

LIONTRUST ASSET MANAGEMENT PLC



ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

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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 £1.3 billion in segregated institutional accounts, unit trusts, offshore funds, individual savings accounts and hedge funds on behalf of 9,000 investors.



Financial Highlights

Results and dividend

Loss before tax £5.090 million (2010: £1.005 million)

Adjusted loss before tax of £1.663 million after adding back expenses for cost reduction and restructuring, depreciation and intangible asset amortisation, severance compensation, expenses related to share incentivisation and the Financial Services Compensation Scheme Interim Levy (2010: Adjusted profit before tax of £796,000)

Net cash and financial assets of £12.6 million (2010: £20.1 million)

Performance fees of £1.330 million were earned during the financial year (2010: £3.449 million)

Realised gain on financial assets of £701,000 earned during the financial year (2010: £1.261 million)

Basic earnings per share (14.69) pence (2010: 3.6 pence)

No dividend for the year (2010: 2.5 pence per share)

Funds under management

Funds under management as at 31 March 2011 £1.343 billion (2010: £1.149 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)
Alastair William Stewart Barbour (Non-executive director)
Michael John Bishop (Non-executive director)
Glyn Vincent Hirsch (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
Erskine House
68-73 Queen Street
Edinburgh EH2 4NH

Legal Advisers:

Macfarlanes LLP
20 Cursitor Street
London ECA 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

I am pleased to report that our funds under management have risen to £1.3 billion on 14 June 2011 and our investors have enjoyed continued excellent investment performance. These are the building blocks of the business.

While the profit and loss account has necessarily been negatively affected by our restructuring programme, month on month the Group is going in the right direction and I am confident John Ions and his team will re-establish Liontrust as one of the UK's premier fund management companies. The Group has increased its expenditure on marketing, for example, which has succeeded in raising the profile of Liontrust's range of funds in the intermediary market and therefore helped boost inflows.

The Group has suffered significant, one-off costs in the financial year ended 31 March 2011, reducing employment and other administration costs, closing the Global equities team and restructuring the Group's UK operating subsidiaries and funds.

Liontrust has also been subjected to a vast increase in the Financial Services Compensation Scheme Interim Levy of £415,000 compared to £20,000 for the previous financial year. This relates to an increase in the volume and value of investment claims relating to Keydata Investment Services Limited, Wills & Co and other failed investment intermediary firms. The increase in this charge has affected the financial year ended 31 March 2011 but, subject to similar events not being repeated, we would expect the levy to return to more normal, lower levels in future.

In April 2011, the Group entered into a conditional business purchase agreement for the sale of its credit business, including its credit team, to Avoca Capital Holdings ("Avoca"). We expect the sale of the credit business to Avoca to complete on or around 30 June 2011.

All these developments have been part of the process of creating a more streamlined, focused business on which we can build over the coming months and years. The restructuring is now complete and Liontrust is in a vastly better shape to achieve this growth than a year ago, and has the infrastructure to attract new fund management teams of the required quality.

As part of the rebuilding of Liontrust, the Board has been strengthened through the appointment of two new non-executive directors Alastair Barbour and Mike Bishop, who have extensive experience in the financial services industry and will be invaluable in the future development of Liontrust.

The task ahead for Liontrust is self-evident. The Group needs to grow its assets under management and broaden the range of funds and asset classes offered to clients while ensuring Liontrust keeps a close eye on costs and maintains its superior investment performance. It is important that the Group maintains the infrastructure that can support future growth in both assets and fund management teams. As previously stated, the Group intends to build the business organically and through acquiring new fund management teams. The Group now has a sound platform to evaluate other opportunities to accelerate growth. To that effect, the Group is seeing an increasing number of acquisition opportunities and continues to assess all options to grow assets under management.

We also need to be mindful of the ever changing regulatory environment and the challenges that the Retail Distribution Review ("RDR") will bring both to the Group as a product provider and to the professional advisers who use our funds. Liontrust has actively participated in the lengthy consultation process and generally welcomes the introduction of RDR in 18 months. The banning of commission payment is probably the most significant change in the retail financial market for a generation.

As an active, performance driven, investment business, Liontrust is well positioned to make the RDR transition. Last summer, the Group undertook a

full review of the fund range and structure which resulted in the introduction of non-commission paying unit classes specifically for the increasing number of intermediary clients who have already adopted a fee-based business model.

Liontrust is now well placed to meet the challenges of continuing to rebuild the business as well as those presented by regulatory and industry developments such as RDR. The Group has implemented the findings of the review of the Company that was initiated over a year ago, has restructured the business and has a clear and focused strategy for growth.

Results

Adjusted loss before tax was £1.663 million after adding back expenses for cost reduction and restructuring, depreciation and intangible asset amortisation, severance compensation, expenses related to share incentivisation and the Financial Services Compensation Scheme Interim Levy (2010: Adjusted profit before tax of £796,000).

Assets under management and sales

On 31 March 2011, our assets under management ("AuM") stood at £1.343 billion and were broken down by type and process as follows:-

Process	Total £m	Institutional £m	UK Retail £m	Offshore Funds £m
The Liontrust Cashflow Solution	863	395	450	18
The Liontrust Economic Advantage	335	-	335	-
The Liontrust Credit Process	87	-	-	87
Indexed	58	-	58	-
Total	1,343	395	843	105

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
Opening AuM - 1 April 2010	1,149	311	772	66
Inflows	367	103	200	64
Outflows	(286)	(50)	(201)	(35)
Net flows	81	53	(1)	29
Market movement	113	31	72	10
Closing AuM - 31 Mar 2011	1,343	395	843	105

Assets under management as at 14 June 2011 were £1.347 billion.

Outlook

The restructuring of Liontrust has now been completed and ensures that the Group is well placed to maintain its recent expansion. The ongoing excellent investment performance allied to a more proactive sales and marketing strategy will enable Liontrust to continue to grow assets under management while costs are kept under control. The Group will also look to expand into new asset classes and is in a position to evaluate other opportunities to accelerate growth as they present themselves.

Adrian Collins

Chairman

14 June 2011

Business Review

Liontrust is an independent business, with no corporate parent, that focuses on managing assets for its clients. This enables Liontrust to pursue strategies for the benefit of its stakeholders - shareholders and clients, members and employees.

The Group underwent a significant restructuring in the year to 31 March 2011. This included changes to the Board of Directors. Adrian Collins became Executive Chairman, after previously being Non-Executive Chairman and John Ions was appointed Chief Executive following the resignation of Nigel Legge in May 2010. Jim Sanger retired as a Non-executive director while Chris Edmeades and Graham Hooper stood down from the Board during the year.

The Board has been strengthened through the appointment of Alastair Barbour and Mike Bishop, who have become Non-executive directors and have extensive experience. Mr Barbour, who has also become Chairman of the Audit Committee, is a chartered accountant with 25 years' experience of auditing and advising boards and management of public companies in the UK and internationally. Mr Bishop has nearly 40 years' experience as a fund manager and is a Non-executive director of Hermes Focus Asset Management and an adviser to its UK equity activist funds.

On becoming Chief Executive, Mr Ions has undertaken a full review of the business, which has led to an extensive cost reduction and restructuring programme. This has resulted in the business becoming more streamlined, focused and better organised. The restructuring included closing the global equities team and, on 12 April 2011, the Group entered into a conditional business purchase agreement for the sale of its credit business including its credit team to Avoca Capital Holdings.

Significant time and resources have been spent on enhancing sales and marketing during the year. Liontrust has completed a rebranding and launched the Group's first-ever advertising campaign, raising awareness of Liontrust and the excellent fund performance and broadening the client base. This has resulted in positive net sales in the three quarters to 31 March 2011 and the first financial year of positive flows since 2004.

The restructuring, enhanced sales and marketing strategy and the higher profile of the Group have better positioned Liontrust to capitalise on the superior fund performance that the investment teams are producing. There is growing investor appetite for UK and Continental European equities, which should provide a better environment than 2010 for growth to continue.

