunes of Liontrust. The changes being implemented and the strong fund management performance lead me to believe the outlook is a much more positive and profitable one.

### Adrian Collins

Chairman  
15 June 2010

# Business Review

The Business Review is a review of the business by management. It describes the main features of the Company's financial performance, financial position, sales and marketing, approach to risk management, the operating environment and future strategy.

All companies want to increase returns to shareholders over the long term and we are no different. We believe we can do this best by concentrating on the things we do well and improving on them.

The review is presented in seven sections:

1. Summary of our principals and our business model.
2. Our investment processes and fund performance.
3. Review of sales and marketing.
4. Measurement of our financial progress.
5. Our approach to risk management.
6. The future.
7. Summary.

## 1. Summary of our principals and our business model

### 1.1 Stick to our simple business model of applying investment process to all funds under management while outsourcing headcount-intensive functions

- We concentrate on fund management, marketing and sales, compliance and risk and financial control. These are the functions that primarily drive profits for a fund management business.
- We outsource those administrative functions that are generally headcount-intensive. We continue to address costs and more attention is needed to reduce fixed overheads.
- We have four proprietary investment processes. We apply each investment process to the management of UK, European, Credit and Global equity portfolios for segregated, managed and pooled institutional fund accounts, unit trusts, offshore funds and alternative investment funds to suit different client types. The investment processes are all robust, repeatable and scalable.

### 1.2 Grow funds under management and maintain margins

Liontrust has strong performing funds across its investment teams and will look to grow assets under management through pro-active promotion of these funds to the market and a targeted and co-ordinated sales and marketing strategy. Liontrust seeks to attract assets from both the institutional and retail markets.

Our well defined investment processes continue to give us a strong competitive advantage and have delivered good short, medium and long-term performance.

### 1.3 Preserve the Group's corporate culture

- We encourage individuals to develop their skills and be accountable and responsible for what they do.
- We want employees to participate in the financial success of the Group through equity ownership. Equity participation is achieved both through direct equity ownership and share options. Equity participation is a powerful formula for encouraging individuals to concentrate on increasing shareholder returns.
- We aim for widespread participation in a bonus pool for all staff excluding the fund managers, who are compensated in line with their contracts of employment.

## 1.4 To increase profits attributable to shareholders

- Our objective is to grow our revenues faster than our costs.
- We aim to keep a balance between portfolios charging fixed fees and those levying performance fees.

## 1.5 To communicate progress clearly to clients and shareholders

We aim to report our progress transparently.

## 1.6 Our business model

Many fund management companies are structured in a traditional way, being organised on product and hierarchical lines. Liontrust is different.

- The business is not structured around individual product lines.
- We apply each investment process to different types of funds. The portfolio for each fund based on the same process is therefore the same.
- We outsource the headcount-intensive administrative functions and focus on those areas, like fund management, sales and marketing, that drive profits at a fund management business. A breakdown of staff by function and cost by function can be found in the notes to the financial statements.

## 2 Our investment teams and fund performance

### 2.1 Investment teams

Currently Liontrust has four investment teams. The strength of these teams is shown by the fact that 73% of Liontrust's unit trust assets (excluding Liontrust Top 100 Fund and Liontrust European Absolute Return Fund) outperformed their IMA sectors in the 12 months to 31 March 2010 (weighted by AUM).

#### UK Equity team

Anthony Cross and Julian Fosh manage the Liontrust First Growth, Liontrust First Opportunities and Liontrust Intellectual Capital Trust funds according to the Economic Advantage investment process. Liontrust First Opportunities Fund, for example, is first quartile over one and three years to 31 March 2010 and since launch on 11 November 2005.

#### European Equity team

Gary West and James Inglis-Jones manage the Liontrust First Income, Liontrust Continental Europe, Liontrust First Large Cap, Liontrust European Absolute Return, Liontrust Pan-European, Liontrust European Long/Short Funds and a number of segregated accounts according to the Cashflow Solution investment process. Liontrust Continental Europe Fund, for example, was first quartile over one and three years to 31 March 2010 and since launch on 11 November 2006.

#### Credit team

Simon Thorp, James Sclater, Quentin Peacock and Paul Owens manage the Liontrust Credit and Liontrust Credit Absolute Return funds according to their Credit investment process. From launch on 1 November 2000 to 31 March 2010, Liontrust Credit Fund returned 146.8%.

#### Global Equity team

Ross Hollyman, Nikki Martin, Rob Cornish and Tom Ayres have developed Growth, Value and Dynamic investment processes. On 1 March 2010, they launched Liontrust European Growth Long/Short Fund.

## 2.2 Fund performance

### UK Retail Funds

% returns (Quartile Ranking) to 31 March 2010

	1 year	3 years	Manager tenure	Manager Appointed
<b>The Liontrust Economic Advantage</b>				
<b>First Growth Fund</b> (IMA UK All Companies)	46.6% (3)	-3.1% (2)	45.9% (3)	25.03.09
<b>First Opportunities Fund</b> (IMA UK All Companies)	57.9% (1)	4.8% (1)	49.2% (1)	11.11.05
<b>Intellectual Capital Trust</b> (IMA UK Smaller Companies)	59.5% (2)	-3.5% (1)	210.0% (1)	08.01.98
<b>The Liontrust Cashflow Solution</b>				
<b>First Income Fund</b> (IMA UK Equity Income)	50.0% (1)	-24.5% (4)	50.7% (1)	25.03.09
<b>First Large Cap. Fund</b> (IMA UK All Companies)	38.6% (4)	-6.7% (3)	37.9% (4)	25.03.09
<b>Continental Europe Fund</b> (IMA Europe ex UK)	50.7% (1)	8.4% (1)	21.0% (1)	15.11.06
<b>European Absolute Return Fund</b> (IMA Absolute Return)	n/a	n/a	-7.0% (4)	09.07.09
<b>Index Fund</b>				
<b>Top 100 Fund</b> (IMA UK All Companies)	50.8% (3)	0.3% (2)	148.3% (3)	14.07.95

### Offshore Funds

% returns to 31 March 2010

	1 year	3 years	Since launch	Launch date
<b>The Liontrust Cashflow Solution</b>				
<b>Pan-European Fund</b> (Luxembourg SICAV, Euro class)	56.0%	n/a	-25.4%	01.06.07
<b>European Long/Short Fund</b> (Guernsey domiciled hedge fund (Euro NAV))	-1.7%	44.4%	45.8%	06.12.06
<b>The Liontrust Credit Process</b>				
<b>Credit Fund</b> (Cayman domiciled hedge fund, Euro NAV)	56.5%	53.8%	146.8%	01.11.00
<b>Credit Absolute Return Fund</b> (Luxembourg SICAV, Euro class)	n/a	n/a	1.9%	17.03.10
<b>The Liontrust Global Equity Process</b>				
<b>European Growth Long/Short Fund</b> (Guernsey domiciled hedge fund, Euro NAV)	n/a	n/a	0.7%	01.03.10

It is important to remember that the price of units and shares, and the income from them, can fall as well as rise and are not guaranteed and that past performance is not a guide to the future.

Because of the risks involved, investment in hedge funds and absolute return funds is suitable only for investors who are able to bear the loss of a substantial portion or even all of the money they invest in the funds, who understand the high risks involved and believe that investment in the funds is suitable for them based on their investment objectives and financial needs. Investors are urged to seek independent professional advice on the implications of investing in the funds.

**UK RETAIL FUNDS** Performance data source: *Financial Express*, Sterling terms, bid to bid basis, total return. The issue of units may be subject to an initial charge, which will have an impact on the realisable value of the investment, especially in the short term. The Funds' Prospectus or Simplified Prospectus are available direct from Liontrust or from our website, [www.liontrust.co.uk](http://www.liontrust.co.uk).

**OFFSHORE FUNDS** Performance data sources: Liontrust Investment Funds Limited (Luxembourg SICAV), Liontrust Investment Services Limited (Liontrust Credit Fund), Liontrust International (Guernsey) Limited (Liontrust European Long/Short Fund and Liontrust European Growth Long/Short Fund); Euro terms. Subscriptions must be made only on the basis of a prospectus, which is issued to authorised financial advisers and qualifying persons only.

### 3 Review of sales and marketing

Liontrust distributes funds and segregated accounts to both the institutional and retail markets. Of Liontrust's existing assets under management, 67% come from the retail market while the rest is from institutional investors.

Our strong short, medium and long-term performance across our fund management teams is being communicated to clients and the rest of the market through regular dialogue, client presentations, literature and press coverage. The rebranding we are undertaking, and which is nearly complete, will provide clients with clear and focused information. We are implementing more targeted sales strategies to promote funds in the retail market and increasing Liontrust's engagement with existing and potential clients.

We have expanded and enhanced Liontrust's suite of marketing literature, are developing a new website and will start an advertising campaign later this year. Along with hosting client presentations around the UK and press coverage, these initiatives are designed to raise Liontrust's profile in the retail and institutional markets and build loyalty among fund buyers to the company.

### 4 Measurement of our financial progress

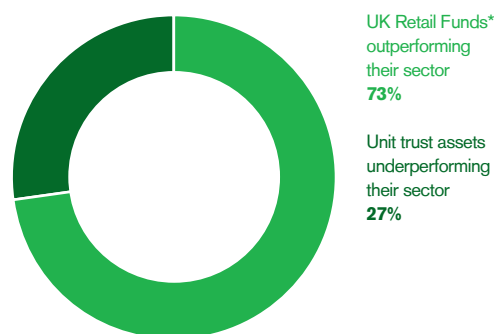
#### 4.1 Financial performance of the business

Table (a) below shows the split between revenues and expenses excluding severance compensation, depreciation and intangible asset amortisation, cost reduction and restructuring programme costs and share incentivisation related costs:

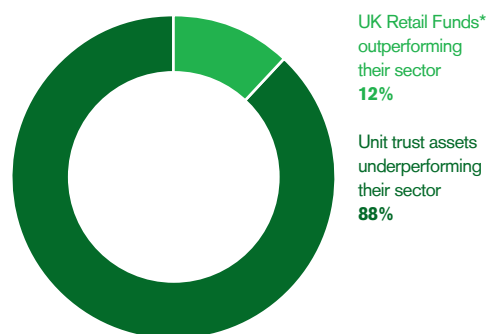
Table (a) Adjusted operating profit

	Total 31 March 2010 £'000	Total 31 March 2009 £'000
Gross profit	13,069	35,871
Realised gain on sale of financial assets	1,261	143
Staff compensation	(9,591)	(16,907)
Other administration expenses	(3,954)	(5,351)
<b>Adjusted operating profit</b>	<b>785</b>	<b>13,756</b>

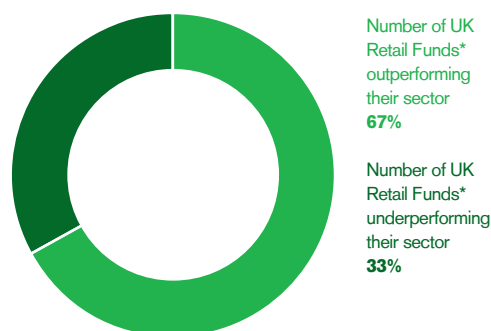
Liontrust UK Retail Funds\*  
outperforming IMA sector (weighted by AUM)  
(12 months ending 31.3.10)



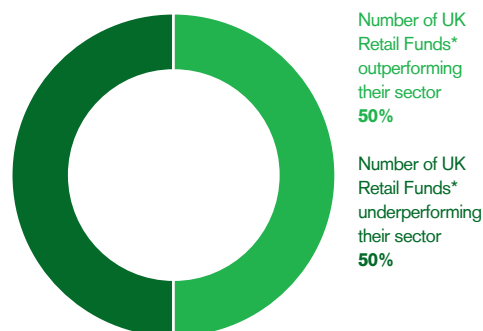
Liontrust UK Retail Funds\*  
outperforming IMA sector (weighted by AUM)  
(12 months ending 31.3.09)



Liontrust UK Retail Funds\*  
outperforming IMA sectors (equal weight)  
(12 months ending 31.3.10)



Liontrust UK Retail Funds\*  
outperforming IMA sectors (equal weight)  
(12 months ending 31.3.09)



\* Excludes Liontrust Top 100 Fund and Liontrust European Absolute Return Fund.

### Profits...

- Adjusted operating profit decreased by 94%, reflecting the impact of asset outflows while other administration expenses decreased by 26%. Action is being taken to address this issue.

### Compensation...

- The largest component of our costs, in common with other service companies, is staff compensation.

### Performance fees...

- Performance fees are included in gross profit at £3,449,000.

### Ratios

- Table (b) below sets out these and other relevant measures. Figures contained in the table do not provide absolute measures of success but are a helpful guide to how we are progressing:

**Table (b) Key Performance Indicators**

	Year to 31-Mar-10	Year to 31-Mar-09	Year to 31-Mar-08	Year to 31-Mar-07	Year to 31-Mar-06
Operating profit/(loss) (£'000) <sup>(1)</sup>	(1,016)	11,774	15,441	10,883	9,532
Cost: income ratio (%) <sup>(1)</sup>	107	67	62	64	64
Basic earnings per share (pence) <sup>(1)</sup>	3.64	28.32	37.04	26.03	22.69
Dividend (pence) <sup>(2)</sup>	2.50	7.50	12.50	12.00	11.30
Dividend cover <sup>(3)</sup>	1.46	3.78	1.72	1.92	2.01
Change in gross profit (%)	(64)	(12)	36	13	(4)
Change in total administration expenses (%)	(37)	(5)	33	13	(5)
Change in other administration expenses (%) <sup>(4)</sup>	(26)	24	20	15	(24)
Change in operating profit (%) <sup>(1)</sup>	(109)	(24)	42	14	(3)
Performance related profit (£'000) <sup>(5)</sup>	3,449	7,309	6,659	1,289	–
Performance related earnings per share (pence) <sup>(5)</sup>	8.29	17.11	15.59	2.93	–
Performance related dividend per share (pence) <sup>(5)</sup>	–	–	15.50	2.90	–
Funds under management (£m)	1,149	1,888	4,707	5,505	5,074
Average headcount	54	45	41	41	37
Total compensation as a % of pre-compensation profit	93	55	55	55	55
Funds under management per head (£m)	21	42	115	134	137
Gross profit per head (£'000)	242	797	996	732	715
Operating costs per head (£'000) <sup>(1)</sup>	284	539	620	467	458
Operating profit/(loss) per head (£'000) <sup>(1)</sup>	(19)	262	377	265	258
Average funds under management (£m)	1,239	3,972	5,232	5,262	4,543
Operating profit/(loss) as % of average funds under management	(0.08)	0.30	0.30	0.21	0.21
Gross profit as % of average funds under management	1.05	0.90	0.78	0.57	0.58
Profit/(loss) before tax as % of average funds under management	(0.08)	0.31	0.32	0.22	0.23

(1) Including performance related earnings.

(2) Dividend relating to profits for the relevant year.

(3) Dividend cover is based on basic earnings per share minus performance related dividend per share.

(4) Excluding staff costs.

(5) Performance fees in 2006 were included in revenue at £35,000.

### 4.2 Cost reduction and restructuring programme

On 4 February 2010, the Company announced that it had decided to implement a cost reduction and restructuring programme (the "Programme"). The Programme aims to reduce administration costs by approximately £2.5 million per annum. The cost of implementing the Programme is £1.4 million and most of this has been incurred in the year.

Our North American sales and marketing office has been closed down and the reduction in employment and other administration costs have been implemented. The restructuring of the Group's UK operating subsidiaries is in progress and the new arrangements are currently awaiting regulatory approval. The restructure is expected to be completed in Q3 2010.

### 4.3 Dividends paid to shareholders

The Board considered the financial performance of the Group in the current year and the current market environment and the future strategy of the Company in determining the level of future dividends. Accordingly the Board has decided not to pay a second interim dividend. The Board will consider the resumption of dividend payments when the turnaround of the Group is complete.

### 4.4 Movement in funds under management

- Average funds under management over the financial year were down by 69% at £1.239 billion, compared with £3.972 billion last year. Actual funds under management at the financial year end had fallen by 39% to £1.149 billion since the beginning of the financial year.
- Maximising total margins on funds under management is important. We believe accepting large amounts of business at low fixed fees is not in the best long-term interests of shareholders when compared with accepting smaller amounts of business with either high fixed fees or performance fees.

## 5 Our approach to risk management

The Company takes a cautious and pro-active approach to risk management. Management recognises the importance of understanding the risks to the business and the systems and controls required to mitigate them. On the basis of disciplined risk assessment, the key risks to the Group's business are considered. These are detailed below and are also identified in the *Risks and uncertainties* section of the Directors' Report on Corporate Governance on pages 14 to 17:

### 5.1 Risk of investment performance leading to customer loss

Our investment processes are fully documented, which enables clients to understand clearly how we manage assets. For private investors investing through intermediaries, the process documents are supplemented by simplified monthly fund factsheets, which are also clear and concise. For our institutional clients, we produce quarterly investment commentaries. They use plain English, avoiding jargon. Although we do not offer advice, we accept we have a responsibility to assist financial intermediaries and professional investors in explaining our investment products to their clients. Ensuring that our clients understand the product is a core element in treating them fairly. We believe our documented processes, detailed reports and literature reduce the likelihood of a product being misunderstood, reducing the risk of client losses in the event of portfolio underperformance.

### 5.2 Key personnel

We believe individuals are less likely to want to leave a company if they are fairly rewarded and enjoy their working environment. Our small firm culture is an essential part of providing an environment in which people are happy.

