




LIONTRUST INCOME FUND

Manager's Long Final Report and Financial Statements
for the year ended 30th June 2011



Managed by Gary West &
James Inglis-Jones in accordance with
[The Liontrust Cashflow Solution](#)

LIONTRUST FUND PARTNERS LLP

LIONTRUST INCOME FUND

MANAGER

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Authorised and regulated by the Financial Services Authority.

INVESTMENT ADVISER

Liontrust European Investment Services Limited, 2 Savoy Court, London WC2R 0EZ
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TRUSTEE

State Street Trustees Limited, 20 Churchill Place, London E14 5HJ
Authorised and regulated by the Financial Services Authority.

REGISTRARS

The Bank of New York Mellon (International) Ltd, 12 Blenheim Place, Edinburgh EH7 5JH
Authorised and regulated by the Financial Services Authority.

AUDITORS

PricewaterhouseCoopers LLP, PO Box 90, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH

LIONTRUST INCOME FUND

INVESTMENT PROFILE

This unit trust aims to provide rising dividend payments and reasonable capital growth. It invests in high yielding companies with unusually strong cash flow. We know that companies often have high dividend yields because investors have low profit growth expectations; in many cases these expectations prove to be wrong. We believe companies with good cash flows are likely to beat investors' low profit expectations, and will be able to pay a high and rising dividend. The Fund seeks to achieve a higher total return than the FTSE All-Share Index, to yield more than index-linked gilts and to provide an income stream for investors that will grow faster than inflation over a five year period. Income is distributed to investors every six months, at the end of February and August.

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LIONTRUST INCOME FUND

MANAGER'S INVESTMENT REPORT

Investment Objective and Policy

The investment objective of Liontrust Income Fund is to provide a high level of income with capital values keeping pace with inflation.

Although the Fund may invest in all economic sectors in all parts of the world, it is intended that it will currently invest primarily in securities in companies listed on the International Stock Exchange of the UK and Ireland. The Fund may also invest in shares issued by companies incorporated in any European Economic Area ("EEA") Member State other than the UK which are listed on a recognised stock exchange of an EEA Member State. The Fund may also invest in transferable securities, money market instruments, warrants, cash and near cash and deposits. The Fund may also invest up to 10% of its property in units or shares in collective investment schemes. The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes.

Liontrust Asset Management PLC

Liontrust provides portfolio management services in UK and European equities and in fixed income securities. These are managed on a long-only, long/short and absolute return basis through unit trusts, individual savings accounts (ISAs), offshore funds, pooled pension funds and segregated institutional accounts. The Group currently manages £1.3 billion (as at 14th June 2011).

We market our investment products to professional investors, predominantly in the UK and Continental Europe. These include pension funds and other institutional investors, family offices, private banks, private client managers, multi-managers, stockbrokers and financial advisers. Some private clients, to whom no advice has been given, have chosen independently to invest with us.

Performance of the Fund

In the year to 30th June 2011 an investment in the Fund rose 22.0%. This compares with a rise of 25.6% in the Fund's benchmark, the FTSE All-Share Index and an average return of +22.1% in the IMA UK Equity Income sector.

Since James Inglis-Jones and Gary West took over management of the Fund on 25th March 2009, an investment in the Fund has risen 70.5% compared with a rise of 69.7% in the FTSE All-Share Index and an average return of +61.0% in the IMA UK Equity Income sector.

Source: Financial Express, bid-to-bid basis, total return. Periods to 30.06.11.

A final dividend of 3.66 pence per unit will be distributed to retail unitholders and 3.68 pence per unit to institutional unitholders on 31st August 2011.

With the interim dividend of 3.11 pence per unit paid at the end of February 2011 to both retail and institutional unitholders, this makes a total payment for the year of 6.77 pence per unit for retail unitholders (2010: 6.42 pence per unit) and 6.79 pence per unit for institutional unitholders.

Source: Liontrust Fund Partners LLP

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise.

LIONTRUST INCOME FUND

MANAGER'S INVESTMENT REPORT

Investment review

In the twelve months to 30th June 2011, the Fund rose 22.0% compared to a rise of 25.6% in the Fund's benchmark, the FTSE All-Share Index. The IMA UK Income peer group, comprising retail funds that offer a comparable dividend yield, rose 22.1% on average. The final dividend to retail unitholders was 3.66 pence per unit, representing year-on-year growth for the year of 10.6%. The total dividend for the year is 6.77 pence per unit which, compared to last year's dividend of 6.42 pence per unit, represents growth of 5.5% and a yield of 5.25% based on the year-end mid price of 129.0 per share.

In the first six months of the year under review the Fund and sector lagged the market, due in part to the fact that an important driver of returns for the FTSE All-Share was the Mining sector. On average, stocks in this sector have not offered attractive dividends and therefore tend not to be well represented in income portfolios. In addition, in the second half of 2010 yield strategies generally fared poorly against the market. However, in the first six months of 2011 the situation reversed with the poor relative returns of the first half of the Fund's financial year giving way to much better performance in the second half. Since the start of 2011, for example, the Fund has returned +3.4%, the peer group +2.6% and the FTSE All-Share +3.0%.

Some of the recovery in performance relative to the All-Share was related to the poor performance of Mining stocks. However, it is also worth mentioning that the improved recent returns to yield strategies also played an important role. This has been consistent with stock market history which suggests that yield strategies tend to perform best in the post recovery phase of the market cycle. Generally, in periods of sharp market recoveries yield strategies perform poorly. However, in the aftermath of sharp recoveries yield strategies tend to perform extremely well as investors shift from a preference for through-the-cycle value measures based on book value and sales, to measures of value based on earnings and dividend yield.

Investment Environment

In the first half of the Fund's financial year economic data was generally supportive of the idea that the global economy continued to recover and, as a result, fears of a double dip recession appeared to recede. Monetary policy continued to be supportive with the Federal Reserve embarking on a new round of quantitative easing and the ECB deciding to extend its liquidity facilities and step up purchases of government bonds. The combination of the economic evidence of recovery and increasing policy stimulus was supportive of equity markets, which performed strongly.