1 Our strategy

1.1 Strategy

We do not try to be all things to all people. The Group has always focused on asset classes where it believes it can add value for investors, and this will continue into the future; our clients and the assets of our clients are all-important to us. The Group provides an environment that enables fund managers to manage all their funds according to their own investment processes rather than be restricted to a house view. Liontrust is structured so that the fund managers can concentrate on the implementation of these investment processes and not be encumbered by bureaucracy and internal meetings. Liontrust outsources many administrative functions to sharpen the focus on core areas of a fund management Group – managing the funds, sales and marketing.

Since Liontrust was founded in 1994, we have managed money based on proprietary investment processes that aim to exploit opportunities created by human behaviour and identifying companies with intangible strengths that form the basis of a sustainable competitive advantage. These investment processes are themselves rigorous, scalable and repeatable and are explained in detail in documents that are available on our website. Such is the fund managers' confidence in the merits of the investment processes over the longer term that they all invest in funds they manage. 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 and financial advisers. We also manage money through our unit trust range for private investors.

We aim to deliver strong performance across our fund management teams, provide high quality service and communication to our clients with the aim of growing assets under management, maximising profitability and as a result returns to shareholders. We seek to increase our assets under management through organic growth and by recruiting or acquiring teams with robust investment processes that manage money in asset classes for which there is strong demand.

1.2 Goals and objectives

Assets under management

Growing assets under management is a core strategic aim of our business. This will be achieved through increasing retail and institutional sales and limiting redemptions by existing investors. We aim to continue to improve our sales through a number of measures – ongoing and long-term strong performance by our fund management teams, continuing to raise the profile of Liontrust, our funds and fund managers through marketing (including advertising, public relations, mailings and videos) and sales presentations, articulating the reasons why investors should buy and hold our funds, enhancing the number of our funds with ratings, broadening the number of clients who buy our funds, particularly in the mainstream IFA market, deepening relationships with our core clients and maintaining and improving service levels and communication with our clients. These actions will also help to minimise the level of redemptions.

Profitability

Profitability will be increased through continued growth in assets under management and by rebuilding margin through focused management and control of costs.

Professionalism

We believe in the highest levels of professional standards for our members and employees in all aspects of our business and especially when interacting with clients and suppliers. Our business is a "people business" and key factors in whether clients invest in our funds are those they interact with at Liontrust, the attention and the level of service they are given. To achieve this, we invest significantly in our people, including thorough training and qualifications.

Processes

Investment processes are the bedrock of all our funds and are integral to the culture at Liontrust. Processes are important because they help to ensure that the highest professional standards are met at all times and minimise mistakes being made.

Risk

Effective management of risk is essential for the Group's success. Our risk management framework is discussed further in this report on page 9 and in the risks and uncertainties section of the Directors' Report on page 13.

2 Our Principles and our business model

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

- We concentrate on fund management, marketing and sales, client relationships, compliance and risk, financial control, service and our people. These include the functions that primarily drive profits for a fund management business.
- We outsource those administrative functions that are generally headcount-intensive and can be better provided by more specialist businesses.
- Our proprietary investment processes are each applied to the management of segregated and managed accounts, unit trusts, offshore funds and alternative investment funds to suit different client types. The investment processes are all robust, repeatable and scalable.

2.2 Grow funds under management and maintain margins

- We have implemented co-ordinated and structured sales and marketing strategies. Liontrust has strong performing funds across its investment teams and aims to grow assets under management through pro-active promotion of these funds to the market and a targeted and structured sales strategy. Liontrust seeks to attract assets from both the retail and institutional markets.
- Our well defined investment processes continue to give us a strong competitive advantage and have led to good long-term performance.

2.3 Preserve the Group's corporate culture

- We encourage individuals to develop their skills and be accountable and responsible for what they do.
- We want members and employees to concentrate on increasing shareholder returns and to participate in the financial success of the Group through equity ownership. Equity participation is achieved both through direct equity ownership and share options. Together, members and employees own around 9% of the Group's equity with a further 15% through options (as at 31 March 2011).
- We aim for widespread participation in a bonus pool for all employees and a profits related pool for members, excluding the fund managers, who are compensated in line with management and performance fees revenues on funds and accounts that they manage.

2.4 To increase profits attributable to shareholders and dividends

- 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.
- We have a clear focus on managing and controlling costs.

2.5 To communicate progress clearly to clients and shareholders

- We aim to report our progress transparently.
- We highlight the financial ratios by which the progress of the business can be measured. The full extent of these ratios can be found on page 8.

2.6 Our business model

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

- We apply each investment process to different types of funds and clients.
- 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 members and employees by function and cost by function can be found in the notes to the financial statements.

3 Our investment process and fund performance

3.1 Investment teams

Currently, Liontrust has three investment teams. The strength of these teams is shown by the fact that 67% of Liontrust's unit trust funds (excluding Liontrust Top 100 Fund) outperformed their IMA sectors in the 12 months to 31 March 2011 (weighted by number of funds).

UK Equity team

Anthony Cross and Julian Fosh manage the Liontrust UK Growth, Liontrust Special Situations and Liontrust UK Smaller Companies funds according to the Economic Advantage investment process. Liontrust Special Situations Fund, for example, is first quartile over one and three years to 31 March 2011 and since launch on 11 November 2005.

European Equity team

Gary West and James Inglis-Jones manage the Liontrust Income, Liontrust European Growth, Liontrust European Absolute Return, and Liontrust European Long/Short funds according to the Cashflow Solution investment process. Liontrust European Growth Fund, for example, was in the first quartile over one and three years to 31 March 2011 and since launch on 11 November 2006.

Credit team

On 12 April 2011, the Group entered into a conditional business purchase agreement for the sale of its credit business including its credit team to Avoca Capital Holdings ("Avoca"). The two funds that the credit team manages, the Liontrust Credit Absolute Return Fund and the Liontrust Credit Fund, will, subject to completion, be transferred to Avoca. At the same time, the individual members of the credit team (Simon Thorp, James Sclater, Paul Owens, Quentin Peacock and Gareth Roblin) will join Avoca.

3.2 Fund performance

UK Retail Funds

% returns (Quartile Ranking) to 31 March 2011

	1 year	3 years	Since Manager tenure	Manager change/ launch date
The Liontrust Economic Advantage				
UK Growth Fund (IMA UK All Companies)	20.7% (1)	16.2% (2)	76.1% (1)	25.03.09
Special Situations Fund (IMA UK All Companies)	32.2% (1)	57.7% (1)	97.1% (1)	11.11.05
UK Smaller Companies Fund (IMA UK Smaller Companies)	27.1% (3)	56.8% (1)	293.9% (1)	08.01.98
The Liontrust Cashflow Solution				
Income Fund (IMA UK Equity Income)	9.5% (3)	2.6% (4)	65.0% (2)	25.03.09
European Growth Fund (IMA Europe ex UK)	20.4% (1)	26.5% (1)	45.6% (1)	15.11.06
European Absolute Return Fund (IMA Absolute Return)	5.2% (1)	n/a	-2.2% (4)	09.07.09
Index Fund				
Top 100 Fund (IMA UK All Companies)	7.9% (4)	15.6% (2)	167.8% (3)	14.07.95

Offshore Funds

% Returns to 31 March 2011

	1 year	3 years	Since launch	Launch date
The Liontrust Cashflow Solution				
European Long/Short Fund (Guernsey domiciled hedge fund (Euro NAV))	2.4%	14.9%	49.3%	06.12.06

It is important to remember that the price of units, 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, 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.

OFFSHORE FUNDS Performance data sources: Liontrust International (Guernsey) Limited (Liontrust European 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.

4 Review of sales and marketing

Liontrust distributes funds and segregated accounts to both the retail and institutional markets. Of Liontrust's existing funds under management, 71% come from the retail market while the rest is from institutional investors.