### 5.3 Outsourcing

As we outsource many of our labour intensive operational functions, we commit high levels of resource to the management of these third party providers. We work hard to ensure that the relationship is a collaborative one and that both parties are working together towards the same goals, via a dedicated relationship management team and through a comprehensive monitoring programme.

### 5.4 Operational risk

The management of operational (including financial) risk is formalised in a number of ways and includes regular monitoring of both internal departments and external third parties who undertake outsourced functions on behalf of the Group. A Group Internal Capital Adequacy Assessment Process (part of the Pillar II requirements of the Capital Requirements Directive) is maintained to assess and manage the various risks inherent in the Group. Various regulatory tools are used, including an Operational Risk Scorecard, risk assessments, fully documented procedures and compliance manuals, a compliance monitoring programme (both internal and external), issue tracking and an annual assessment of third party providers.

## 6 The future

### 6.1 Strategy

- The Company's strategy is to build a diversified and strong performing fund management organisation.
- Liontrust will continue to distribute pooled and managed funds and segregated accounts to the retail and institutional markets.
- The Company is implementing targeted and co-ordinated sales and marketing strategies to increase our engagement with clients, raise the profile of our products and Liontrust and increase flows into our fund range.
- Liontrust strives to communicate with clients effectively and clearly on a frequent basis.
- Liontrust will continue to focus on those functions that drive profits at fund management businesses. Most other headcount-intensive functions are outsourced.

### 6.2 Culture

The Company's aim is to maintain a culture that gives all fund managers freedom to manage their portfolios to the best of their abilities.

Liontrust aims to look after clients professionally and communicate progress in a clear and straightforward way. A real pride is taken in our service, which is consistently provided to our investor base whatever the size of their investment. As we grow into new asset classes and develop new products for new as well as existing investors, we will not lose sight of what we believe commands our investors' respect: our delivery of investment performance and a real desire to do our best for clients. Liontrust is also committed to treating all clients in the same, fair way.

### 6.3 Future risks and uncertainties

The Group considers future risks and uncertainties and these are detailed in the Directors' Report.

## 7 Summary

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- This is a new and exciting era for Liontrust after the arrival of new management and fund management teams.
- The prospects for raising assets are healthy, particularly since our performance is good across our fund management teams.
- We will take advantage of this performance through clear and structured distribution strategies.
- We have a broader fund management capability now covering UK Equities, European Equities, Credit and Global Equities. We will be adding to our product range over the next year.
- There will be further cost rationalisation.
- Adjusted operating profit of £785,000 (excluding severance compensation, depreciation and intangible asset amortisation related costs, cost cutting and restructuring programme costs and share incentivisation related costs).
- Average funds under management over the year were down at £1.239 billion.
- The Company is in a strong financial position. As at 31 March 2010, the Group's balance sheet had net cash and financial assets of £20.1 million and no debt.

### **John Ions**

Chief Executive  
15 June 2010

## Board of Directors

**Adrian Collins**, 56, (Chairman). Has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management Limited, where latterly he was the managing director. He is on the Boards of City Natural Resources High Yield Trust plc, Douglas Bay Capital plc, Midas Capital PLC, New City High Yield Trust plc and a number of other companies.

**John Ions**, 44, (Chief Executive). Joined the Board in May 2010. Prior to joining Liontrust in February 2010, John was Chief Executive of Tactica Fund Management since it was established in 2005. Previously, John was Joint Managing Director of SG Asset Management and Chief Executive of Société Générale Unit Trusts Limited, having been a co-founder of the business in 1998. John was also formerly Head of Distribution at Aberdeen Asset Management.

**Vinay Abrol**, 45, (Chief Operating Officer and Chief Financial Officer). Joined the Board in September 2004. Vinay is responsible for overseeing all finance, information technology and operations of the Group. After obtaining a first class degree in computing science from Imperial College of Science and Technology, Vinay worked for W.I. Carr (UK) Limited specialising in the development of equity trading systems for their Far East subsidiaries, and then at HSBC Asset Management (Europe) Limited where he was responsible for global mutual funds systems. Following a short period at S.G. Warburg and Co., he joined Liontrust in 1995.

**Christopher Edmeades**, 47, (Chief Risk Officer). Joined the Board in June 2010. Chris is responsible for overseeing all risk management, compliance, legal and internal audit functions of the Group. Before joining Liontrust, Chris was at Deutsche Trustee Company Limited for two years as the Director responsible for trustee and depositary services. Prior to that, he was at Lloyds TSB Limited where, during a career of 22 years, he worked in the Treasury, Group Risk Management and Securities Services divisions, his last appointment being the Head of Compliance for the Securities Services business. He joined Liontrust in 2002.

**Glyn Hirsch**, 49, (Non-executive Director). Joined the board in June 1999. Glyn is chief executive of Raven Russia Limited. He holds a number of other non-executive directorships. He is a law graduate of Southampton University and qualified as a Chartered Accountant with Peat, Marwick, Mitchell & Co. He also worked for 10 years as a corporate financier at UBS Limited.

**Graham Hooper**, 51, (Non-executive Director). Joined the Board in February 2010. Graham has worked in the financial services sector for over 25 years, a large part of which was at Chase de Vere PLC where, latterly, he was marketing director. Specific skills include brand and product development, business integration, PR, customer development, team building and motivation and channel marketing. He was responsible for a number of major successes, including the integration of Charcol Holden Meehan into the Bradford & Bingley Group plc, establishing Chase de Vere as a top ten IFA with a turnover in excess of £30 million and successfully changing the UK marketing strategy of AWD PLC.

**James Sanger**, 71, (Non-executive Director). Joined the Board in June 1999. Having read law at Worcester College, Oxford, he qualified as a Chartered Accountant and has a MBA degree from Harvard Business School, USA. Jim worked on the management side of a newspaper group before being appointed as a director of Henderson Administration. His subsequent career has encompassed Far East trading with Blyth Greene Jourdain & Co. Limited, consumer goods with James Burrough plc, industrial management with Tomkins plc, and electronics with Peek plc. He is a non-executive director of a number of venture capital backed companies and charitable organisations.

# Directors' Report

The directors present their report and the audited consolidated financial statements of Liontrust Asset Management PLC.

## Principal activities

Liontrust Asset Management PLC is a holding company whose shares are quoted on the Official List of the London Stock Exchange and is domiciled and incorporated in the UK. It has seven subsidiaries including:

Subsidiary name	% owned by the Company	Subsidiary principal activities
Liontrust Investment Funds Limited	100%	A financial services organisation managing unit trusts, authorised and regulated by the Financial Services Authority. <sup>(1)</sup>
Liontrust Investment Services Limited	100%	A financial services organisation offering investment management services to professional investors directly, through investment consultants and through other professional advisers, which is authorised and regulated by the Financial Services Authority. <sup>(1)</sup>
Liontrust European Investment Services Limited	70% <sup>(2)</sup>	A financial services organisation offering European and UK equity investment management services to professional investors directly, through investment consultants and through other professional advisers, which is authorised and regulated by the Financial Services Authority.
Liontrust International (Guernsey) Limited	100%	Incorporated in Guernsey, a financial services organisation managing investment funds, which is regulated by the Guernsey Financial Services Commission.
Liontrust Global Investment Services Limited	100%	An investment manager, incorporated in Guernsey, regulated by the Guernsey Financial Services Commission.
Liontrust International (North America) Inc.	100%	Incorporated in Delaware. <sup>(3)</sup>
Liontrust Management Services Limited	100%	Employs all staff members.

<sup>(1)</sup> Liontrust Investment Funds Limited and Liontrust Investment Services Limited are currently being restructured, with the intention to transfer their business, subject to appropriate regulatory approvals, to two new limited liability partnerships, Liontrust Fund Partners LLP and Liontrust Investment Partners LLP respectively.

<sup>(2)</sup> The Company has been granted a call option to buy out the minority shareholders in Liontrust European Investment Services Limited and the minority shareholders have been granted a put option to require the Company to buy out their shares in Liontrust European Investment Services Limited. Full details of these arrangements are contained in a circular sent to shareholders in June 2006. A copy of the circular is available, on request, from the Company Secretary.

<sup>(3)</sup> Liontrust International (North America) Inc. is in the process of being closed down.

## Results and dividends

The consolidated net loss before tax for the year to 31 March 2010 was £1,005,000 (year to 31 March 2009: net profit before tax of £12,350,000).

An interim dividend of 2.5 pence per share was paid on 17 December 2009 (December 2008: 2.5 pence per share). There is no second interim dividend (July 2009: 5.0 pence per share). Total dividend for the full year amounts to 2.5 pence per share (2009: 7.5 pence per share).

## Review of the business and future developments

A review of the business and future developments is set out in the Chairman's Statement and Business Review on pages 3 and 4 to 9 respectively.

## Creditor Payment Policy

The Group's trade creditors arise from its role as a unit trust manager. Unit trust creations are paid for four days after the transactions and repurchase creditors are paid within four days of receipt of correctly completed renunciation documentation. Creditors arising in respect of expense costs are paid on a timely basis in the normal course of business and were not material as at 31 March 2010.

## Donations

The Company made no charitable donations during the year (2009: £nil), and made no political donations (2009: £nil).

## Directors

The directors of the Company during the year and up to the date of the signing of the financial statements were as follows. Their interests in the share capital of the Company at 31 March 2010 are set out in the Remuneration Report on page 20.

B.H. Asher (resigned 4 February 2010)

A.J.R. Collins (appointed 9 June 2009)

N.R. Legge (resigned 6 May 2010)

J.S. Ions (appointed 6 May 2010)

V.K. Abrol

C.J. Edmeades (appointed 15 June 2010)

G.V. Hirsch

G.L. Hooper (appointed 4 February 2010)

J.G. Sanger

## Capital structure and voting rights

The Company's share capital comprises of ordinary shares of 1 pence each. As at 31 March 2010, 33,665,008 ordinary shares were in issue, representing 100 per cent of the total voting rights of the Company. There were no changes to the issued share capital of the Company during the year.

Under Resolution 9 of the Annual General Meeting held on 15 September 2009, the shareholders authorised the Company to purchase its own shares pursuant to section 701 of the Companies Act 2006. This authority is limited to the maximum number of 5,049,000 Ordinary Shares of 1 pence each (equivalent to approximately fifteen per cent of the issued share capital of the Company). This authority expires at this year's Annual General Meeting of the Company or 30 September 2010 (whichever is the earlier). The maximum price that may be paid for an Ordinary share will be the amount that is equal to 5 per cent above the average of the middle market prices shown in quotations for an Ordinary share in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary share is purchased. The minimum price which may be paid for an Ordinary share is 1 pence.

As at 31 March 2010 authority for the Company to purchase its own shares remained valid over 5,049,000 Ordinary shares of 1 pence each. Renewal of the Company's power to purchase its own shares will be sought at the Annual General Meeting on 14 September 2010. In the event that the Company should purchase shares for cancellation, the directors would only do so after consideration of the effect on earnings per share and the longer term benefits for shareholders.

On 16 June 2006, the Company entered into a conditional agreement (the "Agreement") relating to an investment in Liontrust European Investment Services Limited ("LEIS"), which provides European equity fund management services in relation to the investment process developed by Gary West and James Inglis-Jones. Further information was contained in an announcement made on 16 June 2006 and in a circular sent to shareholders on that date and in a subsequent announcement made on 12 July 2006. The principal terms of the proposals provide for the acquisition by each of Gary West and James Inglis-Jones of a 15 per cent. equity interest in LEIS, with the balance held by the Company. The Company was granted an option to buy out the minority shareholders in LEIS after five years (or in certain circumstances sooner) on a valuation that is at a 25 per cent. discount to the Group's revenue multiple at the time of the buy-out. The minority shareholders were also granted an option to require the Company to buy out their shares in LEIS after five years (or in certain circumstances sooner) based on the same valuation formula. The consideration payable under the option (and certain of the leaver provisions comprised in the proposals) is to be satisfied through the issue of new Liontrust shares, or a mixture of new Liontrust shares and cash, or cash only. It is the Company's intention to satisfy any obligation through Liontrust shares. The maximum consideration payable under these options (and certain of the leaver provisions) has been capped such that any payment would not exceed 15.3 per cent. of the share price of the Company as at 12 July 2006 multiplied by the issued share capital of Liontrust at the time of grant less the amount the Company paid for its investment in LEIS. The maximum number of new Liontrust shares that may be issued under these arrangements is 5,152,807 Ordinary shares of 1 pence (equivalent to 15.3% of the issued share capital of the Company) less the share equivalent of the amount the Company paid for its investment in LEIS. Any shares issued as consideration will be subject to appropriate lock-up arrangements.

## Substantial shareholders

The Company has received notifications in accordance with the FSA's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital as at 15 June 2010:

Notifier	Number of voting rights	Percentage of voting rights
Schroder Investment Management Limited	7,948,772	23.61
Liontrust Asset Management Employee Trust	3,727,335	11.07
Ora (Guernsey) Limited	3,064,794	9.10
Fidelity International Limited	2,391,085	7.10
Standard Life Investments Limited	1,850,000	5.50
Gartmore Investment Management Limited	1,743,710	5.18
Nigel Richard Legge	1,048,666	3.12

## Corporate governance

A report on corporate governance appears on pages 14 to 17.

## Risks and uncertainties

The directors have identified the risk and uncertainties that affect the Group's business and these can be broken down into risks that are within the management's influence and risks that are outside it.

Risks that are within management's influence include areas such as the expansion of the business, prolonged periods of under-performance, loss of key personnel, human error, poor communication and service leading to reputation damage and fraud.

Risks outside the management's influence include falling markets, terrorism, a deteriorating UK economy, investment industry price competition and hostile takeovers.

Management monitor all risks to the business, they record how each risk is mitigated and have warning flags to identify increased risk levels. Management recognise the importance of risk management and view risk management as an integral part of the management process which is tied into the business model and is described further in the Risk management and internal control section on page 15.

Additionally the Group has a significant number of stakeholders whose future risks and uncertainties are linked to the Group. These significant stakeholders are: shareholders; clients; employees; service providers that provide the Group with outsourced functions; and industry bodies. Each of these groups presents different risks and uncertainties and the Group ensures that there is regular contact and monitoring of the various bodies.

The Group considers that the expansion of the business brings with it a number of risks as well as benefits. When expanding into other asset classes it wants to ensure that the following five tests are passed:

1. Not to put our existing business at risk;
2. Document the investment process for each asset class;
3. Keep fund management headcount for any new area as low as possible;
4. Maintain our margins; and
5. Any new investment process to be scalable to a meaningful level of capacity.

## Corporate social responsibility

The Board recognises the Company's impact, responsibilities and obligations on and towards society and aims to reduce environmental risk.

The Company is committed to the highest standards of business conduct. Policies and procedures are in place to facilitate the reporting of suspect and fraudulent activities, including money laundering.

The Company's health and safety policy aims, insofar as it is reasonably practical, to ensure the health and safety of all employees and other persons who may be affected by the Company's operations and provide a safe and healthy working environment. The Company has a good record of safety.

## Financial instruments

The Group's financial instruments at 31 March 2010 comprise cash and cash equivalents, financial assets and receivable and payable balances that arise directly from its daily operations.

Receivables arise principally in respect of fees receivable on funds under management, cancellations of units in unit trusts and sales of units in unit trusts, title to which are not transferred until settlement is received. The Group's credit risk is assessed as low.

Financial assets comprise assets held at fair value through profit or loss and assets held as available-for-sale.

Assets held at fair value through profit or loss are unit trust units and shares held in the 'manager's box' to ease the calculation of daily creations and cancellations.

Non current financial assets held for sale comprise assets where the Group has control of the investment but meets the requirements in IFRS 5 in order to disclose as held for sale.

Assets held as available-for-sale are shares in:

1. Liontrust Credit Fund, a Cayman domiciled open ended investment company, which has been undertaken as seed investment;
2. Liontrust Pan-European Fund, a sub-fund of Liontrust International Funds (Luxembourg) SICAV (a Luxembourg domiciled Société d'investissement à capital variable), which has been undertaken as an investment to aid incorporation and will be redeemed when the fund grows in size;
3. Liontrust Credit Absolute Return Fund, a sub-fund of Liontrust International Funds (Luxembourg) SICAV (a Luxembourg domiciled Société d'investissement à capital variable), which has been undertaken as seed investment.

Non current assets held for sale are shares in:

Liontrust European Growth Long/Short Fund, a sub-fund of Liontrust Alternative Funds PCC Limited (a Guernsey domiciled open ended investment company), which has been undertaken as seed investment (to increase the size of the funds so that they are more attractive to external investors) and to build a track record for the associated investment process.

Cash flow is managed on a daily basis, both to ensure that sufficient cash is available to meet liabilities and to maximise the return on surplus cash through use of overnight and monthly deposits. The Group is not reliant on income generated from cash deposits.

Deposit banks are selected on the basis of providing a reasonable level of interest on cash deposits together with a strong independent credit rating from a recognised agency. Any banks selected for holding cash deposits are approved by the Board.

Based on holding the financial instruments as noted above the Group does not feel subject to any significant liquidity risks.

Full details of the Group's financial risk management can be found in note 2 on page 32.

## Annual General Meeting

The fifteenth Annual General Meeting of the Company will be held in the Victoria Room at The Northumberland, 8 Northumberland Avenue, London WC2N 5BY on Tuesday 14 September 2010 at 11am. A notice convening this meeting will be sent to shareholders in August 2010.

## Section 992, Companies Act 2006

The following information is disclosed in accordance with section 992 of the Companies Act 2006:

The Company's capital structure and voting rights are summarised on page 12.

Details of the most substantial shareholders in the Company are listed on page 12.

The rules concerning the appointment and replacement of directors are contained in the Company articles of association and are discussed on page 14.