However, this strong performance gave way to flat returns from the FTSE All-Share in the second half of the Fund's financial year as the market had to cope with a combination of weaker economic indicators and volatile geo-political developments. Political uprisings in the Middle East, a devastating Tsunami in Japan and mounting concerns regarding sovereign debt contagion in Europe's periphery created an environment of heightened uncertainty for markets. Of further concern was growing evidence that the US economic recovery appeared increasingly fragile, with a slew of poorer than expected survey data and worse than expected job creation, whilst investors remained troubled by the potential for a slowdown in the pace of economic growth in China.

Against this backdrop markets held up remarkably well, understandably failing to make any progress but at the same time failing to give up any ground, despite the raft of disquieting news flow. This was all the more impressive given that market valuation levels continued to remain stretched on through the cycle measures such as normalised price earnings and price relative to asset values.

LIONTRUST INCOME FUND

MANAGER'S INVESTMENT REPORT

Investment Focus

On a stock level the most significant contributors to the Fund's performance over the last twelve months were *Ashmore* (+70.1%), *Legal & General* (+57.6%) and *Go-Ahead* (+54.1%).

Ashmore, the emerging market asset manager, performed strongly due to a series of results in which the company highlighted better than expected assets under management and strong underlying fund performance contributing to high performance fees. Over the course of the last twelve months analysts increased their earnings estimates by approximately 20% as a result of these developments. In addition, investors exhibited a strong preference for companies with exposure to emerging markets which benefited *Ashmore*.

Legal & General performed well due to strong momentum in its UK annuities and pensions business causing acceleration in its cash flow and profits over the course of the year. In general, the focus on cash generation has caused the group's return on equity to improve, whilst also providing a solid platform to remunerate shareholders through high and rising dividend payments. We originally purchased *Legal & General* owing to its attractive cash flow generation and the focus of the management team on cash generation as a key metric of business success.

Finally, *Go-Ahead* performed strongly as the market responded well to a turnaround in the direction of analyst's profit estimates from an earnings downgrade to an earnings upgrade profile. A year ago, analysts and investors had a jaundiced view of *Go-Ahead* with concerns in October 2010 over the possible impact of the government's comprehensive spending review and the view that economic pressures on consumers would have a significantly negative impact on *Go-Ahead's* profits. However, the comprehensive spending review was much less harsh than feared; the group managed to surprise the market with better than expected cost savings in its rail business; and, it managed, unexpectedly, to win a number of contracts in its London bus business, causing it to raise profit forecasts for the year.

The three most significant detractors from the Fund's performance were *HMV* (-80.0%), *Keller* (-7.9%) and *AstraZeneca* (+3.9%). *HMV* performed poorly due to a dramatic deterioration in its trading environment which caused the company to breach its debt covenants. The collapse in the company's trading environment was accompanied by a substantial deterioration in its cash flow which led us to sell the stock from the portfolio.

The poor performance of the international ground engineering specialist *Keller* was concentrated in May and June of this year and related to a profits warning issued by the group. In May of this year *Keller* guided analysts to a reduced profit estimate due to deterioration in pricing and margins in the US. In addition, the company cautioned that it had underestimated the one off financial impact of Australian flooding.

AstraZeneca performed less well than the market due partly to the fact that stocks investors had a preference for cyclical in the period under review. However, in addition to this negative head wind, *AstraZeneca* suffered from two pipeline setbacks in December and concerns regarding the FDA's deliberations over *Brilinta*, *AstraZeneca's* experimental blood thinning pill. Furthermore, its first quarter results showed the continued negative impact of generic drug launches which was troubling to investors and analysts.

LIONTRUST INCOME FUND

MANAGER'S INVESTMENT REPORT

Trading activity

Thirteen sales were made over the course of the year, arising from either a failure of a company to measure up to the cash flow characteristics we demand from an investment or a failure to provide the necessary dividend yield required by the Fund. These included *IG Group, Jardine Lloyd Thompson, HSBC, CML Microsystems, Marks & Spencer, Stagecoach, Euromoney, IMI, Severfield Rowen, Keller, BHP Billiton, HMV and Zotefoams*. These stocks were replaced by nine purchases – *British Land, Beazley, Scottish & Southern Energy, United Utilities, National Grid, Halfords, Game Group, De La Rue and Kier Group*.

These purchases and sales gave rise to a significant overweight position in Utilities over the course of the year, whilst the Fund remained overweight in Healthcare and Industrial stocks as both sectors continued to offer average strong cash flows and high dividend yields. It was notable that, after the sale of *BHP Billiton*, the Fund had no exposure to the Basic Materials sector in the UK – one of the main drivers of the FTSE All-Share in the first half of the Fund's financial year - owing to the failure of any company in that sector to offer a combination of attractive cash flow and dividend yield.

Outlook

Over the course of the next twelve months we aim to complete the planned transition to an equally weighted portfolio we have discussed in prior reports. In addition, we aim this year to take the opportunity to offer improved risk diversification by including a limited number of companies from our wider European universe in the portfolio. The inclusion of some European companies will improve portfolio diversification and improve the overall opportunity set for stock selection. We are optimistic that with a flatter and more diversified portfolio, the Fund will offer investors significantly greater potential for attractive returns over the long term.

Our investment process is based on the mistakes people make forecasting. As a consequence, forecasting future profits or future economic developments plays no role in our stock selection process. However, our intuition is that the current environment should suit the Fund and the cash flow process well. In recent months there are indications that dividend yield as a strategy has begun to perform well relative to the market. This is consistent with stock market history which reveals that dividend yield strategies tend to perform well in the aftermath of sharp stock market recoveries.