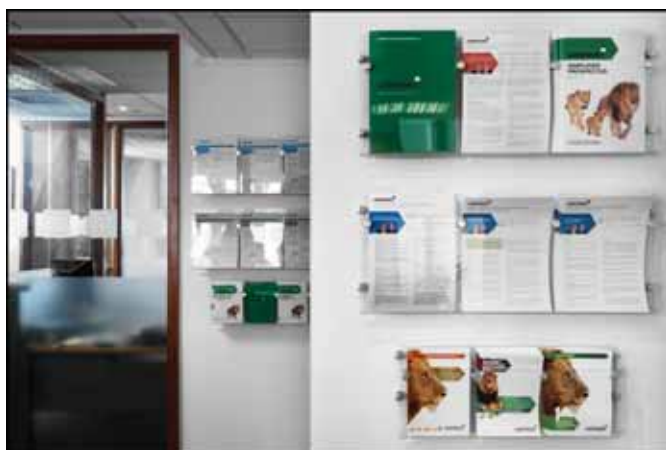
Central to increasing sales is good fund performance and we have strong short and long-term performance across our fund management teams. This is being communicated to clients and the rest of the market through dialogue, presentations, literature, sales events and press coverage.

We have invested in enhancing sales and marketing, the clear objective being to raise the profile of Liontrust and our products, increase our engagement with existing and potential clients, broaden our client base and, ultimately, to grow significantly our assets under management.

Liontrust has undergone a rebrand: our suite of literature has been upgraded, including the introduction of monthly factsheets, we have implemented an advertising campaign for the first time in the Group's history, built a new website and now send out regular client emails.

Liontrust has implemented a more proactive sales strategy that is designed to engage more fully with a broader range of clients and raise awareness of our proprietary investment processes and excellent fund performance. To this end, Liontrust held its first investment conference in January 2011 at The Savoy hotel. This enabled our fund management teams to present to over 100 institutional and intermediary clients and potential clients.

The initial success of the sales and marketing strategy has been reflected in the net positive inflows the Group generated in the three quarters to 31 March 2011, the high quality of attendees at the investment conference and the progress the Group has been making in getting funds back on to the buy and recommended lists of wealth managers and leading intermediary firms.



5 Financial review

5.1 Financial performance of the business

Loss before tax increased to £5.090 million from £1.005 million last year, reflecting increased severance compensation, reorganisation and restructuring. Table (a) below shows the reconciliation of adjusted operating loss to loss before tax:

Table (a) Reconciliation of Adjusted Operating Loss

	Year to 31 March 2011 £'000	Year to 31 March 2010 £'000
Loss before tax	(5,090)	(1,005)
Share incentivisation expense	433	105
Severance compensation and cost reduction ⁽¹⁾	2,634	1,429
Members' advance drawings	(292)	–
Depreciation and Intangible asset amortisation	238	268
Financial Services Compensation Scheme Levy	414	–
Adjustments	3,427	1,801
Adjust for interest receivable	(10)	(11)
Adjusted operating (loss)/profit	(1,673)	785

(1) Severance compensation and cost reduction includes severance compensation, closure of the global equities team, employment related and non-employment related expenses for the cost reduction and restructuring programme, and costs relating to fund reorganisations and restructuring.

Table (b) below shows the split between revenues and expenses excluding cost reduction and restructuring programme, depreciation and intangible asset amortisation, severance compensation, expenses related to share incentivisation and the Financial Services Compensation Scheme Interim Levy related costs:

Table (b) Adjusted Operating Loss

	Year to 31 March 2011 £'000	Year to 31 March 2010 £'000
Gross profit	9,838	13,069
Gain on sale of investment	701	1,261
Member/Employee compensation	(7,586)	(9,591)
Other administration expenses	(4,626)	(3,954)
Adjusted Operating (loss)/profit	(1,673)	785

Profits

- Adjusted operating profit decreased to a loss of £1.673 million from a profit of £785,000 in the previous financial year, reflecting the impact of reduced average assets under management and lower performance fees while other administration expenses increased by 17%, reflecting the increased spending on marketing. Loss before tax increased to £5.090 million from £1.005 million, reflecting increased severance compensation, reorganisation and restructuring expenses.

Compensation

- The largest component of our costs, in common with other service companies, is member and employee compensation. Member/Employee compensation decreased by 21%.

Performance fees

- Performance fees are included in gross profit at £1.330 million (2010: £3.449 million).

Ratios

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

Table (c) Key Performance Indicators

	Year to 31-Mar-11	Year to 31-Mar-10	Year to 31-Mar-09	Year to 31-Mar-08	Year to 31-Mar-07
Operating (loss)/profit (£'000)	(5,100)	(1,016)	11,774	15,441	10,883
Basic earnings per share (pence)	(14.69)	3.64	28.32	26.03	22.69
Adjusted Operating (loss)/profit (£'000) ⁽¹⁾	(1,673)	785	13,756	16,229	11,886
Adjusted Cost: income ratio (%) ⁽¹⁾	116	95	62	60	60
Change in gross profit (%)	(25)	(64)	(12)	36	13
Change in member and employee related expenses (%)	(21)	(43)	(16)	40	13
Change in other administration expenses (%)	17	(26)	22	20	15
Change in adjusted operating (loss)/profit (%) ⁽¹⁾	(313)	(94)	(15)	37	14
Performance related profit (£'000)	1,330	3,449	7,309	6,659	1,289
Performance related earnings per share (pence)	4.29	8.29	17.11	15.59	2.93
Funds under management (£m)	1,343	1,149	1,888	4,707	5,505
Average headcount	46	54	45	41	41
Funds under management per head (£m)	29	21	42	115	134
Gross profit per head (£'000)	214	242	797	996	732
Adjusted operating costs ⁽¹⁾ per head (£'000)	265	251	495	600	442
Adjusted operating (loss)/profit ⁽¹⁾ per head (£'000)	(36)	15	306	396	290
Average funds under management (£m)	1,174	1,239	3,972	5,232	5,262
Adjusted operating (loss)/profit ⁽¹⁾ as % of average funds under management	(0.14)	0.06	0.35	0.31	0.23
Gross profit as % of average funds under management	0.84	1.05	0.90	0.78	0.57
Adjusted (loss)/profit before tax ⁽¹⁾ as % of average funds under management	(0.14)	0.06	0.36	0.33	0.24

(1) Adjusted for cost reduction and restructuring programme, depreciation and intangible asset amortisation, severance compensation, expenses related to share incentivisation and the Financial Services Compensation Scheme Interim Levy.

5.2 Cost reduction and restructuring of the business

The Group previously announced that it had decided to implement a cost reduction and restructuring programme (the “programme”). Our North American sales and marketing office has been closed down, the reduction in employment and other administration costs have been implemented, and the restructuring of the Group’s UK operating subsidiaries is complete. With the appointment of John Ions in May 2010, the programme was expanded to include further cost reductions and restructuring as discussed below.

In July 2010, the Group announced the closure of its global equities team and in August 2010 the Group announced the purchase of the minority interest in Liontrust European Investment Services Limited, a subsidiary of the Group, from Gary West and James Inglis-Jones.

Following a strategic review of our retail funds range, we made a number of revisions. These changes were intended to align us more closely with the rest of the fund management industry. We renamed five of our retail funds so their titles more accurately reflect their objectives. The new fund names are: Income Fund, UK Growth Fund, Special Situations Fund, UK Smaller Companies Fund and European Growth Fund. We also merged the Large Cap Fund into the UK Growth Fund. As part of this review and the decision by the Group to sell its credit business, the Liontrust Pan-European Fund, a sub-fund of the Liontrust International Funds (Luxembourg) SICAV, was closed.

We have added institutional share classes to the retail funds to accommodate a “clean fees” structure requested by many wealth and discretionary managers and as part of our preparations for the post-Retail Distribution Review world. We are confident the addition of these share classes will lead to increased inflows from this part of the market.

We also added the full UCITS III powers to the five renamed funds. It is not intended that these powers will change the risk profile or volatility of any of the funds.