Powers to issue or buy back shares require a special resolution to be passed by the shareholders; such resolutions have been included in the notice of the fifteenth Annual General Meeting, to be sent to shareholders in August 2010.

There are: no restrictions concerning the transfer of the securities in the Company; no special rights with regard to control attached to securities; no agreement between holders of the securities regards their transfer known to the Company; no agreement which the Company is party to that might affect its control following a takeover bid.

There are no agreements between the Company and its directors concerning compensation for loss of office as at 31 March 2010.

## Statement of disclosure of information to auditors

As so far as the directors are aware, there is no relevant information of which the Company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Independent Auditors

PricewaterhouseCoopers LLP were the independent auditors to the Company during the year and have confirmed their willingness to continue in office. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the directors to fix their remuneration will be proposed at the 2010 Annual General Meeting.

## By order of the Board

Mark Jackson, Company Secretary.  
Registered Office: 2 Savoy Court, London WC2R 0EZ.  
15 June 2010

## Compliance with the provisions of the Combined Code

The Company complied throughout the year with the provisions of section 1 of the June 2008 FRC Combined Code (the "Combined Code") and with the Schedules save the matters referred to below.

## The Board

The Board is responsible for organising and directing the affairs of the Company and the Group in a manner that is in the best interests of the shareholders, meets legal and regulatory requirements and is also consistent with good corporate governance practices. There is a formal document setting out the way in which the Board operates, which is available upon request from the Company Secretary.

The division of responsibilities between Adrian Collins, Chairman, and John Ions, Chief Executive, has been clearly established by way of written role statements, which have been approved by the Board. The Chairman's main responsibilities are to lead the Board, ensure that shareholders are adequately informed with respect to the Company's affairs and that there are efficient relations and communication channels between management, the Board and shareholders, liaising as necessary with the Chief Executive on developments, and to ensure that the Chief Executive and his executive management team have appropriate objectives and that their performance against those objectives is reviewed.

The Chief Executive's main responsibilities are the executive management of the Group, liaison with Board and shareholders (as required by the Chairman), to manage the strategy of the Group, to manage the senior management team, oversee and manage the sales and marketing teams, and to be an innovator and facilitator of change. The Chief Executive discharges his responsibilities in relation to the executive management of the Group via three executive committees; the Fund Management Group Committee (the "FMG"), the Asset Gathering Group Committee (the "AGG") and the Operations Management Group Committee (the "OMG"). The AGG and OMG meet fortnightly and the FMG meets monthly with key representatives from each committee attending the other committee meetings.

Up to 6 May 2010 the Chief Executive was responsible, and from 6 May 2010 the Chairman and Chief Executive are responsible, to the Board for the executive management of the Group and for liaising with the Board and keeping it informed on all material matters.

The Articles of Association of the Company require directors to submit themselves for reappointment at the first annual general meeting after their appointment and for re-election every three years thereafter.

The Board met eight times during the year. In addition, there were occasions when directors met as a Committee of the Board in order to authorise transactions already agreed in principle at Board meetings. On those occasions, a quorum of either two or three directors was required.

## Directors

Biographical details of all current directors can be found on page 10. Changes to the composition of the Board during the year and up to the date of the signing of the financial statements were as follows:

9 June 2009	Mr Collins joined the board as non-executive Deputy Chairman.
1 January 2010	Mr Asher stood down as non-executive Chairman and Mr Collins became non-executive Chairman.
4 February 2010	Mr Hooper joined the Board as a non-executive Director and Mr Asher resigned from the Board.
6 May 2010	Mr Collins became executive Chairman, Mr Legge stood down as Chief Executive and Mr Ions joined the board as Chief Executive.
15 June 2010	Mr Edmeades joined the Board as Chief Risk Officer.

There were no other changes to the Board during the financial year and up to the date of the signing of the financial statements. Attendance at meetings of the Board and the Audit, Nomination and Remuneration Committees is shown in the table on page 18.

At all times during the year there have been at least three non-executive directors, including the non-executive Chairman. The Board believes that the balance achieved between executive and non-executive directors is appropriate and effective for the control and direction of the business. Given the extensive experience of the non-executive directors, the Board does not believe the identification of a senior non-executive director (Code A.3.3) is appropriate or desirable.

The Chairman has met during the year with the non-executive directors both individually and collectively without the executive directors.

Having duly evaluated each of the non-executive directors the Board considers that, notwithstanding the provisions of the Combined Code, all such directors are independent, in that they neither represent a major shareholder group nor have any involvement in the day to day management of the Company or its subsidiaries. As such they continue to bring objectivity and independent judgement to the Board and complement the executive directors' skills, experience and detailed knowledge of the business.

None of the executive directors and the Chairman are on the Board of a FTSE 100 company.

Non-executive directors are aware that they have to report any change in their circumstances or those of the members of their families that might lead to the Board reconsidering whether they are independent. Directors are also aware that they have to inform the Board of any conflict of interest they might have in respect of any item of business and absent themselves from consideration of any such matter.

The non-executive directors have disclosed to the Company Secretary their significant commitments other than their directorship of the Company and have confirmed that they are able to meet their respective obligations to the Company.

Directors have the right to have any concerns about the running of the Company minuted and documented in a written statement on resignation.

The Company has arranged insurance cover in respect of legal action against its directors and officers.

## Performance

The Board conducts a formal review and rigorous evaluation of individual directors, its own performance and that of its committees. The evaluation process is constructively used to improve Board effectiveness, maximise strength and address weakness.

The executive directors have been subject to the same formal appraisal process as for all other group employees. These appraisals were carried out in May 2010 and in all cases their performance was appraised as continuously effective. The performance of the non-executive directors during the year to 31 March 2010 has been reviewed by the executive directors. The review has confirmed that the performance of the non-executive directors is continuously effective and appropriate.

In addition to the individual appraisals, the Board considers its overall performance as a body and of its committees.

## Professional development and training

Every director is entitled to receive appropriate training and guidance on their duties and responsibilities. Continuing professional development is offered to all directors and the Board is given guidance on new developments, such as new regulatory requirements.

In order to promote awareness and understanding of the Group's operations, the Chairman ensures there are additional opportunities for the non-executive directors to meet with senior management outside of the Board and its committees.

## Communication with shareholders

The views of the investors are conveyed to non-executive directors by the presentation at Board meetings of surveys of shareholder opinion carried out by the Group's brokers and of analysts' reports and also by feedback from the executive directors who regularly meet with major shareholders.

## Resources

Directors have access to the services and advice of the Company Secretary, and may take additional independent professional advice at the Group's expense in furtherance of their duties. The terms of reference of the Audit, Nomination and Remuneration Committees have been considered by their members with a view to ensuring they have available adequate resources to discharge their duties.

## Committees

Details of the chairmen and membership of the Audit, Nomination and Remuneration Committees are set out in the table on page 18 together with details of attendance at meetings.

## Risk management and internal control

The Audit Committee, on behalf of the Board, is responsible for overseeing the Group's financial reporting and system of internal controls, including suitable monitoring procedures, which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Audit Committee is also responsible for keeping under review the scope, results and cost effectiveness of the audit and the independence of the external auditors. The Audit Committee assists the Board in its presentation of the Company's financial results and position through its review of the interim and full year financial statements before approval by the Board, focusing on compliance with accounting principles and policies, changes in accounting practice and major matters of judgement.

The Board has reviewed the effectiveness of the Group's system of internal control for the period under review and up to the date of this annual report and financial statements. The Board has carried out an evaluation of the major risks affecting the business and has a process in place within the business to control and monitor risks on an ongoing basis, in accordance with the principles established by the Turnbull Committee.

The internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The main elements of the Group's internal control systems (including financial, operational and compliance controls and risk management) which have operated throughout the year are as follows:

- a clear division of responsibilities and lines of accountability, allowing adequate supervision of staff;
- the development and implementation of specific accounting policies;
- preparation of annual plans and performance targets in light of the overall Group objectives;
- reports from the executive directors to the Board on the actual performance against plans;
- reports from the Chief Risk Officer to the Board in respect of compliance assurance work received from the Financial Services Authority;
- reports to the Board in respect of the management of, and results of visits to, third parties to whom functions have been outsourced;
- compliance by all members of staff with the Group's statement of business conduct, which seeks to ensure business is conducted in accordance with the highest standards; and
- capture and evaluation of failings and weaknesses and confirmation that necessary action is taken to remedy the failings, particularly those categorised as 'significant'.

## Internal audit

The Board considered the need to establish a separate internal audit function. However, it was decided that, under the direction of the Chief Risk Officer, the compliance department meets most of the objectives of an internal audit function. Consequently a separate internal audit function is not required.

## Annual General Meeting

Notices convening Annual General Meetings are despatched to shareholders at least twenty working days before the relevant meeting and contain separate resolutions on each issue, including a resolution to adopt the annual report and financial statements. At every Annual General Meeting, the Chairman of the Group and the chairmen of the Audit, Nomination and Remuneration Committees make themselves available to take questions from shareholders.

The Company has put arrangements in place with its registrars to ensure that all proxy votes are received and accurately accounted for. The level of proxies lodged on each resolution, including votes for, against and abstained, will be available on the Company's website or upon request from the Company Secretary after the Annual General Meeting.

### Directors' responsibilities

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The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors 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 group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors, whose names and functions are listed on page 10, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The financial statements may be published on the [www.liontrust.co.uk](http://www.liontrust.co.uk) website, which is maintained by the Company. The maintenance and integrity of the website is the responsibility of the directors. The work carried out by the auditors does not involve consideration on the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. The financial statements are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

### Statement under the Disclosure and Transparency Rules 4.1.12

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The Directors each confirm to the best of their knowledge that:

- a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company; and
- b) this annual report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

### Basis of financial statements

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Having given consideration to the uncertainties and contingencies disclosed in the financial statements, the directors have satisfied themselves that the Group has adequate resources to continue in operation for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

### Report of the Audit Committee

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The membership of the Audit Committee and the attendance record of directors during the year are shown in the table on page 18. All members of the Audit Committee are independent non-executive directors. All members have recent and relevant financial experience; Messrs Sanger and Hirsch are chartered accountants.

### Principal duties

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The Audit Committee's principal duties are as follows:

- Oversee the Group's system of internal controls, including suitable monitoring procedures, which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.
- Keep under review the scope, results and cost effectiveness of the audit and the independence of the external auditors.
- Assist the Board in its presentation of the Company's financial results and position through its review of the interim and full year financial statements before approval by the Board, focusing on compliance with accounting principles and policies, changes in accounting practice and major matters of judgement.

The terms of reference of the Audit Committee, which explain its role and the authority delegated to it by the Board of Directors, are published on the Company's website or are available upon request from the Company Secretary.

## Activities during the year

The Audit Committee met three times for scheduled meetings during the year. The Chief Operating Officer and Chief Financial Officer is a regular attendee. Other members of executive management are also invited to attend from time to time, as is the Chief Risk Officer.

The Audit Committee has a formal programme of issues which it covers during the year. This programme is formulated by the Audit Committee Chairman and the Company Secretary and is designed to ensure that all matters that fall within the Audit Committee's remit are reviewed during the year. The Audit Committee has access to external independent advice at the Company's expense.

Principal issues considered during year were:

- the annual financial statements for 2009 and interim results to 30 September 2009;
- the external audit plan for 2010;
- the Group's overall governance and risk framework and how this is presented to the Audit Committee;
- the appropriateness of the accounting policies used in drawing up the Group's financial statements;
- the external auditors' year-end report, interim report and management letters;
- tax strategy;
- the performance of the key out-sourced providers to the Group; and
- the performance, independence and objectivity of the external auditors, including a review of non-audit fees.

## External auditors

The Audit Committee meets regularly with the external auditors without management present. The partner of the Group's external auditors who is responsible for the audit is invited to attend all meetings. Each year, the Audit Committee considers the performance of the external auditors prior to proposition of a resolution on their reappointment and remuneration at the Annual General Meeting.

During the year, PricewaterhouseCoopers LLP were, on a number of occasions, engaged as advisers. The range of non-audit services provided included tax compliance advice, employee incentivisation advice and restructuring advice. In order to maintain their independence, such appointments are only made when the Audit Committee is satisfied that there are no matters that would compromise the independence of the auditors or affect the performance of their statutory duties. PricewaterhouseCoopers LLP have also considered their position and have confirmed their independence to the Company in writing. The Group's external auditors are also required to provide an annual report to the Audit Committee detailing all non-audit services, including the level of fees charged, and to have their own internal processes to ensure that the firm, its partners and its staff are independent of the Group. Annually the Audit Committee reviews a formal letter provided by the external auditors confirming its independence and objectivity within the context of applicable regulatory requirements and professional standards.

The Board has accepted the Audit Committee's recommendation that a resolution be put to the 2010 Annual General Meeting for the reappointment of PricewaterhouseCoopers LLP as external auditors.

## Report of the Nomination Committee

The membership of the Nominations Committee and the attendance record of directors during the year are shown in the table on page 18. The Committee met four times in the year under review.

### Principal duties

The Nominations Committee's principal duties are to review the structure, size and composition of the Board and to evaluate the directors' skills, knowledge and experience. The Nominations Committee considers the leadership needs and succession planning of the Board when making decisions on new appointments.

The terms of reference of the Nominations Committee, which explain its role and the authority delegated to it by the directors, are available on the Company's website or upon request from the Company Secretary. The terms and conditions of appointment of the non-executive directors will be available for inspection at the Annual General Meeting.

### Activities during the year

The Nominations Committee reviewed the size and composition of the Board and considered the position of Glyn Hirsch and Jim Sanger as independent non-executive directors given that at the 2010 Annual General Meeting they would have served for eleven years. The Nominations Committee recommended that Mr Hirsch and Mr Sanger should be considered to be independent directors in view of their independence of character and judgement. The Board supported the Nominations Committee's recommendation.

The Nominations Committee approved a profile for an additional independent director to strengthen financial services sales and marketing experience amongst the non-executive Directors and a profile for an additional executive director to strengthen risk management within the Group. Following a search process the Nominations Committee recommended the appointment of Graham Hooper in February 2010 as an independent director and Christopher Edmeades in June 2010 as Chief Risk Officer.

On 6 May 2010 Nigel Legge stood down as Chief Executive and the Nominations Committee recommended the immediate appointment of John Ions to the Board as Chief Executive and that Adrian Collins became executive Chairman.

The Nominations Committee received information and support from the Chief Operating Officer and Chief Financial Officer during the year. In order to enable the Nominations Committee to carry out its duties and responsibilities effectively the Nominations Committee has the right to appoint external recruitment consultants or external advisers to fill vacancies where it believes that to be appropriate.

### By order of the Board

Mark Jackson, Company Secretary.

Registered Office: 2 Savoy Court, London WC2R 0EZ.  
15 June 2010

# Report on Directors' Board Attendance

## Board and board committee membership and attendance

The number of Board and Board committee meetings attended by directors in the year ended 31 March 2010 was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
<b>Total number of meetings during the year</b>	<b>8</b>	<b>3</b>	<b>4</b>	<b>4</b>
B.H. Asher <sup>(1)(3)</sup>	4/6	2/3	3/3	3/3
A.J.R. Collins <sup>(2)(3)</sup>	3/6*	0/0	1/1	2/2*
N.R. Legge <sup>(4)</sup>	8/8	–	–	4/4
V.K. Abrol	8/8	–	–	–
G.V. Hirsch <sup>(3)</sup>	5/8	3/3	3/4*	4/4
G.L. Hooper <sup>(3)(5)</sup>	1/2	0/0	0/0	0/0
J.G. Sanger <sup>(3)</sup>	6/8	3/3*	4/4	4/4

\* Chairman of the Board or Board committee at 31 March 2010.

<sup>(1)</sup> Chairman of the Board until 1 January 2010. Chairman of the Nominations Committee until 12 January 2010. Resigned 4 February 2010.

<sup>(2)</sup> Appointed to the Board on 9 June 2010, appointed Chairman of the Board on 1 January 2010. Appointed to the Audit, Remuneration and Nominations Committee on 12 January 2010. Appointed Chairman of the Nominations Committee on 1 January 2010. Stepped down from the Audit Committee and Remuneration Committee on 11 May 2010. Stepped down as Chairman of the Nominations Committee on 11 May 2010.

<sup>(3)</sup> For B.H. Asher and G.L. Hooper one Board meeting, and for A.J.R. Collins, G.V. Hirsch and J.G. Sanger two Board meetings, were held at short notice. Directors that were unable to attend were fully apprised before the meetings of their purpose, were able to give any comments to the Chairman of the Board meeting before the meeting, and were provided with the minutes subsequent to the meeting.

<sup>(4)</sup> Resigned 6 May 2010.

<sup>(5)</sup> Appointed to the Board on 4 February 2010. Appointed to the Audit, Remuneration and Nominations Committee on 9 March 2010. Appointed Chairman of the Nominations Committee on 11 May 2010.

# Directors' Remuneration Report

## Composition and policy

During the year, the Remuneration Committee was comprised entirely of independent non-executive directors. The membership of the Remuneration Committee and the attendance record of directors during the year are shown in the table on page 18. The Chief Executive is a regular attendee.

The Remuneration Committee is charged with determining remuneration policy for, and setting pay and other benefits of, the executive directors of the Company. All its recommendations are referred to the Board. Any director who has an interest in the matter which is the subject of a recommendation to the Board abstains from the Board's vote in relation to that matter and takes no part in its deliberations.

The Remuneration Committee is primarily concerned with the remuneration of the executive directors.