In a period of elevated stock market valuations, it is possible that investors are seeking yield as a more reliable source of return than capital appreciation. In the aftermath of the stock market recovery, investors have also begun to focus on the delivery of earnings estimates as opposed to finding stocks that offer high leverage and recovery potential. This provides a constructive backdrop for both the income sector and the particular cash flow strategy we employ which is designed to highlight companies that are likely to deliver positive earnings surprises and higher than expected return on capital.

James Inglis-Jones and Gary West

August 2011

Manager's Report

The manager's investment report, together with information on the portfolio of investments, certification of the accounts by the Manager, authorised status of the Fund, the objectives and policy of the Fund and the information on page 1, comprise the Manager's Report under COLL.

LIONTRUST INCOME FUND

NET ASSET VALUE PER UNIT AND COMPARATIVE TABLE

Net Asset Values and Total Expense Ratios

The table below shows the number of income units in issue, the total net asset value of the property of the Fund, the net asset value per unit and the total expense ratio for each of the unit types:

Date	Units in issue	Net asset value of Fund	Net asset value per unit	Total expense ratio *
Retail units				
30th June 2009	367,101,840	£350,570,457	95.50 pence	1.58%
30th June 2010	272,520,225	£299,428,451	109.87 pence	1.59%
30th June 2011	238,469,828	£303,309,368	127.19 pence	1.62%
Institutional units‡				
30th June 2011	22,414,821	£28,726,495	128.16 pence	0.88%

The calculation of the net asset value for the current year uses bid prices in line with the requirements of the Statement of Recommended Practice (SORP) for Authorised Funds issued by the IMA in October 2010.

* The Total Expense Ratio ('TER') is the total expenses paid by each unit class in the year against its average net asset value.

‡ The institutional unit class was launched on the 1st November 2010.

LIONTRUST INCOME FUND

NET ASSET VALUE PER UNIT AND COMPARATIVE TABLE

Capital (unit prices) and income (net distribution per unit)

The table below shows the highest buying price, the lowest selling price of units and the net income distributions made by the Fund for the last five years.

Retail units

Year	Highest offer (buying) price	Lowest bid (selling) price	Net income per unit	Net income per £1,000 invested at 3rd January 2006
2006	203.09 pence	165.59 pence	6.19 pence	£34.63
2007	215.40 pence	164.23 pence	6.83 pence	£38.21
2008	176.59 pence	93.37 pence	8.04 pence	£44.98
2009	128.01 pence	79.73 pence	7.43 pence	£41.56
2010	138.30 pence	107.35 pence	6.42 pence	£35.91
2011 (to 30.06)	141.14 pence	121.43 pence	3.66 pence	£20.47

Institutional units‡

Year	Highest offer (buying) price	Lowest bid (selling) price	Net income per unit	Net income per £1,000 invested at 1st November 2010
2010 (from 01.11)	131.90 pence	122.72 pence	3.11 pence	£24.25
2011 (to 30.06)	135.25 pence	121.87 pence	3.68 pence	£28.69

Each calendar year above comprises two dividend distributions. An interim distribution, which accounts for the income earned by your investment in the six months between 1st July and 31st December, is paid at the end of February. The annual distribution, which represents the income earned by your investment during the Fund's entire twelve month accounting period but predominantly between the previous 1st January and 30th June is paid on 31st August. The ex-dividend dates are 1st January and 1st July.

‡ The institutional unit class was launched on the 1st November 2010.

Income can be reinvested to purchase units at no initial charge.

LIONTRUST INCOME FUND

AUTHORISED STATUS

The Fund is an authorised unit trust scheme ("the Scheme") under Section 243 of the Financial Services and Markets Act 2000 (authorisation orders) and the Financial Services Authority's Collective Investment Schemes Sourcebook and is categorised as a UCITS scheme.

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

in respect of the Report and Accounts of the Scheme:

The Financial Services Authority's Collective Investment Scheme Sourcebook ('the Regulations') require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Scheme and of its net income/expenses and the net gains/losses on the property of the Scheme for the period. In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The Manager is responsible for the management of the Scheme in accordance with its Trust Deed, Prospectus and the Regulations, and has taken all reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

The Trustee is under a duty of care to take into its custody or under its control all of the property of the Scheme and to hold it in trust for the holders of units. Under the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook relating to Reports it is also the duty of the Trustee to enquire into the conduct of the Manager in the management of the Scheme in each annual accounting period and report thereon to unitholders in a report which shall contain the matters prescribed by the rules.

The Trustee's report is included below.

TRUSTEE'S REPORT

to the unitholders of Liontrust Income Fund ("the Fund")

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustees of the Scheme it is our opinion, based on the information available to us and the explanations provided, that the Manager has in all material respects managed the Scheme during the period in accordance with the investment and borrowing powers and restrictions applicable to the Scheme, and otherwise in accordance with the provisions of the Trust Deed and the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook.

State Street Trustees Limited

20 Churchill Place

London E14 5HJ

26 August 2011

LIONTRUST INCOME FUND

Change to Registration Fees

The cost of the maintenance of the register and the sub-register fees for ISA unitholders is paid out of the property of each Fund and for all funds was levied at 0.0720% per annum of the value of each Fund. Following a review of the level of this fee, with effect from 1 July 2011 the fee levied has increased to 0.0800% per annum , an increase of 0.0080%, which is less than 1% of the Total Expense Ratio.

Change to Custody Fees

The custody fees are paid out of the property of each Fund and for all funds is currently levied at 0.015% per annum of the value of each Fund. This increased during the period on 1 April 2011 from 0.005% per annum to the current rate, an increase of 0.01%, which is less than 1% of the Total Expense Ratio.

Change of Legal Status

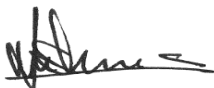
On the 8th July 2010 The Manager Liontrust Investment Funds Limited ('LIF') was converted to a Limited Liability Partnership Liontrust Fund Partners ('LFP'). On this date LFP was authorised by the Financial Services Authority and LIF ceased to be authorised.