In April 2011, the Group entered into a conditional business purchase agreement for the sale of its credit business including its credit team to Avoca Capital Holdings (the “Disposal”). The two funds that the credit team manages, the Liontrust Credit Absolute Return Fund and the Liontrust Credit Fund, will, subject to completion, be transferred to Avoca. The total consideration for the Disposal will be 3.75% of the assets under management transferred, with 2% payable on completion and 1.75% payable one month later in cash. Completion is subject to applicable regulatory approvals and other customary closing conditions. In the financial year ended 31 March 2011, the credit business made an operating loss of approximately £0.4 million before performance fees (breakeven including performance fees), excluding central costs. Current run-rate profitability for the credit business (excluding performance fees) is an annualised operating loss of £0.1 million, excluding central costs.

5.3 Dividends paid to shareholders

- Our aim is to re-introduce dividend payments to shareholders at such time as the business can afford to do so.
- The Board considers prospects for profits in future years, the current market environment and the future strategy of the Group in determining the level of its dividend. Given the financial performance of the business, the Board has decided not to pay a dividend this year.

5.4 Movement in funds under management

- Average funds under management over the financial year were down by 5% at £1.174 billion, compared with £1.239 billion last year. Actual funds under management at the financial year-end have risen by 17% to £1.343 billion as compared to 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.

6 Our approach to risk management

The Group 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.

6.1 Responsibility for risk oversight

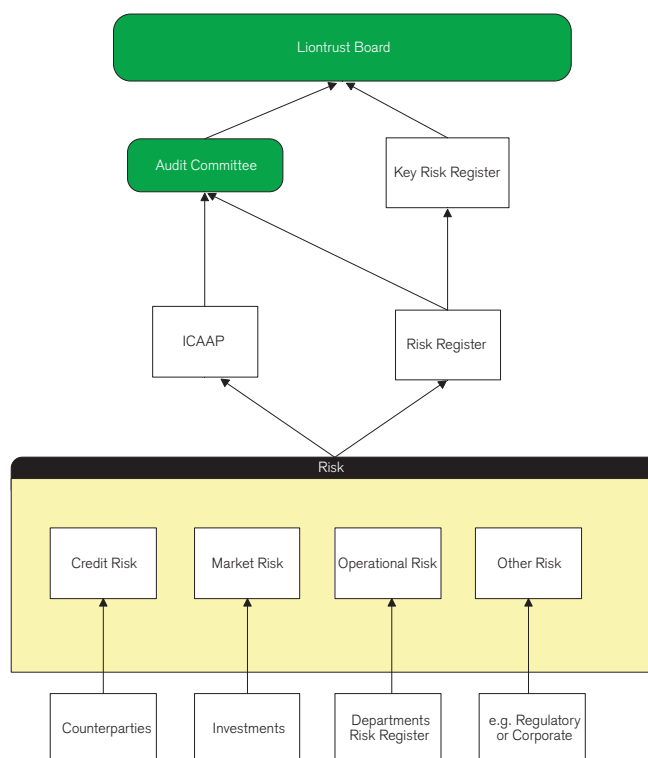
The Audit Committee, on behalf of the Board, is responsible for overseeing the Group’s system of internal controls, including suitable monitoring procedures, which are designed to provide reasonable, but not absolute, assurance against material loss. The FSA have noted that it is for each individual firm to determine, based on its nature, scale and complexity, as well as its attitude to exposure to risk, whether or not to establish a Risk Committee of the governing body.

The Group has determined not to establish a separate Risk Committee, although this is reviewed on an annual basis.

The Head of Risk is responsible for overseeing all risk management and legal functions of the Group and monitors our risks in a pro-active manner, with all departments fully aware of and managing the key risks appropriate to their responsibilities. Risk management and internal control is discussed in the Directors’ Report on page 16.

6.2 Risk framework

In order to ensure that the Group regularly reviews and monitors all the potential areas of risk to the business, Liontrust has implemented a risk management framework which allows management, the Audit Committee and the Board to be kept fully informed of potential risks to the business and also how these risks would impact the group’s capital adequacy. The diagram below summarises the Group’s Risk Framework.



There are two main elements to capturing and reviewing risk within the Group; the Risk Register and the Internal Capital Adequacy Assessment Process ("ICAAP"). The Risk Register records potential risks, their materiality and their likelihood of occurrence and is updated on at least a quarterly basis with input from executives and function heads. The most material and likely risks from the complete Risk Register are reported to the main Board at each Board Meeting in a Key Risk Register. The ICAAP brings the Risk Register together with scenario analysis and stress testing to determine how the realisation of risks might impact on the Group's financial position.

The Group breaks risk down into four main categories that feed into the Risk Register and the ICAAP; Credit Risk, Market Risk, Operational Risk and Other Risk. Each element of risk is reviewed on a minimum of an annual basis, and the Group ensures appropriate controls are in place to manage these risks. These controls are monitored and reviewed within a comprehensive Compliance Monitoring programme alongside a monthly Risk Scorecard.

6.3 Risk breakdown

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 page 13:

6.3.1 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. 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.

6.3.2 Fund manager stability

Stability in our investment expertise is critical to the success of the business and the Group takes appropriate steps to manage expectations and minimise the loss of good quality fund managers.

6.3.3 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.

6.3.4 Operational risk

The management of operational (including financial) risk is formalised in a number of ways including regular monitoring of both internal departments and external third parties who undertake outsourced functions on behalf of the Group. Various regulatory tools are used, including an Operational Risk Scorecard, risk assessments, documented procedures and compliance manuals, a comprehensive compliance monitoring programme (both internal and external), issue tracking and an annual assessment of third party providers.

7 Summary

- We seek to increase our assets under management through organic growth and by recruiting or acquiring teams with robust investment processes that manage money in asset classes for which there is strong demand.
- The prospects for raising assets are healthy, particularly since the performance by our fund management teams is strong. We are implementing co-ordinated and targeted sales and marketing campaigns, which is raising awareness of Liontrust and our fund performance and broadening our client base.
- Restructuring of the business has led to it being more streamlined, focused and better organised.
- Adjusted operating loss of £1.673 million (excluding severance compensation, goodwill/depreciation related costs, cost reduction and restructuring programme costs, share incentivisation related costs and the Financial Services Compensation Scheme Interim Levy).
- Average funds under management over the year were down at £1.174 billion from £1.239 billion in the previous financial year.
- The Group is in a strong financial position. As at 31 March 2011, the Group's balance sheet had net cash and financial assets of £12.6 million and no debt.

The last year has seen significant change within the business. The restructuring was vital to the future success of Liontrust and leaves the business well positioned to capitalise on these strong foundations. Excellent fund performance, a broader client base, a much improved profile combined with a committed and focused strategy will help to ensure that Liontrust returns to be a successful and profitable business.

The business will continue to follow a strategy of organic and acquisitive growth to meet its objectives and is well positioned to achieve this.

John Ions

Chief Executive
14 June 2011

Board of Directors

Adrian Collins, 57 (Chairman). Joined the Board in June 2009. Adrian has worked in the fund management business for over 30 years, a large part of which was at Gartmore Investment Management Limited where, latterly, he was the managing director. He was a consultant to Strand Partners Limited, a corporate finance business based in the West End of London.

John Ions, 45 (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 Generale 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, 46 (Chief Operating Officer and Chief Financial Officer). Joined the Board in September 2004. Vinay is responsible for overseeing all finance, information technology, operations, risk and compliance of the Group. After obtaining a first class degree in computing science from Imperial College London, 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.

Alastair Barbour, 58 (Non-executive director). Joined on 1 April 2011. Alastair is a chartered accountant with 25 years' experience spent auditing and advising boards and management of public companies in the UK and internationally, principally in the financial services industry. He trained with Peat, Marwick, Mitchell & Co in London before being admitted as a partner with KPMG in Bermuda in 1985. Alastair returned to the UK as a partner of KPMG in 1991 and has specialised in financial services with extensive experience in advising on accounting, financial reporting and corporate governance. He is also a Director of Standard Life European Private Equity Trust PLC and CATCo Reinsurance Opportunities Fund Ltd.