The preliminary results announcements for the financial year ended 31 March 2009 referred to the implementation of a deferred bonus scheme for the executive directors. However, following a detailed review of the Company's policy on executive director and employee remuneration the Remuneration Committee has determined that wider change is required. These changes are necessary to ensure that the policy:

1. retains key employees;
2. attracts new talent of a calibre required to execute the business strategy of growing funds under management over a wider asset class; and
3. re-engages all employees in the Company at these critical times.

The key principles of the Remuneration Committee's new policy are:

- Levels of remuneration will be competitive to comparable companies operating in similar markets. However, given the fall in funds under managements and the profits of the Company the Remuneration Committee has imposed a suspension of pension contributions for 2010/11 for the executive directors.
- The Remuneration Committee will ensure that the ratio of total remuneration costs to pre-remuneration profits for the Company is within a target determined by the Remuneration Committee as part of the annual budget process. However, the Remuneration Committee recognises the need to invest in key employees and that that the current ratio may be higher at the current stage of recovery than in previous years.

- Although the Remuneration Committee's policy is to avoid guaranteed compensation where possible, it recognises that there will be times when this forms part of the initial package necessary to recruit fund managers and other key individuals. However, in such circumstances any guarantee will be delivered in the form of equity which must be held for the long term.
- Short term incentive arrangements are in line with corporate governance best practice and the code of practice on executive remuneration from the Financial Services Authority (the 'FSA'). As such, up to 50% of any bonuses for the executive directors will be deferred into Company shares and must be held for a period of up to three years. Given the fall in funds under managements and the profits of the Group, the Remuneration Committee has determined the executive directors will receive no annual bonus for this financial year. This shows a commitment to minimise any increases in fixed costs, reflects the turnaround strategy of the Group and the current economic environment.
- The interests of all employees (including the executive directors) are closely aligned with those of the Company's shareholders through the wide use of equity incentive programmes.

The Board itself determines the remuneration of the non-executive directors of the Company, each of whom abstains in respect of matters relating to his own position. The Board has imposed a remuneration freeze for the non-executive directors for 2010/11.

To ensure that the Company's rates of remuneration are competitive, the Remuneration Committee takes account of publicly available market data. In setting policy and making decisions, the Remuneration Committee gives full consideration to the provisions on the design of performance-related remuneration set out in Schedule A of the Combined Code.

The information presented in those tables marked 'auditable' is audited by the independent auditors, PricewaterhouseCoopers LLP, whose report is presented on page 24.

## Directors detailed emoluments (auditable)

	Salary (£'000)	Bonus (£'000)	Benefits in kind (9) (£'000)	Fees and commission (£'000)	Total for year to 31 March 2010 (£'000)	Total for year to 31 March 2009 (£'000)
<b>Executive</b>						
N.R. Legge <sup>(1)</sup>	373	–	2	–	375	692
V.K. Abrol	306	–	2	–	308	642
J.D. Lang <sup>(3)</sup>	–	–	–	–	–	<sup>(4)</sup> 3,907
W.T. Pattison <sup>(3)</sup>	–	–	–	–	–	<sup>(4)</sup> 3,990
<b>Non executive</b>						
B.H. Asher <sup>(5)</sup>	–	–	–	44	44	56
A.R.J. Collins <sup>(6)</sup>	–	–	–	<sup>(7)</sup> 35	35	–
G.L. Hooper <sup>(8)</sup>	–	–	–	4	4	–
G.V. Hirsch	–	–	–	27	27	27
J.G. Sanger	–	–	–	27	27	27
	679	–	4	137	820	9,341

<sup>(1)</sup> Resigned 6 May 2010.

<sup>(2)</sup> Includes additional payments in lieu of pension contributions and car fuel allowance.

<sup>(3)</sup> Resigned 23 March 2009.

<sup>(4)</sup> Includes severance compensation.

<sup>(5)</sup> Resigned 4 February 2010.

<sup>(6)</sup> Appointed 9 June 2009.

<sup>(7)</sup> Fees (includes value added tax) for services provided paid to Fincorp International Limited. Appointed executive Chairman on 6 May 2010.

<sup>(8)</sup> Appointed 4 February 2010.

<sup>(9)</sup> Benefits in kind comprise private medical insurance.

## Directors' share interests

The interests of the directors and their families in the share capital of the Company at 31 March 2010 were as follows:

	Ordinary 1 pence shares held at 31 March 2010	Ordinary 1 pence shares held at 31 March 2009
A.J.R. Collins	–	–
N.R. Legge <sup>(1)</sup>	1,048,666	867,999
V.K. Abrol	590,756	409,981
G.L. Hooper	–	–
G.V. Hirsch	8,000	8,000
J.G. Sanger	40,000	40,000

<sup>(1)</sup> Resigned 6 May 2010.

There were no changes to the directors' interests between 1 April 2010 and 15 June 2010.

## Share schemes

### Liontrust Share Incentive Plan (the "LSIP")

The LSIP (previously known as the Employee Share Ownership Plan) is an HMRC approved Share Incentive Plan, established in April 2001. It allows all employees of the Group to contribute part of their salary on a monthly or annual basis to the LSIP (maximum monthly contribution is £125 and maximum annual contribution is £1,500). Contributions will be used to buy and hold shares in the Company (Partnership Shares) on their behalf. The Company awards participants in the LSIP shares in the Company (Matching Shares) on a 2:1 basis (i.e. two Matching Shares awarded for each one Partnership purchased by the participant).

### Share options

#### Liontrust Savings-Related Share Option Scheme (the "LSSOS")

The Company's Savings-Related Share Option Scheme (closed to new entrants in 2005) was open to all qualifying Group employees, including the executive directors of the Company. Under the terms of the Scheme, employees commit to a monthly savings plan over three or five years. Options are granted to acquire the number of shares that the total savings will buy when the savings contract matures. The exercise price is determined by calculating the higher of either the nominal value of an Ordinary Share or 80% of the middle market quotation of the Ordinary Shares for three days immediately preceding the date on which invitations to apply for such options were made. No options were granted during the current year (2009: none). The maximum number of shares that may be applied for under these arrangements is nil (2009: 7,107 shares).

### Liontrust Enterprise Management Incentive Scheme (the "LEMIS")

As approved at the Annual General Meeting in July 2002 the Company introduced the LEMIS (closed to new entrants in 2009). The LEMIS is designed to reward incentive if challenging performance targets are met. The LEMIS operates in conjunction with the Liontrust Asset Management Employee Trust on the basis that options will be satisfied by the issue of new ordinary shares and by the purchase of shares in the market by the Trustee of the Trust. This is to ensure that the dilution of shareholders' interests is limited. This may result in the Trustee holding in excess of 5% of the issued ordinary shares of the Company.

The performance conditions attaching to the LEMIS on the initial grant of options is that over three financial years starting with the year of grant, there must be an increase in the diluted earnings per share (after removing exceptional items, the performance fees and costs and related tax charges) of the Group ("EPS") by a fixed percentage per annum that is more than the increase in the Retail Prices Index ("RPI") for the same period. In respect of each fixed percentage, part of the option will become exercisable. Consequently options will be exercisable in the following circumstances:

If EPS growth exceeds RPI by 3% then 50% of the option can be exercised.

If EPS growth exceeds RPI by 4% then 75% of the option can be exercised.

If EPS growth exceeds RPI by 5% then 100% of the option can be exercised.

In the case of EPS, measurement of growth will be made by comparing the EPS figure for the financial year ending immediately before the start of the performance period with the figure for the latest financial year in the performance period.

The price paid for the options awarded under the LEMIS was £nil (2009: £nil). There have been no changes to the terms and conditions of the options during the year.

### Liontrust Incentive Plan (the "LIP")

LIP was adopted by the Board in November 2009, and is designed to:

- create a strong alignment between the interests of shareholders and those individuals who can have a real impact on corporate performance;
- provide the Remuneration Committee with a tool with which to retain and attract individuals of a calibre required to build and shape the business; and
- foster a strong pay for performance culture which will translate into true long-term value creation for shareholders and provide commensurate and competitive reward for the top talent.

Participation in LIP is limited to the management within the Group, but excluding any director (including executive directors) of the Company.

LIP operates in conjunction with the Liontrust Asset Management Employee Trust on the basis that options will be satisfied by the purchase of shares in the market by the Trustee of the Trust. This is to ensure that there is no dilution of shareholders' interests. This may result in the Trustee holding in excess of 5% of the issued ordinary shares of the Company.

On the grant by the Company of an award under LIP, the Company may impose a performance target and any further condition on the exercise of the award that the Company determines to be appropriate. For options awarded in the financial year with a performance condition attached, the performance target was that the Company's share price performance over the performance period (from the date of grant to 31 March 2012) as set out in the following table:

Share Price at end of performance period	Proportion of Award Shares vesting
175p	30%*
200p	100%*

\* Straight line vesting between points

The share price target is based on the average closing share price in the 30 day period prior to the end of the performance period. Where these targets have not been met by the end of the performance period all LIP Awards will lapse.

The price paid for the options awarded under LIP was £nil. It is a condition of participation in the LIP that any options previously granted to a participant under the LEMIS are surrendered.

### Liontrust Option Plan (the "LOP")

LOP was adopted by the Board and approved by HMRC in December 2009. The LOP provides for the granting of options up to a market value limit of £30,000 to each individual employee on the date of grant.

Participation in LOP is open to all employees of the Group, but excluding any director (including executive directors) of the Company.

The LOP operates in conjunction with the Liontrust Asset Management Employee Trust on the basis that options will be satisfied by the purchase of shares in the market by the Trustee of the Trust. This is to ensure that there is no dilution of shareholders' interests. This may result in the Trustee holding in excess of 5% of the issued ordinary shares of the Company.

The price paid for the options awarded under LOP was £nil. It is a condition of participation in the LOP that any options previously granted to a participant under the LEMIS are surrendered.

## Directors' Remuneration Report continued

### Executive Directors' share options (auditable)

The options granted to and held by the executive directors were as follows:

Director	1 April 2009	Options granted	Options exercised	Options Lapsed	31 March 2010	Exercise price (pence)	Issue date	Scheme
N.R. Legge <sup>(1)</sup>	125,391	–	–	–	125,391	287.5	30 July 2002	LEMIS 1
	23,066	–	–	–	23,066	417.5	26 June 2003	LEMIS 2
	21,640	–	–	–	21,640	445.0	5 November 2003	LEMIS 3
V.K. Abrol	75,270	–	–	–	75,270	287.5	30 July 2002	LEMIS 1
	21,030	–	–	–	21,030	417.5	26 June 2003	LEMIS 2
	19,730	–	–	–	19,730	445.0	5 November 2003	LEMIS 3

<sup>(1)</sup> Resigned as a director 6 May 2010, LEMIS 1, 2 and 3 options lapsed 15 June 2010.

Key:

LEMIS – Liontrust Enterprise Management Incentive Scheme, exercisable as follows:

LEMIS 1: between 30 July 2005 and 30 July 2012.

LEMIS 2: between 26 June 2007 and 26 June 2013.

LEMIS 3: between 5 November 2007 and 5 November 2013.

The closing quotation of the Company's shares at the end of the year was 101¼ pence and the range of market prices during the year was between 88¼ pence and 135 pence.

### Pensions

The Group operates a non-contributory defined contribution pension scheme for executive directors. Vinay Abrol is a member of The Liontrust Group Personal Pension Plan. Mr Abrol is entitled to a contribution of 15% of his basic annual salary, subject to pension contribution limits. The executive directors are able to give up irrevocably the right to part of their entitlement to bonus, fees and commission in advance of being entitled to such cash remuneration in return for an employer contribution to their pension scheme for benefit on retirement.

### Pension rights (auditable)

In addition to the emoluments detailed in the table on page 20, contributions in respect of pension entitlements are made by the Group only in respect of the executive directors. The pension contributions paid or payable into defined contribution arrangements were as follows:

	Employer Contributions paid or payable for the year to 31 March 2010 £'000	Employer Contributions paid or payable for the year to 31 March 2009 £'000
N.R. Legge <sup>(1)</sup>	–	16
V.K. Abrol	46	46
J.D. Lang <sup>(2)</sup>	–	235
W.T. Pattison <sup>(2)</sup>	–	235

<sup>(1)</sup> In August 2008, the Company ceased pension contributions for Mr Legge in favour of additional salary payments. Resigned 6 May 2010.

<sup>(2)</sup> Resigned 23 March 2009.

### Service contracts

The directors' employment contracts or letters of appointment are as follows:

Director	Date of contract	Notice period
<b>Executive</b>		
N.R. Legge <sup>(1)</sup>	21 December 1994	12 months
J.S. Ions <sup>(2)</sup>	22 January 2010	1 month
V.K. Abrol	16 November 1994	12 months
C.J. Edmeades <sup>(3)</sup>	12 March 2002	6 months
<b>Non-executive</b>		
A.J.R. Collins <sup>(4)</sup>	9 June 2009	3 months
G.L Hooper	4 February 2010	3 months
G.V. Hirsch	2 June 1999	3 months
J.G Sanger	13 June 1999	3 months

<sup>(1)</sup> Resigned 6 May 2010.

<sup>(2)</sup> Appointed 6 May 2010.

<sup>(3)</sup> Appointed 15 June 2010.

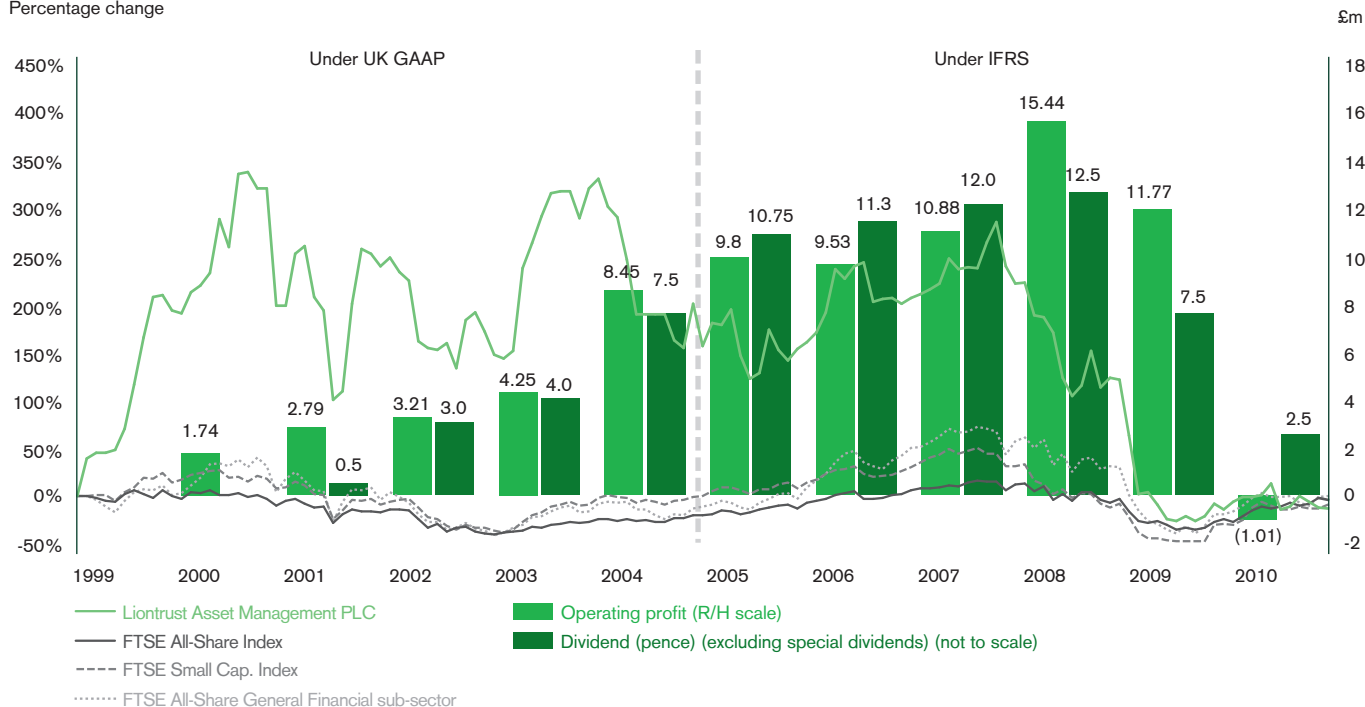
<sup>(4)</sup> Appointed executive Chairman 6 May 2010.

None of the directors' employment contracts or letters of appointment contain provisions for compensation for loss of office.

## Performance graph

The graph below illustrates the performance of the Group, based on total shareholder returns, compared to three indices:

Percentage change



The indices were chosen as follows:

- The FTSE All-Share Index, so as to put the Group's performance into the context of the UK stock market's best known index;
- The FTSE Small Cap. Index, so as to put the Group's performance into the context of similar sized companies.
- The General Financial sub-sector of the FTSE All-Share Index, so as to put the Group's performance into the context of its peer group of financial services companies.

## Best practice

The Remuneration Committee believes that the Group has complied with Schedule B of the Combined Code and has given full consideration to Schedule A of the Code in formulating the remuneration packages of the executive directors and other senior members of the Group.

The Chairman of the Remuneration Committee will attend the Annual General Meeting and will be available to answer Shareholders' questions regarding remuneration.

The terms of reference of the Remuneration Committee, which explains its role and the authority delegated to it by the Board, are available upon request from the Company Secretary.