Change of Fund Name

On the 30th September 2010 the Fund changed its name from Liontrust First Income Fund to Liontrust Income Fund.

CERTIFICATION OF ACCOUNTS BY DIRECTORS OF THE MANAGER

We certify that this Manager's Report has been prepared in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook.



John Ions
Chief Executive



Antony Morrison
Designated Member

Liontrust Fund Partners LLP.

26 August 2011

LIONTRUST INCOME FUND

INDEPENDENT AUDITORS' REPORT

to the unitholders of Liontrust Income Fund ("the Fund")

We have audited the financial statements of the Liontrust Income Fund for the year ended 30th June 2011 which comprise the Statement of Total Return, the Statement Of Change In Net Assets Attributable To Unitholders, the Balance Sheet, the related notes and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of the Manager and Auditors

As explained more fully in the Statement of the Manager's Responsibilities the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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 and 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 Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Liontrust Income Fund Long Final Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust at 30th June 2011 and of the net revenue and the net gains of the property of the Trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes Sourcebook and the Trust Deed.

LIONTRUST INCOME FUND

INDEPENDENT AUDITORS' REPORT

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report for the financial year for which the financial statements are prepared 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 matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Trust have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

26 August 2011

- (a) The maintenance and integrity of the Liontrust website is the responsibility of the Manager; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

LIONTRUST INCOME FUND

PORTFOLIO STATEMENT

as at 30th June 2011 (Ordinary shares except where otherwise stated)

	Holding	Market Value £'000	Percentage of total net assets %
Listed Securites			
UNITED KINGDOM			
(30.06.10: 100.54%)			
		329,536	99.25
Basic Materials			
(30.06.10: 3.15%)			
		<u>-</u>	<u>-</u>
Consumer Goods			
(30.06.10: 3.84%)			
Tate & Lyle	2,551,559	15,679	4.72
		<u>15,679</u>	<u>4.72</u>
Consumer Services			
(30.06.10: 14.56%)			
Game	6,375,869	2,359	0.71
Go-Ahead	882,879	13,967	4.21
Halfords	3,309,750	12,127	3.65
Next	554,556	12,760	3.84
		<u>41,213</u>	<u>12.41</u>
Financials			
(30.06.10: 24.60%)			
Ashmore	4,721,988	18,751	5.65
Beazley	1,372,547	1,688	0.51
British Land**	2,048,240	12,392	3.73
Legal & General	13,996,015	16,375	4.93
Man	3,772,472	8,775	2.64
Provident Financial	1,233,910	11,796	3.55
Rathbone Brothers	64,348	712	0.22
Tullett Prebon	2,407,585	8,441	2.54
		<u>78,930</u>	<u>23.77</u>
Health Care			
(30.06.10: 12.30%)			
AstraZeneca	644,429	19,803	5.97
GlaxoSmithKline	889,873	11,778	3.55
		<u>31,581</u>	<u>9.52</u>

LIONTRUST INCOME FUND

PORTFOLIO STATEMENT

as at 30th June 2011 (Ordinary shares except where otherwise stated)

	Holding	Market Value £'000	Percentage of total net assets %
Industrials			
(30.06.10: 20.55%)			
Atkins	1,325,614	9,936	2.99
De La Rue	1,024,447	7,781	2.34
Electrocomponents	5,102,683	13,711	4.13
Hays	10,625,944	10,860	3.27
Kier	242,847	3,220	0.97
Smiths News	4,192,201	3,689	1.11
T. Clarke	2,130,228	1,800	0.54
		50,997	15.35
Oil & Gas			
(30.06.10: 12.56%)			
BP	4,277,590	19,502	5.88
Royal Dutch Shell 'B' Shares	805,981	17,663	5.32
		37,165	11.20
Technology			
(30.06.10: 0.34%)			
		-	-
Telecommunications			
(30.06.10: 5.75%)			
Vodafone	12,284,753	20,141	6.07
		20,141	6.07
Utilities			
(30.06.10: 2.89%)			
Drax	2,285,525	11,398	3.43
National Grid	2,188,379	13,305	4.01
Scottish & Southern Energy	1,169,536	16,233	4.89
United Utilities	2,187,241	12,894	3.88
		53,830	16.21

LIONTRUST INCOME FUND

PORTFOLIO STATEMENT

as at 30th June 2011 (Ordinary shares except where otherwise stated)

	Holding	Market Value £'000	Percentage of total net assets %
IRELAND (30.06.10: 2.26%)		5,739	1.73
Cash Deposits (30.06.10: 2.26%)		5,739	1.73
SSgA Cash Management Fund*	5,739,362	5,739	1.73
		511,130	153.94
Portfolio of investments		335,275	100.98
Net other liabilities		(3,239)	(0.98)
Total net assets		332,036	100.00

All securities are approved securities traded on eligible securities markets, as defined by the Collective Investment Scheme sourcebook, unless otherwise stated.

* In order to maintain appropriate levels of interest received on any large cash balances held by the Fund, cash balances are reviewed on a daily basis and any excess cash is transferred into the SSgA Cash Management Fund. The units in the SSgA Cash Management Fund are readily transferable back into cash at any time as required for the operation of the Fund. This investment is a related party, as disclosed in note 14.