Mike Bishop, 60 (Non-executive director). Joined on 1 May 2011. Mike has nearly forty years' experience as a fund manager and is currently a Non-executive director of Hermes Focus Asset Management and an adviser to its UK equity activist funds. Before joining Hermes in 2005, Mr Bishop was Head of Pan-European Equities at Morley Fund Management Limited and a Director and fund manager at Gartmore Investment Management.

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.



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 four operating subsidiaries as follows:

Subsidiary name	% owned by the Company	Subsidiary principal activities
Liontrust Fund Partners LLP	100%	A financial services organisation managing unit trusts, authorised and regulated by the Financial Services Authority. ⁽¹⁾
Liontrust Investment Partners LLP	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. ⁽¹⁾
Liontrust European Investment Services Limited	100% ⁽²⁾	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.

⁽¹⁾ On 8 July 2010 Liontrust Investment Funds Limited and Liontrust Investment Services Limited transferred their business to two new limited liability partnerships, Liontrust Fund Partners LLP and Liontrust Investment Partners LLP respectively.

⁽²⁾ On 16 August 2010, the Company entered into an agreement to acquire 45,000 C Ordinary Shares held by each of Mr West and Mr Inglis-Jones respectively in Liontrust European Investment Services Limited, subscribed for by them pursuant to an investment agreement dated 16 June 2006.

In addition to the operating subsidiaries listed above, Liontrust Asset Management PLC has six other 100% owned subsidiaries. Liontrust Investment Funds Limited and Liontrust Investment Services Limited which act as a corporate member in Liontrust Fund Partners LLP and Liontrust Investment Partners LLP respectively. Liontrust Management Services Limited, which employed all employees of the Company until 31 October 2010. Liontrust International (North America) Inc., Liontrust Global Investment Services Limited and Liontrust Global Investment Services (Jersey) Limited which are all in the final stages of liquidation.

Results and dividends

The consolidated net loss before tax for the year to 31 March 2011 was £5.090 million (2010: £1.005 million).

Adjusted loss before tax of £1.663 million after adding back expenses for cost reduction and restructuring, depreciation and intangible asset amortisation, severance compensation, expenses related to share incentivisation and the Financial Services Compensation Scheme Interim Levy (2010: Adjusted profit before tax of £796,000)

No dividend is being paid for the year (2010: 2.5 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 10 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 2011.

Donations

The Company made no charitable donations during the year (2010: £nil), and made no political donations (2010: £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 2011 are set out in the Remuneration Report on page 21.

A.J.R. Collins
N.R. Legge (resigned 6 May 2010)
J.S. Ions (appointed 6 May 2010)
V.K. Abrol
C.J. Edmeades (appointed 15 June 2010, resigned 1 February 2011)
A.W.S. Barbour (appointed 1 April 2011)
M.J. Bishop (appointed 1 May 2011)
G.V. Hirsch
G.L. Hooper (resigned 31 March 2011)
J.G. Sanger (resigned 24 November 2010)

Capital structure and voting rights

The Company's share capital comprises of ordinary shares of 1 pence each. As at 31 March 2011, 35,344,890 ordinary shares were in issue (2010: 33,665,008), representing 100 per cent of the total voting rights of the company. There was one change to the issued share capital of the Company during the year; on 17 August 2011 the Company issued 1,679,882 new Ordinary Shares.

Under Resolution 9 of the Annual General Meeting held on 14 September 2010, 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 5,046,384 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 15 December 2011 (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 2011 the Directors held the authority for the Company to purchase its own shares up to a maximum of 5,046,384 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 13 September 2011. 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 8 July 2010, as part of a reorganisation of the Group, two subsidiaries of the Company transferred their respective and entire regulated businesses to two newly incorporated limited liability partnerships ("LLP"). Liontrust Investment Funds Limited ("LIF") and Liontrust Fund Partners LLP ("LFP"), and Liontrust Investment Services Limited ("LIS") and Liontrust Investment Partners LLP ("LIP") entered into separate Business Contribution Agreements for the transfer of their respective and entire regulated businesses (the "Businesses") together with all properties, rights, assets and goodwill relating to the Businesses as going concerns to the respective LLP. The transfer of the Businesses took place at book value, and has been treated as a contribution of capital by the relevant subsidiary company of the Group to the relative LLP and has been credited to its Capital Account with the relevant LLP. For the purposes of Chapter 11 of the Listing Rules of the UK Listing Authority (the "Listing Rules"), certain participants invited to become members of LFP and LIP were considered to be related parties of the Company on the basis that these individuals had served as Directors of subsidiaries of the Company during the previous twelve month period and it was therefore considered that these arrangements constituted smaller related party transactions under the Listing Rules.

On 16 August 2010, the Company entered into an agreement to acquire 45,000 C Ordinary Shares held by each of Mr West and Mr Inglis-Jones respectively in Liontrust European Investment Services Limited ("LEIS"), a subsidiary of the Company, subscribed for by them pursuant to an investment agreement dated 16 June 2006. These represented the entire interests of Mr West and Mr Inglis-Jones in LEIS. The total consideration payable by Liontrust for such shares, including stamp duty, listing fees and legal expenses, was £2,744,000. As part of such arrangement, Mr West and Mr Inglis-Jones applied 50% of the consideration received to subscribe for, in aggregate, 1,679,882 new Ordinary Shares of 1p in Liontrust at the prevailing market price. For the purposes of Chapter 11 of the Listing Rules, Mr West and Mr Inglis-Jones were considered to be related parties of the Company on the basis that these individuals were Directors of LEIS and it was therefore considered that these arrangements constituted smaller related party transactions under the Listing Rules.

On 11 April 2011, LIF and LIS entered into amended LLP agreements for LFP and LIP, so as to enable the management committee of LFP and LIP to grant awards to incentivise certain individual members (other than those members who are executive directors of the Company) which may, at a test date three years following the date of grant (the "Test Date"), provide value to the holders thereof, by means of the allocation of capital interests to certain of such individual members ("Incentive Capital Interest"). Each

participating member would only be entitled to a percentage (up to 100 per cent.) of his Incentive Capital Interest at the Test Date, such percentage being calculated by reference to the share price of the Company at that date (with appropriate adjustments in relation to good leaver/bad leaver provisions and takeover offers). For the purposes of Chapter 11 of the Listing Rules, certain participants who were individual members of LFP or LIP were considered to be related parties of the Company on the basis that these individuals had served as Directors of subsidiaries of the Company during the previous twelve month period and it was therefore considered that these arrangements constituted smaller related party transactions under the Listing Rules.

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 14 June 2011:

Notifier	Number of voting rights	Percentage of voting rights
Schroder Investment Management Limited	7,946,638	22.48
Henderson Global Investors	3,922,899	11.10
Liontrust Asset Management Employee Trust	3,727,335	10.55
Standard Life Investments Limited	1,634,483	4.62

Corporate governance

A report on corporate governance appears on pages 15 to 18.

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 material 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 16.

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; members; 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.

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 2011 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 and loss and assets held as available-for-sale.

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

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

1. Liontrust Credit Fund ⁽¹⁾, a Cayman domiciled open ended investment company, which has been undertaken as seed investment; and
2. Liontrust Credit Absolute Return Fund ⁽²⁾, 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.

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 33.

⁽¹⁾ 50% redeemed by the Company on 1 June 2011, with the balance to be redeemed on 1 July 2011.

⁽²⁾ Redeemed by the Company on 20 April 2011.

Annual General Meeting

The sixteenth Annual General Meeting of the Company will be held in the Victoria Room at The Northumberland, 8 Northumberland Avenue, London, WC2N 5BY on Tuesday 13 September 2011 at 4pm. A notice convening this meeting will be sent to shareholders in August 2011.

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 13.

The rules concerning the appointment and replacement of Directors are contained in the company articles of association and are discussed on page 15.