### G.V. Hirsch

Chairman of the Remuneration Committee

15 June 2010

# Independent Auditors' Report to the members of Liontrust Asset Management PLC

We have audited the Group financial statements of Liontrust Asset Management PLC for the year ended 31 March 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## 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 group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 14 to 17 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 16, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

## Other matter

We have reported separately on the parent company financial statements of Liontrust Asset Management PLC for the year ended 31 March 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

### Richard Pollard (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 June 2010

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010

	Notes	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
<b>Continuing operations</b>			
Revenue	4	13,171	36,004
Cost of sales	4	(102)	(133)
<b>Gross profit</b>		<b>13,069</b>	<b>35,871</b>
Realised gain on sale of financial assets		1,261	143
Administrative expenses	5	(15,346)	(24,240)
<b>Operating (loss)/profit</b>	6	<b>(1,016)</b>	<b>11,774</b>
Interest receivable	7	11	599
Interest payable	7	–	(23)
<b>(Loss)/profit before tax</b>		<b>(1,005)</b>	<b>12,350</b>
Taxation	8	2,094	(3,873)
<b>Profit for the year</b>		<b>1,089</b>	<b>8,477</b>
<b>Other comprehensive income:</b>			
Net gains on available-for-sale financial assets net of tax		1,023	670
Amounts recycled through the Consolidated Statement of Comprehensive Income		(1,261)	(143)
Exchange differences on translating foreign operations		(72)	26
Other comprehensive income for the year, net of tax		(310)	553
<b>Total comprehensive income</b>		<b>779</b>	<b>9,030</b>
Memo - Dividends	9	(2,245)	(8,382)
		<b>Pence</b>	<b>Pence</b>
Basic earnings per share	10	3.64	28.32
Diluted earnings per share	10	3.18	28.32

The notes on pages 29 to 58 form an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

as at 31 March 2010

	Notes	31-Mar-10 £'000	31-Mar-09 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Intangible assets	11	800	1,000
Property, plant and equipment	12	111	156
Deferred tax assets	13	711	546
		1,622	1,702
<b>Current assets</b>			
Trade and other receivables	14	14,302	42,893
Financial assets	15	8,052	6,839
Cash and cash equivalents		11,722	26,637
		34,076	76,369
Non current financial assets held for sale	15	830	–
<b>Total current assets</b>		34,906	76,369
<b>Liabilities</b>			
<b>Current liabilities</b>			
Deferred tax liabilities	13	(160)	(289)
Trade and other payables	17	(14,644)	(54,712)
Accruals	18	(113)	(333)
		(14,917)	(55,334)
Liabilities directly linked with non current financial assets held for sale	15	(181)	–
<b>Total current liabilities</b>		(15,098)	(55,334)
<b>Net current assets</b>		<b>19,808</b>	<b>21,035</b>
<b>Net assets</b>		<b>21,430</b>	<b>22,737</b>
<b>Shareholders' equity attributable to owners of the parent</b>			
Ordinary shares	19	337	337
Share premium	20	8,962	8,962
Capital redemption reserve	21	15	15
Revaluation reserve	22	407	645
Retained earnings	23	23,881	24,950
Own shares held	24	(12,172)	(12,172)
<b>Total equity</b>		<b>21,430</b>	<b>22,737</b>

Approved and authorised for issue by the Board of Directors on 15 June 2010 and signed on its behalf by

V.K. Abrol, Chief Operating Officer and Chief Financial Officer.

The notes on pages 29 to 58 form an integral part of these consolidated financial statements.

Company Number 2954692

# Consolidated Cash Flow Statement

for the year ended 31 March 2010

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
<b>Cash flows from operating activities</b>		
Cash inflow from operations	18,852	41,652
Cash outflow from operations	(20,706)	(26,439)
Cash (outflow)/inflow from changes in unit trust receivables and payables	(6,222)	4,803
Net cash (used in)/generated from operations	(8,076)	20,016
Interest received	11	599
Interest paid	–	(23)
Tax paid	(2,053)	(5,855)
Net cash (used in)/generated from operating activities	(10,118)	14,737
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(23)	(83)
(Purchase)/sale of seeding investments	(999)	2,398
Purchase of intangible asset	(1,000)	–
Net cash (used in)/generated from investing activities	(2,022)	2,315
<b>Cash flows from financing activities</b>		
Purchase of minority interest shares	(508)	–
Borrowings: (Repaid)	–	(2,884)
Dividends paid to shareholders	(2,245)	(8,382)
Net cash used in financing activities	(2,753)	(11,266)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(14,893)</b>	<b>5,786</b>
Effect of exchange rate changes	(22)	42
Opening cash and cash equivalents*	26,637	20,809
<b>Closing cash and cash equivalents</b>	<b>11,722</b>	<b>26,637</b>

\* Cash and cash equivalents consist only of cash balances.

The notes on pages 29 to 58 form an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital £'000	Share premium £'000	Capital redemption £'000	Revaluation £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
<b>Balance at 1 April 2009 brought forward</b>	<b>337</b>	<b>8,962</b>	<b>15</b>	<b>645</b>	<b>24,950</b>	<b>(12,172)</b>	<b>22,737</b>
Profit for the year	–	–	–	–	1,089	–	1,089
Net gains on available-for-sale financial assets net of tax	–	–	–	1,023	–	–	1,023
Amounts recycled through the Consolidated Statement of Comprehensive Income	–	–	–	(1,261)	–	–	(1,261)
Gain on foreign exchange	–	–	–	–	(72)	–	(72)
Total comprehensive income for the year	–	–	–	(238)	1,017	–	779
Dividends paid	–	–	–	–	(2,245)	–	(2,245)
Equity share options issued	–	–	–	–	159	–	159
<b>Balance at 31 March 2010</b>	<b>337</b>	<b>8,962</b>	<b>15</b>	<b>407</b>	<b>23,881</b>	<b>(12,172)</b>	<b>21,430</b>

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	Share capital £'000	Share premium £'000	Capital redemption £'000	Revaluation £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
<b>Balance at 1 April 2008 brought forward</b>	<b>337</b>	<b>8,962</b>	<b>15</b>	<b>118</b>	<b>25,207</b>	<b>(12,172)</b>	<b>22,467</b>
Profit for the year	–	–	–	–	8,477	–	8,477
Net gains on available-for-sale financial assets net of tax	–	–	–	670	–	–	670
Amounts recycled through the Consolidated Statement of Comprehensive Income	–	–	–	(143)	–	–	(143)
Gain on foreign exchange	–	–	–	–	26	–	26
Total comprehensive income for the year	–	–	–	527	8,503	–	9,030
Acquisition of minority interest shares	–	–	–	–	(508)	–	(508)
Dividends paid	–	–	–	–	(8,382)	–	(8,382)
Equity share options issued	–	–	–	–	130	–	130
<b>Balance at 31 March 2009</b>	<b>337</b>	<b>8,962</b>	<b>15</b>	<b>645</b>	<b>24,950</b>	<b>(12,172)</b>	<b>22,737</b>

# Notes to the Financial Statements

## 1 Principal accounting policies

### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by either the International Accounting Standards Board or the International Financial Reporting Interpretations Committee or their predecessors, which had been approved by the European Commission as at 31 March 2010, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention (except for the measurement of financial assets at fair value through profit or loss, financial assets available-for-sale and financial assets held for sale which are held at their fair value) and in accordance with applicable accounting standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires the directors of the Company to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial information and the reported income and expense during the reporting periods. Although these judgements and assumptions are based on the directors' best knowledge of the amount, events or actions, actual results may differ from these estimates. The accounting policies set out below have been used to prepare the financial information.

The financial information has been prepared based on the IFRS standards effective as at 31 March 2010.

At the balance sheet date, the Group had adopted all Standards and Interpretations that were either issued, or which had become effective, during the year, with the exception of the following Standards which were issued during the year, but were not effective at the balance sheet date. None of the Standards and Interpretations adopted below had any impact on the Group's financial statements.

IFRS 3 (Amended)	Business combinations
IFRS 9	Financial Instruments: Classification
IAS 27 (Amended)	Consolidation and separate financial statements

In addition, a number of other existing Standards and Interpretations have also been revised to ensure consistency with the amended Standards listed above. The Directors do not anticipate that the adoption of any of these new or revised Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

In these financial statements, the Group has presented a Consolidated Statement of Comprehensive Income in line with the revised requirements of IAS 1 and has adopted IFRS 7 Financial Instruments: Disclosures and IFRS 8 Operating segments. The directors anticipate the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

### b) Basis of consolidation

The consolidated financial statements incorporate the results of the Company and all its subsidiaries, including all assets and liabilities of its subsidiaries. Wherever the Company has control of a subsidiary it is consolidated into Group results.

Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### c) Accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

#### Valuation and impairment of financial assets

Details of the valuation policy for financial assets can be found in note 1f) below.

#### Valuation and impairment of other assets

Details of the valuation policy for other assets can be found in notes 1d) and 1e) below.

#### Provisions

Details of the policy for provisions can be found in note 1s) below.

#### Taxation

The Group is subject to income taxes in a number of jurisdictions. Judgement is required in determining the total provision for income taxes. There are transactions and calculations for which the ultimate tax determination may be uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 1 Principal accounting policies (continued)

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### d) Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. The cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Leasehold improvements and furniture are included at cost and are depreciated on a straight line basis over the lower of the estimated useful life and the remaining lease term.

Office equipment is depreciated on a straight line basis over the estimated useful life of the asset, which is between three and ten years.

Computer equipment is depreciated on a straight line basis over the estimated useful life of the asset which is three years.

At each reporting date management reviews its fixed assets and assesses whether any assets may be impaired.

### e) Intangible assets

The costs of acquiring intangible assets such as fund management contracts are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably.

The fund management contracts are recorded initially at fair value and recorded in the financial statements as an intangible asset. They are then amortised over their useful lives on a straight-line basis over 5 years. The assets are reviewed annually for impairment and if events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

### f) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit and loss, available-for-sale and receivables.

Financial assets are classified as available-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses, together with transaction costs, on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in 'other comprehensive income' is included within 'Realised gain/(loss) on sale of financial assets' in the statement of comprehensive income. Assets categorised as available for sale are reviewed at the end of each reporting period for impairment.

The Group holds the following assets at fair value through profit or loss:

For the UK Authorised unit trust and the sub-funds of the Liontrust Guernsey Fund Limited (a Guernsey domiciled Open ended investment company), the units and shares held in the 'manager's box' are to ease the calculation of daily creations and cancellations of units and shares. These box positions are not held to create speculative proprietary positions but are managed in accordance with specified criteria and authorisation limits. The units and shares in the 'manager's box' are accounted for on a trade date basis. These units and shares are valued on a bid price basis.

The Group holds the following assets as available-for-sale:

The Group's assets held as available-for-sale represent shares in the Liontrust Credit Fund (a Cayman registered Mutual Fund), Liontrust Pan-European Fund and Liontrust Credit Absolute Return Fund (both sub-funds of Liontrust International Funds (Luxembourg) SICAV) and are valued on a bid price basis.

The Group holds the following assets as non-current financial assets held for sale:

Shares in the Liontrust European Growth Long/Short Fund (a sub-fund of Liontrust Alternative Funds PCC Limited).

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

### g) Non current financial assets held for sale

The Group holds some financial assets as "non current financial assets held for sale". These financial assets represent seeding investments where the Group controls the asset but meets the requirements under IFRS 5 whereby it is being held on a temporary basis. The assets and liabilities disclosed represent the underlying investments in the Liontrust European Growth Long/Short Fund. It is the intention of the Group that within the next 12 months the asset will no longer be under the control of the Group.

### h) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Under IFRS cash and cash equivalents are included in the cash flow statement.

### i) Own shares

Own shares held by the Liontrust Asset Management Employee Trust are valued at cost and are shown as a deduction from the Group's shareholders' equity. No gains or losses are recognised in the Consolidated Statement of Comprehensive Income.

### j) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

## 1 Principal accounting policies (continued)

### k) Income and expenses

Income and expenses are accounted for on an accruals basis when they become receivable or payable. Asset management fees are accrued over the period for which the service is provided.

Front end fees received and commissions paid on the sales of units in unitised funds are amortised over the estimated life of the unit.

Performance fees are recognised in the period in which they become due and collectable. Any portion of performance fees that are not due and collectable and whose future entitlement is not certain is not recognised.

### l) Deferred taxation

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### m) Pensions

The Group operates defined contribution schemes for its employees. The assets are invested with insurance companies and are held separately from the Group. The costs of the pension scheme are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

### n) Employee share options

The Group operates a number of share options schemes for employees. The services received from the employees are measured by reference to the fair value of the share options. IFRS 2 has been applied to share options granted after 7 November 2002. The fair value of the options issued is calculated at grant date and is recognised in the Consolidated Statement of Comprehensive Income within administration expenses (and credited to retained earnings) over the vesting period. All options are equity settled. A number of models have been used to calculate the fair value as follows:

– Liontrust Enterprise Management Incentive Scheme - ('LEMIS') and Liontrust Savings-Related Share Options Scheme ('LSSOS')

A binomial model is used with the following assumptions having been made:

The fair value for each option is spread over the vesting period; it is assumed that 14.8% of the options will lapse;

The expected life of options issued under LEMIS is 3.9 years;

The expected life of options issued under LSSOS is the same as the savings contract;

The volatility has been based on the annualised average of the standardised deviations of the historical compounded returns of the Company's share price.

The volatility of the Company's share price returns as at the date of grant for the relevant options ranged from 24.5% to 32.5%. The risk-free interest rate was assumed to be the yield to maturity on a UK Treasury Strip with the term equal to the expected life of the option. The risk-free interest rate for the term of the option expected at the date of grant ranged from 3.8% to 5.2%.

– Liontrust Option Plan ('LOP')

A binomial model is used with the following assumptions having been made:

The fair value for each option is spread over the vesting period which is three years;

The expected life of options issued under LOP is 6.5 years;

The expected volatility has been calculated using historical daily data over a term commensurate with the expected life of the option and is 39.9%

The risk-free interest rate has been based on the implied yield of zero-coupon government bonds (UK strips) with a remaining term equal to the expected term and is 3.37%.

– Liontrust Incentive Plan ('LIP') with no performance conditions attached

A discounted face value model has been used for valuation;

The fair value for each option is spread over the vesting period which is 2 years;

The expected life of options issued under LIP is between 2.14 and 2.29 years.

– Liontrust Incentive Plan ('LIP') with performance conditions

A Monte Carlo simulation model is used with the following assumptions having been made:

The fair value for each option is spread over the vesting period which is 3 years;

The expected life of options issued under this LIP scheme is 2.14 years;

The expected volatility has been calculated using historical daily data over a term commensurate with the expected life of the option and is 58.1%

The risk-free interest rate has been based on the implied yield of zero-coupon government bonds (UK strips) with a remaining term equal to the expected term and is 1.27%.

## 1 Principal accounting policies (continued)

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### o) Dividends

Equity dividends to the shareholders of the Company are recognised as a liability in the period during which they are declared and approved.

### p) Holiday pay accrual

Under IAS 19, all accumulating employee compensated absences that are unused at the balance sheet date are recognised as a liability. The Group's entitlement period runs for the financial year and any employees with unused holiday allowance at the period end have no contractual entitlement to this.

### q) Associates

Where the Group has investments in funds over which it is able to exert significant influence but not control, the Group has applied the scope of exclusion within IAS 28, Investment in Associates, for unit trust and similar entities and has accounted for such assets at fair value through profit or loss.

### r) Foreign currency gains/losses

Items in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling ('£') which is the Company's functional and presentation currency.

Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date and any exchange rate differences arising from income or expense items are taken to the Consolidated Statement of Comprehensive Income within revenue or expense, respectively. Any exchange rate gains or losses arising from monetary assets and liabilities are taken to the Consolidated Statement of Comprehensive Income. Differences arising from the translation of available for sale assets are taken to equity. Foreign currency transactions are translated into the functional currency using the exchange rate or expense prevailing at the date of the transaction.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate of that balance sheet; the income and expenses for each income statement are translated at the rate on the dates of transactions; all resulting exchange differences are recognised as a separate component of equity.

### s) Provisions

The Group recognises provisions for obligations which exist at the balance sheet date. These provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. Management reassesses the amounts of these provisions at each balance sheet date in order to ensure that they are measured at the current best estimate of the expenditure required to settle the obligation at the balance sheet date. Any difference between the amounts previously recognised and the current estimates is recognised immediately in the Consolidated Statement of Comprehensive Income.

## 2 Financial risk management

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The Group's activities expose it to a variety of financial risks: market risk (including price risk, cash flow interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme understands the unpredictable nature of financial markets and seeks to minimise any potential adverse effects on the Group's financial performance. The Group uses a number of analytical tools to measure the state of the business. The table on page 7 in the Business Review identifies some of these measures.

### a) Market risk

#### i) Price risk

The Group is exposed to equity and credit securities price risk because of investments held by the Group and classified on the consolidated balance sheet as detailed below. The board has considered a price movement of 10% in the investments as reasonably possible and has used these percentages in calculating price risk.

The Group holds the following types of investment as assets held at fair value through profit or loss, assets held as available-for-sale and non current financial assets held for sale.

1. Units in UK Authorised unit trusts;
2. Shares in sub-funds of Guernsey domiciled open ended investment companies;
3. Shares in a Cayman domiciled open ended investment company; and
4. Shares in sub-funds of a Luxembourg domiciled société d'investissement à capital variable.

For UK Authorised unit trusts and the sub-funds of the Liontrust Guernsey Fund Limited (a Guernsey domiciled open ended investment company), the units and shares held in the 'manager's box' are to ease the calculation of daily creations and cancellations of units and shares. These box positions are not held to create speculative proprietary positions but are managed in accordance with specified criteria and authorisation limits. At the end of each day's business the manager's box for each fund is reviewed. If there is a negative box position then units or shares are created to bring the box level positive. Three control levels of the manager's box exist for each fund and each level is required to be signed off by progressively more senior staff. There are clearly defined maximum limits, over which manager's box levels cannot exceed.