** Real Estate Investment Trust (REIT).

LIONTRUST INCOME FUND

STATEMENT OF TOTAL RETURN

for the year ended 30th June 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Income:					
Net capital gains	4		51,849		58,354
Revenue	5	18,444		20,321	
Expenses	6	(5,366)		(5,708)	
Finance costs: Interest	8	(1)		-	
Net revenue before taxation		13,077		14,613	
Taxation	7	(3)		-	
Net revenue after taxation			13,074		14,613
Total return before distribution			64,923		72,967
Finance costs: Distributions	8		(18,014)		(19,998)
Change in net assets attributable to unitholders from investment activities			46,909		52,969

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 30th June 2011

	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Opening net assets attributable to unitholders		299,428		350,570
Amounts receivable on issue of units	31,853		7,346	
Amounts payable on cancellation of units	(46,000)		(111,327)	
		(14,147)		(103,981)
Stamp duty reserve tax		(156)		(130)
Unclaimed distributions		2		-
Change in net assets attributable to unitholders from investment activities		46,909		52,969
Closing net assets attributable to unitholders		332,036		299,428

LIONTRUST INCOME FUND

BALANCE SHEET

as at 30th June 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Assets					
Investment assets			335,275		307,805
Debtors	9	7,230		2,885	
Cash and bank balances		<u>166</u>		<u>-</u>	
Total other assets			<u>7,396</u>		<u>2,885</u>
Total assets			342,671		310,690
Liabilities					
Creditors	10	1,082		2,203	
Bank overdrafts		-		39	
Distribution payable on income units		<u>9,553</u>		<u>9,020</u>	
Total liabilities			10,635		11,262
Net assets attributable to unitholders			<u><u>332,036</u></u>		<u><u>299,428</u></u>

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting and distribution policies

A Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the IMA in October 2010.

The presentation of these Financial Statements has been changed from the previous period to comply with the requirements of the IMA SORP (2010).

Noteable change from the SORP for Authorised Funds issued by the IMA in November 2008:

- PTR ratios are no longer required to be disclosed and have now been removed from the performance history.

B Recognition of revenue

- (i) UK dividends classified as franked investment income are shown net of attributable tax credits when the securities are quoted ex-dividend.
- (ii) Special dividends are treated as income or capital according to the nature of the event giving rise to the payment.
- (iii) Bank interest and stock lending income are recognised on an accruals basis.
- (iv) Overseas revenue that is received after the deduction of withholding tax is shown gross of taxation.
- (v) Dividends received from UK REITs are split into PID (Property Income Distributions) and Non-PID components for tax purposes. Revenue arising from UK REITs tax-exempt rental business is colloquially known as PID revenue and is taxable in the hands of the Fund. A UK REIT may also carry out other activities that give rise to taxable profits and gains, it is from these that the REIT will make a Non-PID distribution, these are treated for tax purposes in the same way as dividends from normal UK companies.

C Expenses

The management charge, dealing charges and stamp duty reserve tax are deducted from capital. All other expenses are charged against income. All expenses are accounted for on an accruals basis.

D Distribution

Income produced by the Fund's investments accumulates during each accounting period. If at the end of the accounting period income exceeds expenses, the net income of the Fund is available to be distributed to unitholders. The Manager will seek to distribute this income in a manner that will maximise the total returns to holders of the majority of units.

E Basis of valuation of investments

All investments have been valued at 12 midday, on 30th June 2011. Listed investments have been valued at bid-market value net of any accrued income.

F Taxation

Provision is made for taxation at current rates on the excess of investment income over expenses, with relief taken for overseas taxation where appropriate.

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

G Deferred taxation

Deferred tax is provided for in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent differences.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

H Foreign exchange

All transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates applicable at the end of the accounting period at the appropriate valuation point.

I Equalisation

Equalisation is the accrued income included in the price of units purchased during the distribution period (Group 2 Units) which is refunded as a part of a unitholder's first distribution, so as to provide the same distribution for all units of the same type. As a repayment of capital it is not liable to Income Tax and should be deducted from the cost of units for Capital Gains Tax purposes.

2 Risk Management Policies

In accordance with the investment objectives and policies the Fund holds certain financial instruments. These comprise:

- equity shares;
- cash and short-term debtors and creditors that arise directly from its operations;
- units in SSgA Management Fund; and
- unitholders' funds which represent investors' monies which are invested on their behalf.

In accordance with the requirements of the rules in the Financial Services Authority's Collective Investment Schemes Sourcebook, the Fund is not permitted to trade in other financial instruments. The Fund's use of financial instruments during the year satisfies these regulatory requirements.

The main risks arising from the Fund's financial instruments are market price risk, interest rate risk, foreign currency risk, liquidity risk, and credit and counter-party risk. The Manager's policies for managing these risks are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate and during the prior year.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager reviews the portfolio in order to consider the asset allocation implications and to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the Fund's investment objective. An individual fund manager has responsibility for monitoring the existing portfolio, in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk reward profile.

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

Interest rate risk

Interest receivable on bank deposits and short term deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The interest rates earned on sterling deposits are earned at a rate linked to LIBOR.

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The floating rate financial assets and liabilities comprise sterling denominated bank balances and overdrafts that bear interest based on LIBOR.

The floating rate financial assets and liabilities comprise bank balances and overdrafts that bear interest based on LIBOR (sterling denominated) .

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Foreign currency risk

The Manager has identified three principle areas where foreign currency risk could impact the Fund

- Movements in exchange rates affect the value of investments;
- Movements in exchange rates affect short term timing differences; and,
- Movements in exchange rates affect the income received.

The Fund may be subject to short-term exposure to exchange rate movements, for instance where there is a difference between the date an investment purchase or sale is entered into and the date when settlement of the proceeds occurs. When the Fund enters into such a transaction which will involve the buying or selling of foreign currency in order to complete, a foreign exchange contract is entered into as soon as possible after the initial transaction in order to minimise exchange rate risk.

The Fund may receive income in currencies other than sterling and the sterling values of this income can be affected by movements in exchange rates. The Fund converts all receipts of income into sterling on or near the date of receipt; it does not, however, hedge or otherwise seek to avoid exchange rate risk on income accrued but not received.

However, in line with the Fund's objectives of investing primarily in the UK and Ireland, the Fund is expected to have only minimal foreign currency exposures.

Liquidity risk

The Fund's assets mainly comprise securities that can be readily sold. The main liability of the Fund is the redemption of any units that investors wish to sell.

In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the fund may borrow up to 10% of its value to ensure settlement.

Credit and counter-party risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities.

The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counter-party. This list is reviewed annually.