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 sixteenth Annual General Meeting, to be sent to shareholders in August 2011.

There are: no restrictions concerning the transfer of the securities in the Company; no special rights with the 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 2011.

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 2011 Annual General Meeting.

By order of the Board

Mark Jackson, Company Secretary.
Registered Office: 2 Savoy Court, London WC2R 0EZ.
14 June 2011

Compliance with the provisions of the Combined Code

The Company complied throughout the year with the provisions of section 1 of the UK Corporate Governance Code (the "Combined Code"), published in 2008, (formerly the Combined Code) and with the Schedules as explained 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 the 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 four executive management committees; the Fund Management Group Committee (the "FMG"), the Asset Gathering Group Committee (the "AGG"), the Operations Management Group Committee (the "OMG") and the Management Group Committee ("ManCo"). The AGG, OMG and ManCo meet fortnightly and the FMG meets monthly with key representatives from each committee attending the other committee meetings.

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.

Under the Company's articles of association, one third of the Directors must retire from office by rotation at each Annual General Meeting and may offer themselves for re-election (this does not include Directors appointed to the Board since the last Annual General Meeting). Under the Company's Corporate Governance Guidelines, which reflect the provisions of the Combined Code on Corporate Governance, Non-executive directors must retire and may offer themselves for re-election annually once they have served nine or more years on the Board. The UK revised Corporate Governance Code which will apply to the Company in financial years beginning 1 April 2011 recommends that all Directors of FTSE 350 companies retire and are put up for re-election at the Annual General Meeting. Although the Company is not a FTSE 350 company and the code will not apply until the next financial year; the Board considers this to be best practice and, accordingly, has decided to go beyond the requirements of the Company's Corporate Governance Guidelines and articles of association and require that all Directors of the Company retire and offer themselves for re-election.

The Board met eleven 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 11. 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:

6 May 2010	Mr Ions joined the Board as Chief Executive and Mr Legge resigned from the Board.
15 June 2010	Mr Edmeades joined the Board as Chief Risk Officer.
24 November 2010	Mr Sanger resigned from the Board.
1 February 2011	Mr Edmeades resigned from the Board.
31 March 2011	Mr Hooper resigned from the Board.
1 April 2011	Mr Barbour joined the Board as a Non-executive director.
1 May 2011	Mr Bishop joined the Board as a Non-executive director.

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 19.

On 7 July 2010, John Ions and Vinay Abrol resigned as employees of Liontrust Management Services Limited. On 8 July 2010, John Ions and Vinay Abrol become members of Liontrust Funds Partners LLP and Liontrust Investment Partners LLP, respectively. Their services as Directors of the Company and other group companies are provided under the terms of a services agreement between the relevant limited liability partnership and the relevant group company.

At all times during the year there have been at least two Non-executive directors. 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 required.

The Chairman has met during the year with the Non-executive directors both individually and collectively without the other 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 a formal performance appraisal. These appraisals were carried out in May 2011 and in all cases their performance was appraised as continuously effective. The performance of the Non-executive directors during the year to 31 March 2011 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 19 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 Operating Officer and Chief Financial 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. It was decided that, under the direction of the Chief Operating Officer and Chief Financial 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

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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company'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 11 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 or loss 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 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 jurisdiction

Statement under the Disclosure and Transparency Rules 4.1.12

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

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

Composition and attendance

The membership of the Audit Committee and the attendance record of Directors during the year are shown in the table on page 19. All members of the Audit Committee are independent Non-executive directors. All members have recent and relevant financial experience; Mr Barbour and Mr Hirsch are chartered accountants.

Principal duties

The 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.

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 2010 and interim financial statements for 2010;
- The external audit plan for 2011;
- 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;
- Review of the systems and controls; 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 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 Committee's recommendation that a resolution be put to the 2011 Annual General Meeting for the reappointment of PricewaterhouseCoopers LLP as external auditors.

Report of the Nomination Committee

Composition and attendance

The membership of the Nominations Committee and the attendance record of Directors during the year are shown in the table on page 19. The Nominations 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 explains 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 as an independent Non-executive director given that at the 2011 Annual General Meeting he would have served for twelve years. The Nominations Committee recommended that Mr Hirsch should be considered to be an independent Director in view of his independence of character and judgement. The Board supported the Nominations Committee's recommendation.

The Nominations Committee approved profiles for two additional independent Non-executive directors to strengthen financial, risk management and portfolio management experience amongst the Non-executive directors. Following a search process the Nominations Committee recommended the appointment of Alastair Barbour in April 2011 as an independent Non-executive director and Mike Bishop in May 2011 as an independent Non-executive director.

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.

14 June 2011

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 2011 was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Total number of meetings during the year	11	3	5	4
A.J.R. Collins	9/11*	–	–	4/4
N.R. Legge ⁽¹⁾	2/2	–	–	0/0
J.S. Ions ⁽²⁾	9/9	–	–	4/4
V.K. Abrol	11/11	–	–	–
C.J. Edmeades ⁽³⁾	5/6	–	–	–
A.W.S. Barbour ⁽⁴⁾	0/0	0/0*	0/0	0/0
M.J Bishop ⁽⁵⁾	0/0	0/0	0/0	0/0
G.V. Hirsch ⁽⁶⁾	6/11	1/3	5/5*	2/4*
G.L. Hooper ⁽⁷⁾	7/11	3/3	5/5	4/4
J.G. Sanger ⁽⁸⁾	7/8	2/2	1/2	2/2

* Chairman of the Board or Board committee.

⁽¹⁾ Resigned 6 May 2010.

⁽²⁾ Joined 6 May 2010.

⁽³⁾ Joined 15 June 2010, resigned 1 February 2011.

⁽⁴⁾ Joined 1 April 2011. Appointed Chairman of the Audit Committee on 1 April 2011.

⁽⁵⁾ Joined 1 May 2011.

⁽⁶⁾ Appointed Chairman of the Audit Committee on 24 November 2010, stepped down as Chairman of the Audit Committee on 1 April 2011. Appointed Chairman of the Nominations Committee on 31 March 2011.

⁽⁷⁾ Resigned 31 March 2011, stepped down as Chairman of the Nominations Committee on 31 March 2011.

⁽⁸⁾ Resigned 24 November 2010.



Directors' Remuneration Report

Composition and attendance

During the year, the Remuneration Committee comprised entirely 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 19. The Committee met five times in the year under review

Principal duties

The Remuneration Committee is charged with determining remuneration policy for, and setting pay and other benefits of, the executive directors of the Company, its members and employees. 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 terms of reference of the Remuneration Committee, which explains 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.

Activities during the year

The Group has already taken a number of steps to return the Group to profitability, to increase assets under management and continues to focus on improving efficiencies and reducing costs with a number of initiatives which are ongoing. In addition the Company has focussed on reducing member and employee costs compared with previous years and as part of this review Vinay Abrol, the Company's Chief Operating Officer and Chief Financial Officer, has voluntarily agreed to reduce his base remuneration by £56,000, to £250,000.

During the year the Remuneration Committee undertook a review of the remuneration policy applying to the executive directors so that, in accordance with the wishes of certain shareholders, it supports the new business strategy of the Company by closely aligning the interests of executive directors with those of shareholders. Although the sensitivities of addressing remuneration at this current stage of the Company's development are acknowledged, this needs to be balanced with the strategic risks of failing to retain or recruit key individuals who are critical to driving shareholder value. The Company has previously announced moves towards the provision of a total reward framework which is competitive in the asset management environment while controlling, as far as possible, the cash cost to the business by increasing the focus on performance related pay rather than base remuneration.