## 2 Financial risk management (continued)

The units and shares in the 'manager's box' are accounted for on a trade date basis. These units are valued on a bid price basis and held at fair value through profit and loss.

The investment in Liontrust European Growth Long/Short Fund, a sub-fund of Liontrust Alternative Funds PCC Limited (a Guernsey domiciled open ended investment company) has been undertaken as a seed capital investment (to increase the size of the fund so that it is more attractive to external investors). The Group has a twice weekly and monthly review process for the investment which identifies specific criteria to ensure that the investment is within agreed limits. The fund is a market neutral fund and as such any market movements should not cause any material changes in the investment value.

The investment in Liontrust Credit Fund (a Cayman domiciled open ended investment company) has been undertaken as a seed capital investment (to increase the size of the fund so that it is more attractive to external investors). The Group has a twice weekly and monthly review process for the investment which identifies specific criteria to ensure that the investment is within agreed limits.

The investment in Liontrust Credit Fund is valued on a bid basis at each month end and reviewed twice a week. The investment is held as an asset available for sale and is held at fair value and any permanent impairment in the value of the shares held would be taken to revenue.

The investment in Liontrust European Growth Long/Short Fund is valued on a bid basis at each month end and reviewed twice a week. The investment is held as a non-current financial asset held-for-sale and its directly linked liabilities are disclosed.

Based on the holdings in Liontrust European Growth Long/Short Fund at the balance sheet date a price movement of 10% would result in a net movement in the value of the investment of £65,000 (2009: £nil).

Based on the holdings in Liontrust Credit Fund at the balance sheet date a price movement of 10% would result in a movement in the value of the investment of £366,000 (2009: £nil).

The investment in Liontrust Pan-European Fund and Liontrust Credit Absolute Return Fund, sub-funds of Liontrust International (Luxembourg) SICAV (a Luxembourg domiciled société d'investissement à capital variable) has been undertaken as an investment to aid incorporation and will be redeemed when the funds grow in size. The Group has a regular review process for the investment which identifies specific criteria to ensure that the investment is within agreed limits.

The investment in Liontrust Pan-European Fund is valued daily on a basis. The investment is held as an asset available-for-sale and is held at fair value and any permanent impairment in the value of the shares held would be taken to revenue.

Based on the holdings in Liontrust Pan-European Fund at the balance sheet date a price movement of 10% would result in a movement in the value of the investment of £4,000 (2009: £2,000).

Based on the holdings in Liontrust Credit Absolute Return Fund at the balance sheet date a price movement of 10% would result in a movement in the value of the investment of £407,000 (2009: £nil).

The Group monitors its investments with respect to its regulatory capital requirements and reviews its investments' values with respect to overall Group capital on a monthly basis.

### ii) Cash flow interest rate risk

The Group holds cash on deposit. The interest on these balances is based on floating rates and fixed rates. The Group monitors its exposure to interest rate movements and may decide to adjust the balance between deposits on fixed or floating interest rates, or adjust the level of deposits. Following a review of sensitivity based on average cash holdings during the year, a 1% increase or decrease in the interest rate will cause a £143,000 increase or decrease in interest receivable (2009: £134,000).

### iii) Foreign exchange risk

The Group is exposed to foreign exchange risk in the following areas: investments denominated in Euro; income receivable in Euro; and operations of the US subsidiary Liontrust International (North America) Inc.

In calculating the sensitivity analysis below it has been assumed that expenses/income will remain stable in their relative currencies year on year.

In respect of investments denominated in Euro a 10% movement in the UK Sterling vs Euro exchange rate would lead to an exchange gain or loss of £8,000 (2009: £3,000).

In respect of income receivable in Euro a 10% movement in the exchange rate would result in a movement of £46,000 (2009: £53,000) in the Statement of Comprehensive Income.

In respect of income receivable in US Dollar a 10% movement in the exchange rate would result in a movement of £23,000 (2009: £nil) in the Statement of Comprehensive Income.

In respect of the operations of Liontrust International (North America) Inc. a 10% movement in the US Dollar vs Sterling exchange rate would lead to a movement of £130,000 (2009: £20,000) in the Statement of Comprehensive Income.

## 2 Financial risk management (continued)

### b) Credit risk

Credit risk is managed at a Group level. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are used and their ratings are regularly monitored and are reviewed at a board level a number of times during the year.

For receivables the Group takes into account the credit quality of the client and credit positions are monitored. The Group has three main types of receivables: management and performance fees, settlement due from investors in its funds and from the funds themselves for unit/share liquidations. For management and performance fee receivables, the Group proactively manages the invoicing process to ensure that invoices are sent out on a timely basis and has procedures in place to chase for payment at pre-determined times after the despatch of the invoice to ensure timely settlement. For settlement due from the funds for liquidations, the settlement of these types of receivables are governed by regulation and are monitored on an exception basis. For receivables due from investors, the Group has rigorous procedures to chase investors by phone/letter to ensure that settlement is received on a timely basis. In all cases, detailed escalation procedures are in place to ensure that senior management are aware of any problems at an early stage.

During the year there have been no losses due to non-payment of receivables and the Group does not expect any losses from the credit counterparties as held at the balance sheet date.

### c) Liquidity risk

Prudent liquidity risk management required the maintenance of sufficient cash and marketable securities. The Group monitors rolling forecasts of the Group's liquidity reserves (comprising readily realisable investments and cash and cash equivalents) on the basis of expected cash flow.

The Group has analysed its financial liabilities into maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

As at 31 March 2010	Within 3 months	Between 3 months and one year	Over one year
Trade and other payables	14,554	–	90
As at 31 March 2009	Within 3 months	Between 3 months and one year	Over one year
Trade and other payables	52,661	1,622	429

### d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

Recognised regulatory bodies, such as the Financial Service Authority in the UK, oversee the activities of a number of the Group's operating subsidiaries and impose minimum capital requirements on the subsidiaries. The Group's policy is that its subsidiaries should have sufficient capital to meet regulatory requirements, keep an appropriate standing with counterparties and meet working capital requirements.

The Group is authorised and regulated by the Financial services Authority under the consolidated supervision regime. The Pillar 1 minimum capital requirement is £7.2million (2009: £2.7million).

The Internal Capital Adequacy Assessment Process carried out in 2009 under Pillar 2 of the Capital Requirements Directive concluded that £8.1 million capital should be retained. Management consider capital to comprise of cash and net assets. As at 31 March 2010 the Group has cash and net assets of £20.1million (2009: £21.7 million). Management reviews the Group's assets on a monthly basis and will ensure that operating capital is maintained at the levels required. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back shares or sell financial assets which will increase cash and reduce capital requirements.

During the period the Group complied with its capital requirements though, in two instances, subsidiary operating companies (Liontrust European Investment Services Limited and Liontrust Investment Funds Limited) technically breached their capital requirements. These breaches were rectified and there were no consequences of these breaches.

## 3 Segmental reporting

The Group has adopted IFRS 8: Operating Segments during the year end 31 March 2010, which has replaced IAS 14: Segment Reporting. The adoption of the new standard has not altered the make-up of the Group's reportable business segments. The Group operates only in one business segment – Investment Management.

### 3 Segmental reporting (continued)

Management offers different fund products through different distribution channels. All financial, business and strategic decisions are made centrally by the Board, which determines the key performance indicators of the Group. The Group reviews financial information presented at a Group level. The Board is therefore the chief operating decision-maker for the Group. The information used to allocate resources and assess performance is reviewed for the Group as a whole. On this basis, the Group considers itself to be a single-segment investment management business.

#### Revenue by location of client

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
United Kingdom	8,332	33,335
Europe (ex UK)	262	1,021
Guernsey	1,659	1,435
Cayman Islands	2,905	12
USA	13	201
Total Revenue from external customers	13,171	36,004

The only non UK domiciled non-current assets comprise the Group's intangible asset which is domiciled in Guernsey.

During the year ended 31 March 2010 the Group had two customers each contributing more than 10% of total revenue totalling £4.6m (2009: £nil).

### 4 Revenue and cost of sales (Gross profit)

Revenue includes:

Investment management, performance and administration fees; the net value of sales and repurchases of units in unit trusts and shares in open-ended investment companies (net of discounts); the net value of liquidations and creations of units in unit trusts and shares in open-ended investment companies; and foreign currency gains and losses.

The cost of sales includes:

Sales commission paid or payable and external investment advisory fees paid or payable.

### 5 Administration expenses

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
<b>Employee related expenses</b>		
Director and employee costs	9,591	16,907
Share incentivisation expense	105	253
Severance compensation	126	1,622
Cost reduction and restructuring programme related severance compensation	1,021	–
	10,843	18,782
<b>Non employee related expenses</b>		
Cost reduction and restructuring programme	281	–
Depreciation and Intangible asset amortisation	268	107
Other administration expenses	3,954	5,351
	15,346	24,240
	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
Share incentivisation expense		
– Share option expense	159	130
– Share incentive plan expense	116	106
– Share option NI expense	(339)	17
– Share option related expenses	169	–
	105	253

Included in the above tables is the cost of closing Liontrust International (North America) Inc. at £706,000.

## Notes to the Financial Statements continued

### 5 Administration expenses (continued)

The average number of staff employed by the Group, excluding non-executive directors, was 54 (2009: 45). All employees are involved in the investment management business of the Group. The costs incurred in respect of the directors and employees was:

	Year ended 31-Mar-10				Total £'000
	Average number of employees during the year	Wages and salaries £'000	Social security costs £'000	Other pension costs £'000	
General management	2	462	53	4	519
Fund management	9	3,456	439	210	4,105
Fund management support	8	674	77	77	828
Finance, Operations and IT	17	1,238	138	160	1,536
Risk management and Compliance	2	212	25	28	265
Sales and Marketing	16	1,706	284	234	2,224
Non-executive directors	4	103	11	–	114
	58	7,851	1,027	713	9,591

	Year ended 31-Mar-09				Total £'000
	Average number of employees during the year	Wages and salaries £'000	Social security costs £'000	Other pension costs £'000	
General management	2	736	131	20	887
Fund management	7	8,602	831	187	9,620
Fund management support	5	836	181	56	1,073
Finance, Operations and IT	14	1,660	293	142	2,095
Risk management and Compliance	2	321	65	28	414
Sales and Marketing	15	2,226	294	176	2,696
Non-executive directors	3	110	12	–	122
	48	14,491	1,807	609	16,907

### 6 Operating profit

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
The following items have been included in arriving at operating profit:		
Foreign exchange (losses)/gains	(66)	142
Depreciation	68	107
Amortisation of initial commission asset	27	32
Amortisation of amounts accrued in relation to income received on sale of units	219	142
Operating lease costs	280	310
Employee costs	10,843	18,782
Services provided by the Group's auditors:		
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	50	50
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	46	46
– Taxation services	37	52
– Other services	168	–

## 7 Interest receivable and payable

Disclosures relating to the Group's financial instruments risk management policies are detailed in note 2. Cash earns interest at floating or fixed rates based on daily bank deposit rates. The weighted average effective interest rate on cash is 0.1% (2009: 4.5%).

## 8 Taxation

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
(a) Analysis of charge in year		
Current tax:		
UK corporation tax at 28% (2009: 28%)	(1,959)	3,732
Adjustments in respect of prior year	(5)	(3)
	(1,964)	3,729
Foreign tax:	–	–
Total current tax	(1,964)	3,729
Deferred tax:		
Deferred tax originated from timing differences	(130)	144
Total charge in period	(2,094)	3,873
(b) Factors affecting current tax		
(Loss)/profit on ordinary activities before tax	(1,005)	12,350
(Loss)/profit on ordinary activities at UK corporation tax rate of 28% (2009: 28%)	(281)	3,458
Effects of:		
Expenses not deductible for tax purposes	89	85
Lower tax rates on overseas earnings	–	(33)
Depreciation in excess of capital allowances	3	14
Overseas tax	377	177
Adjustments to tax charge in respect of previous periods	(5)	(3)
Adjustment in respect of Group consolidation*	(2,187)	–
Deferred tax	(90)	175
Total taxation	(2,094)	3,873

In addition to the above there has been taxation of £160,000 (2009: £250,000) relating to unrealised fair value gains on assets held as available-for-sale. This taxation is deferred and is shown in note 13 and has been taken to revaluation reserve.

\* Adjustment in respect of Group consolidation. On 25 March 2010 the Group reorganised the sponsorship of the Liontrust Asset Management Employee Trust (the 'Trust') as detailed in note 31. The impairment of the value of the loan to the Trust of £7,813,000 has been reflected in the financial statements of the Group's subsidiaries where appropriate and in the corresponding tax calculations within these subsidiaries. The tax adjustment reflects the impairment at 28%. The impairment has been removed on consolidation from the Group's financial statements.

## 9 Dividends paid

	Year ended 31-Mar-10		Year ended 31-Mar-09	
	Pence per Share	£'000	Pence per share	£'000
Second Interim dividend	5.00	1,497	10.00	2,990
Interim dividend	2.50	748	2.50	748
Total dividend	7.50	2,245	12.50	3,738
Special dividend	–	–	15.50	4,644
Current year dividend	7.50	2,245	28.00	8,382

There is no second interim dividend payable in respect of the year ended 31 March 2010.

Trustees of the Liontrust Asset Management Employee Trust (the "Trust") have waived the right to dividends for those shares held within the Trust.

## 10 Earnings per share

The calculation of basic earnings per share is based on profit after taxation for the year and the weighted average number of Ordinary Shares in issue for each period. The weighted average number of Ordinary Shares was 29,937,673 for the year (2009:29,937,673). Shares held by the Liontrust Asset Management Employee Trust are not eligible for dividends and are treated as cancelled for the purposes of calculating earnings per share.

Diluted earnings per share are calculated on the same bases as set out above, after adjusting the weighted average number of Ordinary Shares for the effect of options to subscribe for new Ordinary Shares or Ordinary Shares held in the Liontrust Asset Management Employee Trust that were in existence during the year ended 31 March 2010 and for the effect of buying out the minority shareholders in Liontrust European Investment Services Limited. The adjusted weighted average number of Ordinary Shares so calculated for the year was 34,216,420 (2009: 29,937,673). This is reconciled to the actual weighted number of Ordinary Shares as follows:

	2010 number	2009 number
Weighted average number of Ordinary Shares	29,937,673	29,937,673
Weighted average number of dilutive Ordinary shares under option:		
– to the Savings-Related Share Option Scheme	–	–
– to the Liontrust Enterprise Management Incentive Scheme	–	–
– to the Liontrust Incentive Plan	466,675	–
– to the Liontrust Option Plan	–	–
– to Shareholders in Liontrust European Investment Services Limited	3,812,072	–
Adjusted weighted average number of Ordinary Shares	34,216,420	29,937,673

Details of the options outstanding at 31 March 2010 to directors are set out in the Directors' Remuneration Report on page 20. Details in respect of the Liontrust Savings-Related Share Option Scheme are also given in the Remuneration Report on page 20. Details in respect of Liontrust European Investment Services Limited are set out in the Directors Report on page 11.

## 11 Intangible assets

On the 24 March 2009 Liontrust International Guernsey Limited ("LIGL") entered into an agreement to purchase the investment management contract of the Ilex Credit Fund (the 'Fund') from Ilex Asset Management (UK) LLP for a consideration of £1,000,000. On completion of the deal the investment management agreement was novated from Ilex Asset Management (UK) LLP to LIGL.

Costs relating to the deal totalled £44,000 comprising £34,000 legal fees and £10,000 advisory fees. These fees have not been included in the intangible asset value on the balance sheet.

Management treat the contract as an intangible asset (as defined in the accounting policies) and it is held on the balance sheet of LIGL. Under the applicable accounting standard the asset is an intangible asset with a life of 5 years and it was measured at fair value. The asset is being amortised over 5 years on a straight line basis.

## 11 Intangible assets (continued)

	2010 £'000	2009 £'000
Balance as at 1 April	1,000	–
Intangible assets purchased in the year	–	1,000
Amortisation during the year	(200)	–
Balance as at 31 March	800	1,000

Amortisation has been recorded within administration expenses.

## 12 Property, plant and equipment

Year to 31 March 2010	Leasehold Improvements £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2009	72	222	143	437
Additions	–	3	20	23
Disposals	–	(17)	–	(17)
At 31 March 2010	72	208	163	443
<b>Accumulated Depreciation</b>				
At 1 April 2009	8	180	93	281
Charge for the year	7	16	45	68
Disposals	–	(17)	–	(17)
At 31 March 2010	15	179	138	332
<b>Net Book Value</b>				
At 31 March 2010	57	29	25	111
At 31 March 2009	63	42	50	156
<b>Year to 31 March 2009</b>				
<b>Cost</b>				
At 1 April 2008	274	289	485	1,048
Additions	19	42	22	83
Disposals	(221)	(109)	(364)	(694)
At 31 March 2009	72	222	143	437
<b>Accumulated Depreciation</b>				
At 1 April 2008	203	262	403	868
Charge for the year	26	27	54	107
Disposals	(221)	(109)	(364)	(694)
At 31 March 2009	8	180	93	281
<b>Net Book Value</b>				
At 31 March 2009	64	42	50	156
At 31 March 2008	71	27	82	180

Depreciation has been included in the Consolidated Statement of Comprehensive Income within administrative expenses.