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

3 Unit classes

The Fund has two unit classes in issue. The original retail unit class and the institutional unit class launched on 1st November 2010.

The net asset value of each unit class, the net asset value per unit and the number of units in each class are given in the Net Asset Value Per Unit and Comparative Table on page 7.

4 Net capital gains

	2011	2010
	£'000	£'000
Non-derivative securities	51,852	58,358
Transaction charges	(3)	(4)
Net capital gains	<u>51,849</u>	<u>58,354</u>

5 Revenue

	2011	2010
	£'000	£'000
Overseas dividends	-	23
Prior year adjustment to VAT refund income	-	(58)
PID Income received from UK REITs	266	-
Non-PID Income received from UK REITs	133	-
UK dividends	17,965	20,279
Bank interest	1	7
Offshore investment revenue*	32	43
Stocklending income	47	27
	<u>18,444</u>	<u>20,321</u>

*This is revenue received from investment in the SSgA Cash Management Fund as disclosed in note 14.

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Expenses

	2011 £'000	2010 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	4,955	5,378
Registration fees	243	203
	<u>5,198</u>	<u>5,581</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Trustee's fees	92	95
Wire charges	3	3
Safe custody fees	24	17
	<u>119</u>	<u>115</u>
Other expenses		
Performance measurement fees	4	-
Administration fees	21	-
Printing fee	9	3
Audit fee	9	9
Publishing fee	6	-
	<u>49</u>	<u>12</u>
Total expenses	<u>5,366</u>	<u>5,708</u>

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

7 Taxation

	2011 £'000	2010 £'000
(i) Analysis of charge for the year :		
Adjustment in respect of prior years	3	-
(ii) Factors affecting current tax charge for the year :		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK for authorised unit trusts of 20% (2010: 20%). The differences are explained below:		
Net revenue before taxation	13,077	14,613
Corporation tax at 20%	2,616	2,923
Effects of:		
UK dividends*	(3,619)	(4,061)
Movement in excess management expenses	1,003	1,138
Adjustment in respect of prior years	3	-
Current tax charge for the year (see note 7(i))	3	-

* As an authorised Unit Trust, these items are not subject to corporation tax.

Authorised Unit Trusts are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

(iii) Deferred tax

At the year end, there is a potential deferred tax asset of £17,539,448 (30th June 2010: £16,543,363) in relation to excess management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year or the prior year.

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

8 Finance costs

Distribution and interest

The distribution takes account of income received on the creation of units and income deducted on the cancellation of units, and comprises:

	2011	2010
	£'000	£'000
Interim	8,400	9,666
Final	9,553	9,020
Amounts deducted on cancellation of units	552	1,388
Amounts received on issue of units	(491)	(76)
Net distribution for the year	<u>18,014</u>	<u>19,998</u>
Finance costs: Interest	1	-
Total finance costs	<u>18,015</u>	<u>19,998</u>

Reconciliation of net revenue after taxation to distribution:

Net revenue after taxation	13,074	14,613
Fees paid from capital	4,955	5,378
Add: Income brought forward from previous year	2	9
Less: Income carried forward	(17)	(2)
Net distribution for the year	<u>18,014</u>	<u>19,998</u>

Details of the distribution per unit are set out in the tables on pages 28 to 29.

9 Debtors

	2011	2010
	£'000	£'000
Accrued revenue	3,995	2,885
Sales awaiting settlement	3,006	-
Amounts receivable on creation of units	229	-
	<u>7,230</u>	<u>2,885</u>

10 Creditors

	2011	2010
	£'000	£'000
Accrued expenses	514	441
Accrued stamp duty reserve tax	17	12
Amounts payable on cancellation of units	551	1,750
	<u>1,082</u>	<u>2,203</u>

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

11 Commitments, contingent liabilities and contingent assets

On 30th June 2011, the Fund had no capital commitments (30th June 2010: £nil) and no contingent liabilities (30th June 2010: £nil).

12 Securities on loan

The aggregate value of securities on loan at 30th June 2011 is £19,033,664 (30th June 2010: £39,484,058). Securities on loan are included in the Portfolio Statement and no account is taken of any collateral held. The aggregate value of collateral held at 30th June 2011 is £20,001,970 (30th June 2010: £42,078,132). This collateral is in the form of bonds, equities and cash.

The gross earnings and fees paid for the year are £79,018 (30th June 2010: £47,280) and £31,607 (30th June 2010: £20,621).

13 Post balance sheet events

Since the fund's year-end there have been significant declines in global markets. As a result the fund's NAV per unit for the Retail Units has decreased by 9.5%, and for the Institutional Units by 9.4%. This compares to a reduction in the FTSE All-Share Index of 12.8%.

14 Related parties

The Fund Manager and Trustee are related to the Fund as defined by Financial Reporting Standard 8, Related Party Disclosures, and are named on page 1.

SSgA (State Street Global Advisors) are the investment management arm of State Street Corporation. The SSgA Cash Management Fund, an investment company with variable capital incorporated with limited liability in Ireland, listed on the Dublin stock exchange, invests in at least A-rated sterling denominated securities. The investment strategy of the fund is primarily capital preservation and liquidity while maximising current income.

The income outstanding at 30th June 2011 on the SSgA Cash Fund Deposit was £3,689 (30th June 2010: £1,883).

The Fund received interest on deposits held with the Trustee during the year as disclosed in note 5 on page 21 of which £34 was outstanding at 30th June 2011 (30th June 2010: £30). At 30th June 2011 the Fund held cash balances with the Trustee as disclosed in the Balance Sheet on page 17.

The charges made by the Manager, Trustee and the Registrar during the period are disclosed in note 6. At 30th June 2011 £403,662, £38,627 and £42,622 were due to the Manager, Trustee and Registrar respectively (30th June 2010: £396,741, £10,214 & £14,944). These amounts are included under 'Accrued expenses' in note 10.