To address the lack of equity incentivisation for executive directors and, accordingly, the attraction and retention of further high calibre individuals, the following changes to the Company's remuneration policy have been put in place:

- strengthening the link between the short-term expectations of individuals and the longer-term horizons of shareholders, through a deferral of up to 50 per cent. of any annual discretionary bonuses for the executive directors into the Company's shares which must be held for a period of up to three years; and
- engendering a strong culture of equity ownership in the Company through the introduction of a new equity incentive plan, the Liontrust Senior Incentive Plan (the "LSIP"), thereby closely aligning the interests of executive directors and shareholders. The LSIP will also ensure that executive directors are focused on developing sustainable returns and growing the key value drivers of assets under management and revenue whilst reducing the Company's cost base, thereby driving increased shareholder value. It is the Remuneration Committees' intention that the majority of the executive directors incentivisation will come from the LSIP rather than through discretionary annual bonuses.

The principal features of the LSIP are summarised on page 21. The Remuneration Committee consulted with a number of the Company's largest shareholders as to the terms of and conditions to the LSIP during the design process and has incorporated their views and comments into the LSIP which was approved at a General Meeting in January 2011.

The Company is also in the process of formulating proposals to incentivise other key executives and will, when finalised, inform shareholders of such proposals. It is the current intention that the performance conditions of any other new equity incentive scheme will be, as far as possible, identical to the performance conditions of the LSIP.

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

- Levels of remuneration will be competitive to comparable companies operating in similar markets.
- A pension policy is in line with the business strategy, objectives, values and long term interests of the Group. At the current time the pension for the executive directors have been suspended; although it is the intention to reintroduce pension contributions as soon as it is affordable for the business. If and when pension contributions are re-instated, the pension contributions normally equate to 15 per cent. of an executive directors' base remuneration.
- To avoid guaranteed compensation other than in exceptional circumstances. Where remuneration is guaranteed it will be limited to the first 12 months and 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 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.
- The interests of all employees and members (including the executive directors) should be 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 the financial year ending 31 March 2012. This is the third consecutive year in which the remuneration of the Non-executive directors has been frozen.

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 Remuneration Committee has imposed a base remuneration freeze for the executive directors for the financial year ending 31 March 2012. This will be the third consecutive year in which the base remuneration of the executive directors has been frozen.

The annual base remuneration for each of the Directors for the financial year ending 31 March 2012 is as follows:

Director	Salary (for employees), Fixed Allocations (for members) or Fees (£)
A.J.R. Collins	150,000
J.S. Ions	250,000
V.K. Abrol	250,000
A.W.S. Barbour	27,400
M.J. Bishop *	27,400
G.V. Hirsch	27,400

* Joined 1 May 2011.

The Remuneration Committee has determined that the executive directors will receive no annual bonus for this financial year. This is the second consecutive year in which the executive directors have received no annual bonus and shows a commitment to minimise any increase in fixed costs, reflects the turnaround strategy of the Group and the current economic environment.

The information presented in those tables marked 'auditable' is audited by the independent auditors, PricewaterhouseCoopers LLP, whose report is presented on pages 25 and 47.

Directors detailed emoluments (auditable)

	Salary (for employees), Fixed Allocations (for members) or Fees (£'000)	Bonus (£'000)	Benefits in kind ⁽⁷⁾ (£'000)	Severance Compensation (£'000)	Total for year to 31 March 2011 (£'000)	Total for year to 31 March 2010 (£'000)
Executive						
A.J.R. Collins ⁽¹⁾	159	–	–	–	159	35
N.R. Legge ⁽²⁾	32	–	–	599	631	375
J.S. Ions ⁽³⁾	233	–	2	–	235	–
V.K. Abrol	295	–	2	–	297	308
C.J. Edmeades ⁽⁴⁾	78	–	1	–	79	–
Non executive						
G.L. Hooper ⁽⁵⁾	33	–	–	–	33	4
G.V. Hirsch	27	–	–	–	27	27
J.G. Sanger ⁽⁶⁾	29	–	–	–	29	27
	886	–	5	599	1,490	776

⁽¹⁾ Includes fees (including VAT) for services provided paid to Fincorp International Limited.

⁽²⁾ Resigned 6 May 2010. Severance compensation includes severance payment and consultancy fees payable to Mr Legge.

⁽³⁾ Appointed 6 May 2010.

⁽⁴⁾ Appointed 15 June 2010. Resigned 1 February 2011.

⁽⁵⁾ Resigned 31 March 2011.

⁽⁶⁾ Resigned 24 November 2010.

⁽⁷⁾ 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 2011 were as follows:

	Ordinary 1 pence shares held at 31 March 2011	Ordinary 1 pence shares held at 31 March 2010
J.S. Ions	18,301	18,301
V.K. Abrol	590,756	590,756
G.V. Hirsch	8,000	8,000

There were no changes to the Directors' interests between 1 April 2011 and 14 June 2011.

Share schemes

Liontrust Share Incentive Plan (the "ESIP")

The ESIP (previously known as the Employee Share Ownership Plan) is an HMRC approved Share Incentive Plan, established in April 2001, allows all employees of the Group to contribute part of their salary on a monthly or annual basis to the ESIP (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 ESIP 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 Senior Incentive Plan (the "LSIP")

The LSIP was approved by shareholders of the Company at a General Meeting in January 2011. Participation in LSIP is limited to the executive directors of the Company. The LSIP is a long term incentive plan the aim of which is to focus executive directors on executing the new business strategy by incentivising them and ensuring that their interests are closely aligned with those of shareholders.

Directors' Remuneration Report continued

LSIP operates in conjunction with the Liontrust Asset Management Employee Trust. The Company will be able to fund the Liontrust Asset Management Employee Trust to acquire shares in the market and/or to subscribe for shares at nominal value in order to satisfy awards granted under the LSIP. This may result in the Trustee holding in excess of 5% of the issued ordinary shares of the Company. Any shares issued to the Liontrust Asset Management Employee Trust in order to satisfy LSIP awards will be treated as counting towards the dilution limits that apply to the LSIP. For the avoidance of doubt, any shares acquired by the Liontrust Asset Management Employee Trust in the market will not count towards these limits.

The shares used to satisfy LSIP awards will be sourced from a mixture of the following: (i) the use of the Liontrust Asset Management Employee Trust's holding of ordinary shares of the Company or shares subscribed for by the Liontrust Asset Management Employee Trust for that purpose, as detailed above; (ii) through the purchase in the market of ordinary shares of the Company from existing cash resources of the Company; and/or (iii) through the issue of new ordinary shares in the Company (although shareholders will not thereby be diluted by more than 10 per cent. in any 10 year period).

The LSIP awards will be nil-price options and will be subject to share price targets measured at the end of the three year period commencing on the date of the grant by reference to a 30 business day closing market average share price prior to that date.

The following table sets out the share price targets that will apply to the LSIP awards:

Company's Share Price Target (at end of 3 year period from date of grant)	Percentage vesting of LSIP Award at this Share Price Target* (%)
Below 125p	0
125p	25
150p	75
175p	100

* Straight line vesting between 125p and 150p and between 150p and 175p. Share price calculated as the 30 business day average of the closing share price prior to the end of the three year performance period.

The price paid for the options awarded under LSIP was £nil.

Liontrust Incentive Plan (the "LIP")

LIP was adopted by the Board in November 2009, participation in LIP is limited to the senior executives 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. There have been no changes to the terms and conditions of the options during the year.

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. There have been no changes to the terms and conditions of the options during the year.

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 2010), 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 (2010: £nil). There have been no changes to the terms and conditions of the options during the year.

Executive Directors' share options (auditable)

The options granted to the executive directors were as follows:

Director	1 April 2010	Options granted	Options exercised	Options Lapsed	31 March 2011	Exercise price (pence)	Issue date	Scheme
A.J.R. Collins	–	1,000,000	–	–	1,000,000	1.0	1 February 2011	LSIP
J.S. Ions	200,000	–	–	–	200,000	1.0	10 February 2010	LIP
	–	1,800,000	–	–	1,800,000	1.0	1 February 2011	LSIP
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
	–	200,000	–	–	200,000	1.0	1 February 2011	LSIP

Key:

LIP – Liontrust Incentive Plan, exercisable between 1 April 2012 and 31 March 2019.