## 13 Deferred tax

Deferred tax assets	2010 £'000	2009 £'000
Balance as at 1 April	546	650
Deferred tax relief on IFRS2 Options charge	58	–
Deferred tax relief (reversed)/taken on National Insurance on IFRS2 Options charge	–	(88)
Deferred tax reversed on prior year losses	(218)	–
Deferred tax on current year losses	332	32
Deferred tax on timing differences on pension payments	–	(55)
Movement in deferred tax on fair value losses on financial assets held as available for sale	(7)	7
Balance as at 31 March	711	546

The following items are included in the above deferred tax balance at 31 March 2010: Deferred tax relating to timing differences from losses arising in a group company that are not eligible for group relief £320,000 (2009: £539,000); Deferred tax relating to unrealised losses on investments £1,000 (2009: £7,000).

Deferred tax relating to current year losses which are expected to be credited to taxation payable on future profits: £332,000 (2009: £nil). Deferred tax relating to IFRS2 option charge £58,000 (2009: £nil).

Deferred tax liabilities	2010 £'000	2009 £'000
Balance as at 1 April	(289)	595
Deferred tax charged/(reversed) on overseas income to be remitted	32	(32)
Deferred tax on fair value gains on financial assets held as available-for-sale	97	(257)
Balance as at 31 March	(160)	(289)

The following items are included in the above deferred tax balance as at 31 March 2010: Deferred tax relating to unrealised gains on investments £160,000 (2009: £257,000); Deferred tax on overseas income yet to be remitted £nil (2009: £32,000).

## 14 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables		
– Fees receivable	1,232	8,293
– Unit trust sales and cancellations	10,038	34,066
Corporation tax receivable	2,251	–
Prepayments and accrued income	755	481
Initial commission asset	26	53
	14,302	42,893

All financial assets listed above are non-interest bearing. The carrying amount of these non-interest bearing trade and other receivables approximates their fair value.

Trade receivables that are less than 3 months past due are not considered impaired. As at 31 March 2010, trade receivables of £nil (2009: £3,045,000) were past due but not impaired.

## 15 Financial assets

The Group holds financial assets that have been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs into measuring the fair value. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at the balance sheet date all financial assets are categorised as either Level 1 or Level 2

Assets held at fair value through profit or loss:

The Group's assets held at fair value through profit or loss represent units in the UK Authorised unit trusts and shares in sub-funds of the Liontrust Guernsey Fund Limited (a Guernsey domiciled Open ended investment company) held in the manager's box and are valued at bid price. The loss on the fair value adjustments during the year was £48,000 (2009: loss of £97,000).

Assets held as available-for-sale:

The Group's assets held as available-for-sale represent shares in the Liontrust European Growth Long/Short Fund (a sub-fund of Liontrust Alternative Funds PCC Limited), shares in the Liontrust Credit fund (a Cayman Mutual Fund), shares in Liontrust Pan-European Fund and shares in Liontrust Credit Absolute Return Fund (sub-funds of Liontrust International Funds (Luxembourg) SICAV) and are valued at bid price. The gain on the fair value adjustments during the year net of tax was £1,023,000 (2009: £670,000). Foreign currency assets are translated at rates of exchange ruling at the balance sheet date and any exchange rate differences arising are shown in note 16.

The Group's financial assets are separated into financial assets and non current financial assets held for sale. The non current financial assets represent the Group's holding in the Liontrust European Growth Long/Short Fund which has been consolidated into the Group financial statements. The Group is holding this investment as a seeding investment and it has been consolidated as the Group has control of this investment.

	2010			2009		
	Assets held at fair value through profit or loss £'000	Assets held as available-for-sale £'000	Total £'000	Assets held at fair value through profit or loss £'000	Assets held as available-for-sale £'000	Total £'000
<b>Financial assets in Level 1</b>						
UK Authorised unit trusts	250	–	250	298	–	298
Guernsey open ended investment companies	25	–	25	23	–	23
Luxembourg Société d'investissement à capital variable	–	37	37	–	25	25
	<b>275</b>	<b>37</b>	<b>312</b>	<b>321</b>	<b>25</b>	<b>346</b>
<b>Financial assets in Level 2</b>						
Guernsey open ended investment companies	–	–	–	–	6,493	6,493
Cayman open ended investment company	–	3,664	3,664	–	–	–
Luxembourg Société d'investissement à capital variable	–	4,076	4,076	–	–	–
	–	<b>7,740</b>	<b>7,740</b>	–	<b>6,493</b>	<b>6,493</b>
<b>Total Financial Assets</b>	<b>275</b>	<b>7,777</b>	<b>8,052</b>	<b>321</b>	<b>6,518</b>	<b>6,839</b>
<b>Non current financial assets in Level 2</b>						
Non-current financial asset held for sale	–	830	830	–	–	–
Liabilities directly associated with non current financial asset held for sale	–	(181)	(181)	–	–	–
<b>Total non current financial assets held for sale</b>	<b>–</b>	<b>649</b>	<b>649</b>	<b>–</b>	<b>–</b>	<b>–</b>

### 16 Foreign currency translations

As a result of operating activities the Group has made gains and losses on foreign currency translation. The activities and the relevant foreign currency gains and losses associated with them are identified below:

	2010 £'000	2009 £'000
Foreign currency translation (losses)/gains on:		
– Liontrust Pan-European Fund - Class B (Denominated in €)	–	10
– Other operating activities	(66)	132
	(66)	142

Gain/(losses) on foreign currency translations are taken to the Consolidated Statement of Comprehensive Income within Revenue.

### 17 Trade and other payables

	2010 £'000	2009 £'000
Trade payables – unit trust repurchases and creations	10,944	41,194
Other payables including taxation and social security	372	2,178
Deferred income and sundry payables	3,238	8,438
Provisions in respect of severance payments*	–	1,622
Bank overdrafts	–	851
Directors' interest in subsidiary	90	90
NI liability on share options	–	339
	14,644	54,712

\* see Directors Remuneration Report on page 20.

All financial liabilities listed above are non-interest bearing. The carrying amount of these non-interest bearing trade and other payables approximates their fair value.

### 18 Accruals

	2010 £'000	2009 £'000
Amounts accrued in relation to income received on the sale of units	113	333
	113	333

## 19 Ordinary Shares

	2010 £'000	2009 £'000
<b>Authorised</b>		
Equity		
60,000,000 Ordinary Shares of 1 pence each (2009: 60,000,000)	600	600
<b>Allotted, called up and fully paid</b>		
Equity		
33,665,008 Ordinary Shares of 1 pence each (2009: 33,665,008)	337	337

## 20 Share premium

	2010 £'000	2009 £'000
Balance at 1 April	8,962	8,962
Share premium on shares issued during the year	–	–
Balance at 31 March	8,962	8,962

## 21 Capital redemption reserve

	2010 £'000	2009 £'000
Balance at 1 April	15	15
Share premium on shares issued during the year	–	–
Balance at 31 March	15	15

## 22 Revaluation reserve

	2010 £'000	2009 £'000
Balance at 1 April	645	118
Unrealised gains on financial assets	1,183	920
Amounts recycled through the Consolidated Statement of Comprehensive Income	(1,261)	(143)
Deferred taxation on investment gain	(160)	(250)
Balance at 31 March	407	645

## 23 Retained earnings

	2010 £'000	2009 £'000
Balance at 1 April	24,950	25,207
Retained profit for the year	1,089	8,477
Dividends	(2,245)	(8,382)
Exchange (losses)/gains	(72)	26
Acquisition of minority interest shares	–	(508)
Share options issued	159	130
Balance at 31 March	23,881	24,950

## 24 Own shares

Approval was given at the 2002 Annual General Meeting for the grant of options to employees under the Liontrust Management Incentive Scheme (the "LEMIS"). The Board adopted the Liontrust Savings-Related Share Option Scheme (the "LSSOS") in 1999, the Liontrust Incentive Plan (the "LIP") in November 2009 and the Liontrust Option Plan (the "LOP") in December 2009. The options granted to employees under the LEMIS, LIP and LOP, including the executive directors (in the case of LEMIS), were as follows:

Issue Date	1 April 2009	Options Granted	Options Exercised	Lapsed	31 March 2010	Exercise price	Scheme
30 July 2002	1,506,595	–	–	1,061,412	445,183	287.5 pence	LEMIS
26 June 2003	522,188	–	–	407,893	114,295	417.5 pence	LEMIS
5 November 2003	510,621	–	–	403,393	107,228	445.0 pence	LEMIS
1 September 2004	7,107	–	–	7,107	–	276.0 pence	LSSOS
15 December 2004	1,046,553	–	–	618,276	428,277	290.0 pence	LEMIS
12 July 2005	–	–	–	–	–	297.5 pence	LEMIS
20 October 2006	87,569	–	–	87,569	–	354.0 pence	LEMIS
3 December 2009	–	1,000,000	–	–	1,000,000	1.0 pence	LIP
10 February 2010	–	1,100,000	–	–	1,100,000	1.0 pence	LIP
10 February 2010	–	451,772	–	–	451,772	110.5 pence	LOP

Issue Date	1 April 2008	Options Granted	Options Exercised	Lapsed	31 March 2009	Exercise price	Scheme
30 July 2002	1,506,595	–	–	–	1,506,595	287.5 pence	LEMIS
26 June 2003	522,188	–	–	–	522,188	417.5 pence	LEMIS
5 November 2003	510,621	–	–	–	510,621	445.0 pence	LEMIS
1 September 2004	7,107	–	–	–	7,107	276.0 pence	LSSOS
15 December 2004	1,046,553	–	–	–	1,046,553	290.0 pence	LEMIS
12 July 2005	2,346,578	–	–	2,346,578	–	297.5 pence	LEMIS
20 October 2006	87,569	–	–	–	87,569	354.0 pence	LEMIS

No options under LEMIS, LSSOS, LIP and LOP were exercised during the year.

Details of the share options can be found in the Directors' Remuneration Report on page 20.

LEMIS, LIP and LOP operate in conjunction with the Liontrust Asset Management Employee Trust on the basis that at least 50% of the options for LEMIS and 100% of the options for LIP and LOP will be satisfied by market purchased shares. This is to ensure that dilution of shareholders' interest is limited. Further shares have been purchased to provide a hedge against the employer's national insurance liability that will arise if the market price of the shares exceeds the option price on exercise of unapproved options. At 31 March 2010 the weighted average remaining life of the options was 7.45 years.

## 24 Own shares (continued)

At 31 March 2010, the Liontrust Asset Management Employee Trust owned 3,727,335 shares (2009: 3,727,335) at a cost of £12,172,000 (2009: £12,172,000). Dividends on these shares have been waived and they are treated as cancelled for the purposes of calculating the earnings per share of the Group. As at 31 March 2010 the market value of the shares was £3,774,00 (2009: £3,168,000).

With effect from 25 March 2010, Liontrust Asset Management PLC replaced Liontrust Management Services Limited as the sponsoring company of the Liontrust Asset Management Employee Trust. This was effected via a novation agreement.

## 25 Operating lease commitments

The Group is committed to making the total of future minimum lease payments under non-cancellable operating leases in each of the following periods:

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
Amounts due		
Within one year	280	280
Between one year and five years	1,074	1,086
Later than five years	716	984
	2,070	2,350

## 26 Related party transactions

During the year the Group received fees from unit trusts under management of £10,313,000 (2009: £17,808,000). Transactions with these unit trusts comprised creations of £58,465,000 (2009: £212,226,000) and liquidations of £306,853,000 (2009: £1,065,090,000). Directors can invest in unit trusts managed by the Group on commercial terms that are no more favourable than those available to staff in general. As at 31 March 2010 the Group owed the unit trusts £432,000 (2009: £115,000) in respect of unit trust creations and was owed £8,929,000 (2009: £31,177,000) in respect of unit trust cancellations and fees.

Compensation to key management personnel (executive directors) is disclosed in the Directors' Remuneration Report on page 20.

## 27 Contingent assets and liabilities

As previously explained, the Group can earn performance fees on some of the segregated and hedge fund accounts that it manages. In some cases a proportion of the fee earned is deferred until the next performance fee is payable or offset against future underperformance on that account. As there is no certainty that such deferred fees will be collectable in future years, the Group's accounting policy is to include performance fees in income only when they become due and collectable and therefore the element (if any) deferred beyond 31 March 2010 has not been recognised in the results for the year.

Contingent liabilities as at 31 March 2010 amount to £nil (2009: £nil).

## 28 Post balance sheet date event

There were no post balance sheet date events.

# Independent Auditors' Report to the members of Liontrust Asset Management PLC

We have audited the parent company financial statements of Liontrust Asset Management PLC for the year ended 31 March 2010 which comprise the Company Statement of Comprehensive Income, the Company Balance Sheet, the Company Cash Flow Statement, the Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## 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 parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

## 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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the Group financial statements of Liontrust Asset Management PLC for the year ended 31 March 2010.

## Richard Pollard (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 June 2010

# Company Statement of Comprehensive Income

for the year ended 31 March 2010

	Notes	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
<b>Continuing operations</b>			
Revenue		858	11,763
<b>Gross (loss)/profit</b>		858	11,763
Realised gain on sale of financial assets		1,268	143
Administrative expenses	32	(3,504)	(2,940)
<b>Operating (loss)/profit</b>	33	(1,378)	8,966
Interest receivable	34	3	20
Interest payable	34	–	(13)
<b>(Loss)/profit before tax</b>		(1,375)	8,973
Taxation	35	255	476
<b>(Loss)/profit for the year</b>		<b>(1,120)</b>	<b>9,449</b>
<b>Other comprehensive income:</b>			
Net gains on available-for-sale financial assets net of tax		1,018	679
Amounts recycled through the statement of comprehensive income		(1,268)	(143)
Other Comprehensive income for the year, net of tax		(250)	536
<b>Total comprehensive income</b>		<b>(1,370)</b>	<b>9,985</b>
Memo - Dividends		(2,245)	(8,382)

The notes on pages 51 to 58 form an integral part of these Company financial statements.

# Company Balance Sheet

as at 31 March 2010

	Notes	31-Mar-10 £'000	31-Mar-09 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	36	111	156
Investment in subsidiaries	37	7,712	6,687
Deferred tax assets	38	231	–
		8,054	6,843
<b>Current assets</b>			
Trade and other receivables	39	9,829	12,846
Financial assets	40	8,389	6,493
Cash and cash equivalents		1,867	2,733
		20,085	22,072
<b>Liabilities</b>			
<b>Current liabilities</b>			
Deferred tax liabilities	38	(160)	(289)
Trade and other payables	42	(11,855)	(4,529)
		(12,015)	(4,818)
<b>Net current assets</b>		8,070	17,254
<b>Net assets</b>		16,123	24,097
<b>Shareholders' equity attributable to owners of the parent</b>			
Ordinary shares	43	337	337
Share premium	44	8,962	8,962
Capital redemption reserve	45	15	15
Revaluation reserve	46	410	660
Retained earnings	47	10,759	14,123
Own shares held	31	(4,360)	–
<b>Total equity</b>		16,123	24,097

Approved by the Board of Directors on 15 June 2010 and signed on its behalf by

V.K. Abrol, Chief Operating Officer and Chief Financial Officer.

The notes on pages 51 to 58 form an integral part of these Company financial statements.

Company Number 2954692

## Company Cash Flow Statement

for the year ended 31 March 2010

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
<b>Cash flows from operating activities</b>		
Cash inflow from operations	11,116	15,527
Cash outflow from operations	(7,614)	(2,347)
Net cash generated from operations	3,502	13,180
Interest received	3	20
Interest paid	–	(13)
Tax received/(paid)	390	(24)
Net cash generated from operating activities	3,895	13,163
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(23)	(83)
Investment in subsidiary	(1,525)	(1,499)
(Purchase)/sale of seeding investments	(984)	2,414
Net cash (used in)/generated from investing activities	(2,532)	832
<b>Cash flows from financing activities</b>		
Borrowings repaid	–	(2,884)
Dividends paid to shareholders	(2,245)	(8,382)
Net cash used in financing activities	(2,245)	(11,266)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(882)	2,729
Effect of exchange rate changes	16	–
Opening cash and cash equivalents*	2,733	4
<b>Closing cash and cash equivalents</b>	1,867	2,733

\* Cash and cash equivalents consist only of cash balances.

The notes on pages 51 to 58 form an integral part of these Company financial statements.

## Company Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital £'000	Share premium £'000	Capital redemption £'000	Revaluation £'000	Retained earnings £'000	EBT shares held £'000	Total Equity £'000
<b>Balance at 1 April 2009 brought forward</b>	337	8,962	15	660	14,123	–	24,097
Profit for the year	–	–	–	–	(1,120)	–	(1,120)
Net gains on available-for-sale financial assets net of tax	–	–	–	1,018	–	–	1,018
Amounts recycled through the Statement of Comprehensive Income	–	–	–	(1,268)	–	–	(1,268)
Total comprehensive income for the year	–	–	–	(250)	(1,120)	–	(1,370)
Dividends Paid	–	–	–	–	(2,245)	–	(2,245)
EBT transferred	–	–	–	–	–	(4,360)	(4,360)
Equity share options issued	–	–	–	–	1	–	1
<b>Balance at 31 March 2010</b>	<b>337</b>	<b>8,962</b>	<b>15</b>	<b>410</b>	<b>10,759</b>	<b>(4,360)</b>	<b>16,123</b>

## Company Statement of Changes in Equity

for the year ended 31 March 2009

	Share capital £'000	Share premium £'000	Capital redemption £'000	Revaluation £'000	Retained earnings £'000	Total Equity £'000
<b>Balance at 1 April 2008 brought forward</b>	337	8,962	15	124	12,926	22,364
Profit for the year	–	–	–	–	9,449	9,449
Net gains on available-for-sale financial assets net of tax	–	–	–	679	–	679
Amounts recycled through the Statement of Comprehensive Income	–	–	–	(143)	–	(143)
Total comprehensive income for the year	–	–	–	536	9,449	9,985
Dividends Paid	–	–	–	–	(8,382)	(8,382)
Equity share options issued	–	–	–	–	130	130
<b>Balance at 31 March 2009</b>	<b>337</b>	<b>8,962</b>	<b>15</b>	<b>660</b>	<b>14,123</b>	<b>24,097</b>

The notes on pages 51 to 58 form an integral part of these Company financial statements.