At 30th June 2011 there were creation monies due from the Manager of £228,553 (30th June 2010: £nil). There were cancellation monies due to the Manager of £551,564 at 30th June 2011 (30th June 2010: £1,750,529).

By virtue of the Regulations governing authorised unit trusts, the Manager is party to every transaction in respect of units of the Fund, which are summarised in the Statement of Change in Net Assets Attributable to Unitholders.

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

15 Risk disclosures

The policies applied in the management of financial instruments are set out in note 2.

Interest rate risk

The interest rate risk profile of the Fund's financial assets and liabilities at 30th June 2011 was:

Currency	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Financial liabilities not carrying interest	Total financial assets
	£'000	£'000	£'000	£'000	£'000
UK Sterling	166	-	343,072	(11,202)	332,036
Total	166	-	343,072	(11,202)	332,036

Currency	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying interest	Financial liabilities not carrying interest	Total financial assets
	£'000	£'000	£'000	£'000	£'000
Euro	-	-	3	-	3
US Dollar	-	-	33	-	33
UK Sterling	6,738	-	303,878	(11,223)	299,393
Total	6,738	-	303,914	(11,223)	299,429

Foreign currency risk

The Portfolio Statement on pages 13 to 15 shows the countries in which the Fund is invested. The securities in the portfolio are priced in local currency. An analysis of monetary assets and liabilities in foreign currencies at the period end (including cash and outstanding income) is shown below.

Currency	Net foreign currency assets 30th June 2011			Net foreign currency assets 30th June 2010		
	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000	Total £'000
Euro	-	-	-	-	3	3
US dollar	-	-	-	-	33	33
	-	-	-	-	36	36

LIONTRUST INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

Maturity profile of financial liabilities

All financial liabilities of the Fund at the year end are due to settle in one year or less, or on demand.

Short-term debtors and creditors

Other short-term debtors and creditors have been excluded from disclosures of financial instruments.

Fair value of financial assets and liabilities

Securities held by the Fund are valued at bid-price. The difference between this value and the fair value of the securities is immaterial. There is also no material difference between the value of other financial assets and liabilities of the Fund included in the balance sheet and their fair value. Securities are valued at bid and offer prices for calculating the cancellation and creation prices at the Fund's daily valuation point.

16 Purchases, sales and transaction costs

	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Purchases excluding transaction costs		96,997		121,494
Commissions	130		162	
Taxes	477		619	
	<u> </u>		<u> </u>	
Total purchase transaction costs		607		781
Purchases including transaction costs		<u>97,604</u>		<u>122,275</u>
	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Sales excluding transaction costs		(121,103)		(229,866)
Commissions	(155)		(262)	
	<u> </u>		<u> </u>	
Total sales transaction costs		(155)		(262)
Sales net of transaction costs		<u>(120,948)</u>		<u>(229,604)</u>

LIONTRUST INCOME FUND

DISTRIBUTION TABLES

for the year ended 30th June 2011:

Group 1: Units purchased prior to 1st January 2011

Group 2: Units purchased on or after 1st January 2011

	Net income	Equalisation	Distribution payable	
	2011	2011	2011	2010
Income units - Retail	Pence	Pence	Pence	Pence
	per unit	per unit	per unit	per unit
Group 1	3.66	-	3.66	3.31
Group 2	2.48	1.18	3.66	3.31

Group 1: Units purchased prior to 1st January 2011

Group 2: Units purchased on or after 1st January 2011

	Net income	Equalisation	Distribution payable	
	2011	2011	2011	2010
Income units - Institutional‡	Pence	Pence	Pence	Pence
	per unit	per unit	per unit	per unit
Group 1	3.68	-	3.68	-
Group 2	2.34	1.34	3.68	-

Information for Corporate Unitholders

For corporate unitholders of both shareclass types, for the distribution payable on 31st August 2011:

100.00% of the total income distribution together with the tax credit is received as franked investment income.

0.00% of the income distribution is received as an annual payment (non-foreign element) received after the deduction of income tax at the lower rate and is liable to corporation tax. It is unfranked investment income.

0.00% of the dividend is received as an annual payment (foreign element) received after the deduction of income tax at the lower rate and is liable to corporation tax. It is treated as foreign income in the hands of the corporate investor and is liable to corporation tax. The associated deemed tax is treated as foreign tax in the hands of the investor, who may be able to claim double tax relief. Investors cannot reclaim any of this deemed tax on the foreign element from HM Revenue and Customs.

The Fund's net liability to corporation tax is £nil.

LIONTRUST INCOME FUND

DISTRIBUTION TABLES continued

for the period ended 31st December 2010:

Group 1: Units purchased prior to 1st July 2010
 Group 2: Units purchased on or after 1st July 2010

	Net income 2010	Equalisation 2010	Distribution payable	
	Pence per unit	Pence per unit	2010 Pence per unit	2009 Pence per unit
Income units - retail				
Group 1	3.11	-	3.11	3.11
Group 2	2.14	0.97	3.11	3.11

Group 1: There were no group 1 units during the period
 Group 2: Units purchased on or after 1st November 2010

	Net income 2010	Equalisation 2010	Distribution payable	
	Pence per unit	Pence per unit	2010 Pence per unit	2009 Pence per unit
Income units - Institutional‡				
Group 2	0.52	2.59	3.11	-

Information for Corporate Unitholders

For corporate unitholders of both shareclass types, for the distribution paid on 28th February 2011:

100.00% of the total income distribution together with the tax credit is received as franked investment income.

0.00% of the income distribution is received as an annual payment (non-foreign element) received after the deduction of income tax at the lower rate and is liable to corporation tax. It is unfranked investment income.

0.00% of the dividend is received as an annual payment (foreign element) received after the deduction of income tax at the lower rate and is liable to corporation tax. It is treated as foreign income in the hands of the corporate investor and is liable to corporation tax. The associated deemed tax is treated as foreign tax in the hands of the investor, who may be able to claim double tax relief. Investors cannot reclaim any of this deemed tax on the foreign element from HM Revenue and Customs.