## 29 Significant Accounting policies

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The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards, which comprise standards and interpretations approved by either the International Accounting Standards Board or the International Financial Reporting Interpretations Committee or their predecessors, which have been approved by the European Commission as at 31 March 2010.

The financial statements have been prepared on a historical cost basis (except for measurement of financial assets at fair value through profit or loss and financial assets available-for-sale which are held at their fair value). The principle accounting policies are the same as those set out in note 1.

Investment in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Notes 30 to 51 reflect the information for the Company.

## 30 Financial risk management

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The Company's activities expose it to a variety of financial risks: market risk (including price risk, cash flow interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Company is covered by the Group's overall risk management programme and the risk measures used by the Company are consistent with the Group. The risk management policies are the same as those set out in note 2 and elsewhere in the report and financial statements.

The specific risks affecting the Company are as follows:

### *Market risk*

The investments in Liontrust European Growth Long/Short Fund and Liontrust Credit Fund are valued on a bid basis at each month end and reviewed twice a week. The investments are held as an asset available for sale and is held at fair value and any permanent impairment in the value of the shares held would be taken to revenue.

Based on the holdings in Liontrust European Growth Long/Short Fund at the balance sheet date a price movement of 10% would result in a movement in the value of the investment of £60,000. (2009: £nil)

Based on the holdings in Liontrust Credit Fund at the balance sheet date a price movement of 10% would result in a movement in the value of the investment of £360,000 (2009: £nil).

Based on the holdings in Liontrust Credit Absolute Return Fund at the balance sheet date a price movement of 10% would result in a movement in the value of the investment of £400,000 (2009: £nil).

### *Cash flow interest rate risk*

The Company holds cash on deposit. The interest on these balances is based on floating rates and fixed rates. The Company monitors its exposure to interest rate movements and may decide to adjust the balance between deposits on fixed or floating interest rates, or adjust the level of deposits. Following a review of sensitivity based on average cash holdings during the year a 1% increase or decrease in the interest rate will cause a £18,000 increase or decrease in interest receivable (2009: £115,000).

In addition to the risks covered by the Group risk management policies. The Company is subject to some specific risks relating to its interaction with other group companies. The company reviews its balances due to and from other group companies on a regular basis.

## 31 Loan to the Liontrust Asset Management Employee Trust

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During the year there was a reorganisation of the sponsorship of the Liontrust Asset Management Employee Trust (the 'Trust'). As part of this reorganisation the Company became the sponsor in place of Liontrust Management Services Limited. Prior to the transfer an impairment review was carried out under the appropriate accounting standards and the value of the loan to the Trust was calculated at £4,360,000 (the loan value prior to the impairment review was £12,172,000). The current value of the shares in the Trust are disclosed in Note 24.

### 32 Administration expenses

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
<b>Employee costs</b>		
– Director and employee costs	809	1,358
– Share incentivisation expense	(330)	253
	479	1,611
<b>Non employee costs</b>		
Expenses related to write down of subsidiary	1,165	–
Other administration expenses	1,860	1,329
	3,504	2,940

The average number of staff employed by the Company excluding non-executive directors, was 5 (2009: 5). All employees are involved in the investment management business of the Group. The costs incurred in respect of the directors and employees was:

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
Share incentivisation expense		
– Share option expense	1	130
– Share incentive plan expense	7	106
– Share option NI expense	(339)	17
– Share option related administration expenses	1	–
	(330)	253

	Year ended 31-Mar-10				
	Average number of employees during the year	Wages and salaries £'000	Social security costs £'000	Other pension costs £'000	Total £'000
General management	2	354	44	4	402
Finance, Operations and IT	3	233	28	32	293
Non-executive directors	4	103	11	–	114
	9	690	83	36	809

	Year ended 31-Mar-09				
	Average number of employees during the year	Wages and salaries £'000	Social security costs £'000	Other pension costs £'000	Total £'000
General management	2	618	80	17	715
Finance, Operations and IT	3	434	56	31	521
Non-executive directors	3	110	12	–	122
	8	1,162	148	48	1,358

### 33 Operating profit

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
The following items have been included in arriving at operating profit:		
Foreign exchange gains	16	3
Depreciation	68	107
Staff costs (note 32)	479	1,611
Services provided by the Company's auditors:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	12	12

Fees paid to PricewaterhouseCoopers LLP for non-audit services to the Company are not disclosed in the financial statements because the Group's consolidated financial statements are required to disclose such fees on a consolidated basis.

### 34 Interest receivable and payable

The Company follows the same risk management policies as detailed for the Group in note 2. Cash earns interest at floating or fixed rates based on daily bank deposit rates. The weighted average effective interest rate on cash is 0.1% (2009: 4.5%).

### 35 Taxation

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
(a) Analysis of charge in year		
Current tax:		
UK corporation tax at 28% (2009: 28%)	–	(601)
Adjustments in respect of prior year	(68)	5
Total current tax	(68)	(596)
Deferred tax	(187)	120
Total charge in period	(255)	(476)
(b) Factors affecting current tax		
(Loss)/profit on ordinary activities before tax	(1,375)	8,973
(Loss)/profit on ordinary activities at UK corporation tax rate of 28% (2009: 28%)	(385)	2,512
Effects of:		
Group dividends not deductible for tax purposes	(98)	(3,198)
Expenses not deductible for tax purposes	326	71
Depreciation in excess of capital allowances	3	14
Adjustments to tax charge in respect of previous periods	(68)	5
Deferred tax	(33)	120
Total Taxation	(255)	(476)

In addition to the above, there has been taxation of £160,000 (2009: £257,000) relating to unrealised fair value gains on assets held as available-for-sale. This taxation is deferred and is shown in deferred tax and has been taken to the revaluation reserve.

## 36 Property, plant and equipment

Year to 31 March 2010	Leasehold Improvements £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2009	72	222	143	437
Additions	–	3	20	23
Disposals	–	(17)	–	(17)
At 31 March 2010	72	208	163	443
<b>Accumulated Depreciation</b>				
At 1 April 2009	8	180	93	281
Charge for the year	7	16	45	68
Disposals	–	(17)	–	(17)
At 31 March 2010	15	179	138	332
<b>Net Book Value</b>				
At 31 March 2010	57	29	25	111
At 31 March 2009	64	42	50	156
<b>Year to 31 March 2009</b>				
<b>Cost</b>				
At 1 April 2008	274	289	485	1,048
Additions	19	42	22	83
Disposals	(221)	(109)	(364)	(694)
At 31 March 2009	72	222	143	437
<b>Accumulated Depreciation</b>				
At 1 April 2008	203	262	403	868
Charge for the year	26	27	54	107
Disposals	(221)	(109)	(364)	(694)
At 31 March 2009	8	180	93	281
<b>Net Book Value</b>				
At 31 March 2009	64	42	50	156
At 31 March 2008	71	27	82	180

Depreciation has been included in the Statement of Comprehensive Income within administrative expenses.

### 37 Investment in subsidiary undertakings

The Company's investment in subsidiary undertakings represents 100% interests (unless otherwise stated) in the ordinary shares, capital, voting rights and redeemable preference shares (unless stated otherwise) of Liontrust Investment Funds Limited, whose principal activity is unit trust management, Liontrust Investment Services Limited, whose principal activity is investment management, Liontrust European Investment Services Limited (70%), whose principal activity is European equity investment management and Liontrust Management Services Limited, whose principal activity is employment services, all registered in England; Liontrust International (Guernsey) Limited, incorporated in Guernsey, whose principal activity is investment management; Liontrust Global Investment Services Limited, incorporated in Guernsey, whose principal activity is investment management and Liontrust International (North America) Inc., incorporated in Delaware, United States, whose principal activity is institutional sales and marketing.

	2010 £'000	2009 £'000
Balance at 1 April	6,687	4,680
Additions during the year	1,525	2,007
Write downs during the year	(500)	–
Balance at 31 March	7,712	6,687

The Company has made the following changes to its subsidiary undertakings as follows: Liontrust European Investment Services Limited - an addition of £1,500,000; Liontrust Global Investment Services Limited - an addition of £25,000; and Liontrust International (North America) Inc. - a write down of £500,000 following the decision to close this company.

### 38 Deferred tax

Deferred tax assets	2010 £'000	2009 £'000
Balance as at 31 March 2009 (31 March 2008)	–	88
Deferred tax on current year losses	231	–
Deferred tax relief reversed on National Insurance on IFRS2 Options charge	–	(88)
Balance as at 31 March 2010 (31 March 2009)	231	–

The following items are included in the above deferred tax balance: Deferred tax relating to current year losses which are expected to be credited to taxation payable on future profits: £285,000 (2009: £nil).

Deferred tax liabilities	2010 £'000	2009 £'000
Balance as at 31 March 2009 (31 March 2008)	(289)	–
Deferred tax reversed/(charged) on overseas income to be remitted	32	(32)
Deferred tax on fair value gains on financial assets held as available-for-sale	97	(257)
Balance as at 31 March 2010 (31 March 2009)	(160)	(289)

The following items are included in the above deferred tax balance: Deferred tax relating to unrealised gains on investments £160,000 (2009: £257,000); Deferred tax on overseas income yet to be remitted £nil (2009: £32,000).

### 39 Trade and other receivables

	2010 £'000	2009 £'000
Receivables due from subsidiary undertakings	9,733	12,410
Prepayments and accrued income	96	436
	9,829	12,846

All financial assets listed above are non-interest bearing. The carrying amount of these non-interest bearing trade and other receivables approximates their fair value.

## Notes to the Financial Statements continued

### 40 Financial assets

Assets held as available-for-sale:

The Company's financial assets held as available-for-sale represent shares in the Liontrust European Growth Long/Short Fund (a sub-fund of Liontrust Alternative Funds PCC Limited), units in the Liontrust Credit Absolute Return SICAV and shares in the Liontrust Credit Fund and are valued at bid price. The assets are all categorized as Level 2 in line with the categorization detailed in note 15.

	2010			2009		
	Assets held at fair value through profit or loss £'000	Assets held as available-for-sale £'000	Total £'000	Assets held at fair value through profit or loss £'000	Assets held as available-for-sale £'000	Total £'000
<b>Financial assets</b>						
Guernsey open ended investment companies	649	–	649	–	6,493	6,493
Luxembourg SICAV	–	4,076	4,076	–	–	–
Cayman open ended investment company	–	3,664	3,664	–	–	–
	649	7,740	8,389	–	6,493	6,493

### 41 Foreign currency translations

	2010 £'000	2009 £'000
Foreign currency translation gain on:		
- Other operating activities	16	3

Gains on foreign currency translations are taken to the Statement of Comprehensive Income within Revenue.

### 42 Trade and other payables

	2010 £'000	2009 £'000
Other payables including taxation and social security	–	–
Payables due to subsidiary undertakings	11,316	2,570
Deferred income and sundry payables	539	1,620
NI liability on share options	–	339
	11,855	4,529

All financial liabilities listed above are non-interest bearing. The carrying amount of these non-interest bearing trade and other payables approximates their fair value.

### 43 Ordinary Shares

	2010 £'000	2009 £'000
<b>Authorised</b>		
Equity		
60,000,000 Ordinary Shares of 1 pence each (2009: 60,000,000)	600	600
<b>Allotted, called up and fully paid</b>		
Equity		
33,665,008 Ordinary Shares of 1 pence each (2009: 33,665,008)	337	337

### 44 Share premium

	2010 £'000	2009 £'000
Balance at 1 April	8,962	8,962
Share premium on shares issued during the year	–	–
Balance at 31 March	8,962	8,962

### 45 Capital redemption reserve

	2010 £'000	2009 £'000
Balance at 1 April	15	15
Share premium on shares issued during the year	–	–
Balance at 31 March	15	15

### 46 Revaluation reserve

	2010 £'000	2009 £'000
Balance at 1 April	660	124
Unrealised gains on financial assets	1,178	936
Amounts recycled through the Statement of Comprehensive Income	(1,268)	(143)
Deferred taxation on investment gain	(160)	(257)
Balance at 31 March	410	660

### 47 Retained earnings

	2010 £'000	2009 £'000
Balance at 1 April	14,123	12,926
Retained profit for the year	(1,120)	9,449
Dividends	(2,245)	(8,382)
Share options issued	1	130
Balance at 31 March	10,759	14,123

### 48 Operating lease commitments

The Company is committed to making the total of future minimum lease payments under non-cancellable operating leases in each of the following periods:

	Year ended 31-Mar-10 £'000	Year ended 31-Mar-09 £'000
<b>Amounts due</b>		
Within one year	268	268
Between one year and five years	1,073	1,073
Later than five years	716	984
	2,057	2,326

### 49 Related party transactions

As at 31 March 2010 the Company owed the following intercompany balances to:

Liontrust Investment Funds Limited - £3,708,000 (2009: £1,848,000);  
Liontrust Investment Services Limited - £7,608,000 (2009: £80,000); and  
Liontrust European Investment Services Limited - £nil (2009: £642,000).

As at 31 March 2010 the Company was owed the following intercompany balances by:

Liontrust Management Services Limited - £8,700,000 (2009: £12,336,000);  
Liontrust Investment Funds Limited - £nil (2009: £nil);  
Liontrust European Investment Services Limited - £1,022,000 (2009: £nil);  
Liontrust International (Guemsey) Limited - £10,000 (2009: £24,000); and  
Liontrust International (North America) Inc. - £nil (2009: £50,000).

All these amounts arose from Group operations.

### 50 Contingent assets and liabilities

Contingent assets as at 31 March 2010 amount to £nil (2009: £nil).

Contingent liabilities as at 31 March 2010 amount to £nil (2009: £nil).

### 51 Post balance sheet date event

There were no post balance sheet date events.

### Forward Looking Statements

This report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses and plans of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that have not yet occurred. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

# Shareholder information

## Financial Calendar:

Year End	31 March
Half Year End	30 September
Results announced	Full year: June, half year: November
Interim report available	December
Annual Report available	June
Annual General Meeting	September

## Share price information:

The Company's shares are quoted on the London Stock Exchange and the price appears daily in The Financial Times, (listed under 'General Financial'), The Daily Telegraph, (listed under 'Asset Managers'), The Times (listed under 'Other Financial') and The Evening Standard (listed under 'Speciality & Other Finance').

## UK authorised unit trusts:

Liontrust First Growth Fund  
Liontrust First Income Fund  
Liontrust First Large Cap. Fund  
The Liontrust Intellectual Capital Trust  
Liontrust First Opportunities Fund  
Liontrust Top 100 Fund  
Liontrust Continental Europe Fund  
Liontrust European Absolute Return Fund

## Luxembourg domiciled Société d'investissement à capital variable

Liontrust International Funds (Luxembourg) SICAV, comprising two sub funds:  
Liontrust Pan-European Fund  
Liontrust Credit Absolute Return Fund

## Guernsey domiciled open-ended investment company

Liontrust Guernsey Fund Limited, comprising two sub funds:  
Liontrust First Equity Fund  
Liontrust Dynamic Income Fund

Liontrust Alternative Funds PCC Limited, comprising two sub funds:  
Liontrust European Long/Short Fund  
Liontrust European Growth Long/Short Fund

## Cayman Islands domiciled open-ended investment company

Liontrust Master Credit Fund  
Liontrust Credit Fund

## Further information:

For further information on the Company's range of funds and services please contact our Broker Services Department at:

Liontrust Investment Funds Limited  
2 Savoy Court  
London WC2R 0EZ

Telephone: 020 7412 1700  
Facsimile: 020 7412 1779  
e-mail: [info@liontrust.co.uk](mailto:info@liontrust.co.uk)  
or visit: [www.liontrust.co.uk](http://www.liontrust.co.uk)

### Group subsidiary companies – board members as at 15 June 2010:

#### Liontrust Investment Funds Limited

V.K. Abrol	J.H. Harbottle
A.W.P. Cross	J.S. Ions
W.M. Dwerryhouse	A.C. Morrison
C.J. Edmeades	M.P. Morrissey
R.C. Farquhar	R.A. Stead

#### Liontrust Investment Services Limited

V.K. Abrol	J.S. Ions
E.J.F. Catton	A.C. Morrison
A.W.P. Cross	G.D. Roblin
C.J. Edmeades	J.A. Sclater
R.C. Farquhar	S.A. Thorp
J.H. Harbottle	

#### Liontrust Management Services Limited

V.K. Abrol	J.S. Ions
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#### Liontrust European Investment Services Limited

V.K. Abrol	J.S. Ions
J.J. Inglis-Jones	G. West

#### Liontrust International (Guernsey) Limited

C. J. Edmeades	P. M. Langford
G. M. Harrison	

#### Liontrust International (North America) Inc.

R. N. Hoag	B.E. Breen
V. K. Abrol	

### Investment companies – board members:

#### Liontrust Guernsey Fund Limited

C. J. Edmeades	P. M. Langford
G. M. Harrison	

#### Liontrust Alternative Funds PCC Limited

C. J. Edmeades	P. M. Langford
G. M. Harrison	

#### Liontrust International Funds (Luxembourg) SICAV

V.K. Abrol	G. M. Harrison
C. J. Edmeades	P. M. Langford

#### Liontrust Credit Master Fund Limited and Liontrust Credit Fund Limited

C. J. Edmeades	P. M. Langford
G. M. Harrison	





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Authorised and regulated by the financial services authority