The Fund's net liability to corporation tax is £nil.

‡ Institutional units were offered for sale for the first time on 1st November 2010.

LIONTRUST INCOME FUND

ADDITIONAL INFORMATION

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 6th July 1995 and amended by Supplemental Trust Deeds dated 1st July 1999, 9th July 1999, 19th July 2002, 14th February 2003 and 19th August 2005.

Prospectus: Copies of the Fund's Prospectus are available free of charge from the Manager upon request, and from our website, www.liontrust.co.uk.

Unit type: The Fund issues income units only. Investors can elect at any time to have any income either paid out or automatically reinvested to purchase units at no initial charge.

Pricing and dealing: A buying price (the price at which you have bought the units in the Fund and being the higher) and a selling price (the price at which you can sell the units back to the Manager and being the lower) are always quoted for the Fund. The buying price includes the Manager's initial charge.

Dealing in all unit trusts operated by Liontrust Fund Partners LLP may be carried out between 08.30 and 17.00 hours on any business day. Professional investors and advisers may buy and sell units over the telephone; private investors are required to instruct the Manager in writing for initial purchases, but can deal over the telephone thereafter. Prices are quoted on a 'forward' basis. This means that all deals are based on a price that is calculated at the next valuation point (which is 12.00 hours on each business day) following receipt of instructions. Instructions received before 12.00 hours will be priced at 12.00 hours that day, whilst those deals taken later in the day will receive the next dealing price which is fixed at 12.00 hours on the following business day.

In the case of large deals of £15,000 and over, the Manager has the discretion to quote a special price within limits laid down under the Regulations.

The minimum initial lump sum investment in the Fund is £1,000, the minimum additional investment is £1,000 and the amount you may sell back to the Manager at any one time is £500, providing you maintain a balance of £2,500. At its absolute discretion, the Manager may accept a lower minimum amount for the purchase and sale of units.

A contract note in respect of any purchase will be issued the day following the dealing date. Unit certificates will not be issued. Instructions to sell your units may be required to be given by telephone and then confirmed in writing to Liontrust Customer Services Team, PO Box 23850, Edinburgh EH7 5FY. A contract note confirming the instruction to sell will be issued the day following the dealing day. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent directly to you or your bank/building society, if proof of ownership of the account has been received by us, in four business days. Liontrust does not make or accept payments to or from third parties unauthorised by the Financial Services Authority.

Management charges, spreads and yields: The initial charge and annual management fees per unit class are detailed below. The difference between the bid and the offer prices is currently 6% which includes the initial charge.

Initial Charge	%	Annual Management Charge	%
Retail class	5.00	Retail class	1.50
Institutional class	-	Institutional class	0.75

The net estimated yields on the classes are shown below, these are calculated and published daily.

Yield	%	%	
Retail class	5.81	Institutional class	5.78

Certain other expenses are met by the Fund, all of which are detailed in the Prospectus.

Commission: Commission is payable to authorised intermediaries on purchases of units in the Fund at a rate of up to 3%. A discount is available when switching between Liontrust's range of unit trusts.

LIONTRUST INCOME FUND

ADDITIONAL INFORMATION

Publication of prices: The price of units in the Fund is quoted on our website, www.liontrust.co.uk, other industry websites such as www.trustnet.com, and the website of the Investment Management Association (the industry trade body), www.investmentuk.org. Daily and historic Fund prices are available from our Dealing and Administration team on 0844 892 1007.

Stamp Duty Reserve Tax: Stamp Duty Reserve Tax ("SDRT") is a 0.5% tax that is payable by the Trustee of a unit trust when unitholders sell their units in that unit trust. This may have an effect on you as the unitholder depending on how the unit trust manager treats this particular charge. Any SDRT liability incurred by the Trustee on The Income Fund is charged to the Fund, which could mean that less of your money will be invested for potential capital and income growth.

Capital Gains Tax: As an authorised unit trust, the Fund is exempt from UK Capital Gains Tax. An individual's first £10,600 of net gains on disposals in the 2011-2012 tax year are exempt from tax.

Income Tax: UK tax resident individuals are entitled to tax credits in respect of dividend distributions received and are subject to income tax on the aggregate of the distribution and the tax credit. In the case of a distribution the current value of the tax credit is equal to one ninth of the net dividend received and the distribution plus tax credits are treated as the top slice of an individual's income.

UK resident individuals who are not liable to tax are not able to reclaim the tax credits from the HM Revenue and Customs. In the case of UK resident individuals who are liable to starting or basic rate tax only, the tax credit will match his or her liability on the distribution and there will be no further tax to pay and no right to claim repayments to the HM Revenue and Customs. In the case of a higher rate tax payer, the tax credit will be set against, but not fully match, his or her tax liability on the distribution. Such people will have an additional tax liability to pay.

Corporate Unitholders: Ordinary dividends distributed by the Fund to corporate unitholders will be treated as part-franked investment income and part unfranked investment income, in the corporate unitholders' hands. The precise split will be calculated by the Manager and will be detailed on the distribution vouchers accompanying the distribution.

For unitholders chargeable to UK corporation tax, income allocations representing the UK dividends received by the Fund will not be subject to corporation tax in the unitholders' hands. Income allocations representing other types of income received by the Fund will be taxable as if they were annual payments received after the deduction of tax at the rate of 20 per cent of the gross distribution.

Important information: It is important to remember that the price of units, and the income from them, can fall as well as rise and is not guaranteed and that investors may not get back the amount originally invested. Past performance is not a guide to future performance. The issue of units may be subject to an initial charge and this is likely to have an impact on the realisable value of your investment, particularly in the short term. You should always regard unit trust investment as long term. The annual management fee of the Fund is deducted from capital. Whilst this results in the dividend paid to investors being higher than would be the case were the annual management fee charged to income, the potential for capital growth may be reduced.



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