LSIP – Liontrust Senior Incentive Plan, exercisable between 1 February 2014 and 31 January 2021.

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 83 pence and the range of market prices during the year was between 70 pence and 101 pence.

Pensions

There are no pension contributions currently being made by the Company for the executive directors as these have been suspended by the Board. If and when these are re-instated the pension contributions normally equate to 15 per cent. of an executive directors' base remuneration.

Pension rights (auditable)

No contributions in respect of pension entitlements are made by the Group.

Service contracts

The Directors' employment contracts or letters of appointment or limited liability partnership membership agreements/side letters are as follows:

Director	Date of contract	Notice period
Executive		
A.J. R. Collins	31 December 2010	6 months
J.S. Ions ⁽¹⁾	8 July 2010	6 months
V.K. Abrol	8 July 2010	12 months
Non-executive		
A.W.S. Barbour ⁽²⁾	1 April 2011	3 months
M.J. Bishop ⁽³⁾	1 May 2011	3 months
G.V. Hirsch	2 June 1999	3 months

⁽¹⁾ Appointed 6 May 2010.

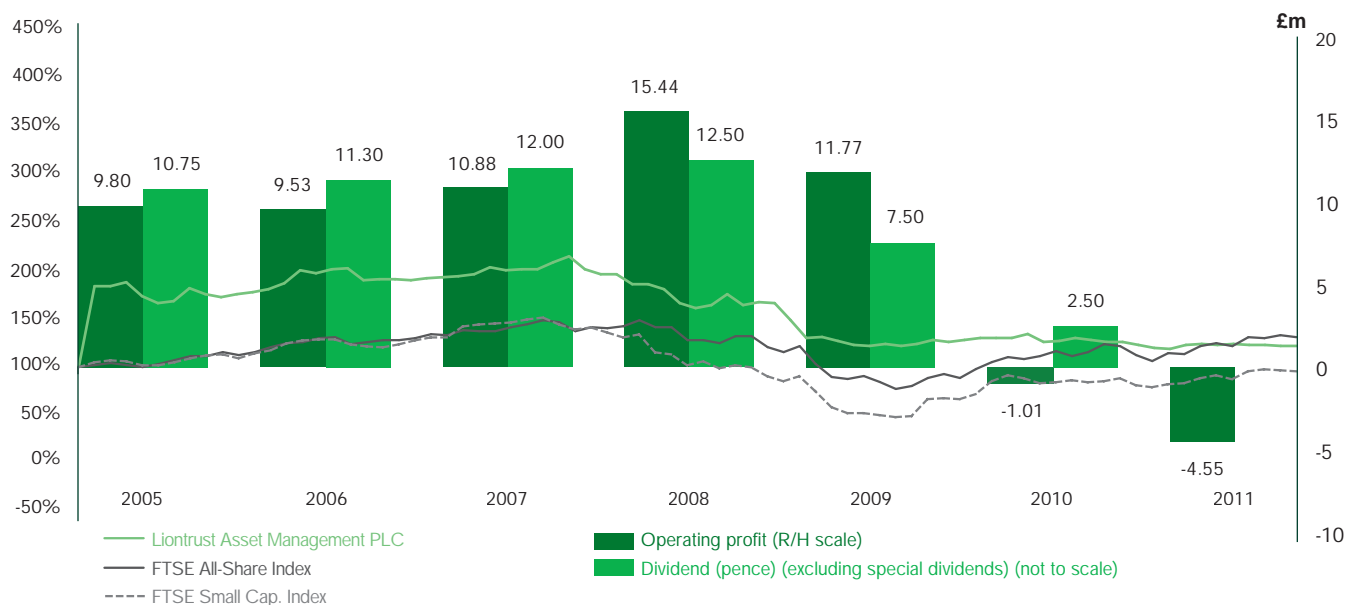
⁽²⁾ Appointed 1 April 2011.

⁽³⁾ Appointed 1 May 2011.

None of the Directors' employment contracts or letters of appointment or limited liability partnership membership agreements/side letters contains 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:



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.

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

14 June 2011

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 2011 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 Statement set out on page 17, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual 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 Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 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 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 15 to 18 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 17, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Liontrust Asset Management PLC for the year ended 31 March 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Lindsay Gardiner (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
14 June 2011

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2011

	Notes	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
Continuing operations			
Revenue	4	9,918	13,171
Cost of sales	4	(80)	(102)
Gross profit		9,838	13,069
Realised gain on sale of financial assets		701	1,261
Administration expenses	5	(15,639)	(15,346)
Operating loss	6	(5,100)	(1,016)
Interest receivable	8	10	11
Loss before tax		(5,090)	(1,005)
Taxation	9	538	2,094
(Loss)/Profit for the year		(4,552)	1,089
Other comprehensive income:			
Gain on available-for-sale financial assets net of tax		445	1,023
Amounts recycled through the Consolidated Statement of Comprehensive Income		(701)	(1,261)
Exchange differences on translating foreign operations		7	(72)
Other Comprehensive income for the year, net of tax		(249)	(310)
Total comprehensive income		(4,801)	779
Memo - Dividends	10	–	(2,245)
		Pence	Pence
Basic earnings per share	11	(14.69)	3.64
Diluted earnings per share	11	(13.65)	3.18

The notes on pages 30 to 59 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at 31 March 2011

	Notes	31-Mar-11 £'000	31-Mar-10 £'000
Assets			
Non current assets			
Intangible assets	12	600	800
Property, plant and equipment	13	123	111
Deferred tax assets	14	2,160	711
		2,883	1,622
Current assets			
Trade and other receivables	15	10,205	14,302
Financial assets	16	8,530	8,052
Cash and cash equivalents		4,157	11,722
		22,892	34,076
Non current financial assets held for sale	16	–	830
Total Current assets		22,892	34,906
Liabilities			
Current liabilities			
Deferred tax liabilities	14	(57)	(160)
Trade and other payables	18	(10,277)	(14,644)
Accruals	19	(119)	(113)
		(10,453)	(14,917)
Liabilities directly linked with non current financial assets held for sale	15	–	(181)
Total Current liabilities		(10,453)	(15,098)
Net current assets		12,439	19,808
Net assets		15,322	21,430
Shareholders' equity attributable to owners of the parent			
Ordinary shares	20	353	337
Share premium	21	10,272	8,962
Capital redemption reserve	22	15	15
Revaluation reserve	23	151	407
Retained earnings	24	16,703	23,881
Own shares held	25	(12,172)	(12,172)
Total equity		15,322	21,430

Approved and authorised for issue by the Board of Directors on 14 June 2011 and signed on its behalf by

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

The notes on pages 30 to 59 form an integral part of these consolidated financial statements.

Company Number 2954692

Consolidated Cash Flow Statement

for the year ended 31 March 2011

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
Cash flows from operating activities		
Cash inflow from operations	11,447	18,852
Cash outflow from operations	(18,002)	(20,706)
Cash outflow from changes in unit trust receivables and payables	(601)	(6,222)
Net cash used in operations	(7,156)	(8,076)
Interest received	10	11
Tax received/(paid)	263	(2,053)
Net cash used in operating activities	(6,883)	(10,118)
Cash flows from investing activities		
Purchase of property and equipment	(50)	(23)
Sale/(purchase) of Seeding investments	703	(999)
Purchase of intangible asset	–	(1,000)
Net cash generated from/(used in) investing activities	653	(2,022)
Cash flows from financing activities		
Purchase of minority interest shares	(2,654)	(508)
Issue of new shares	1,326	–
Dividends paid to shareholders	–	(2,245)
Net cash used in financing activities	(1,328)	(2,753)
Net decrease in cash and cash equivalents	(7,558)	(14,893)
Effect of exchange rate changes	(7)	(22)
Opening cash and cash equivalents*	11,722	26,637
Closing cash and cash equivalents	4,157	11,722

* Cash and cash equivalents consist only of cash balances.

The notes on pages 30 to 59 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2011

	Share capital £'000	Share premium £'000	Capital redemption £'000	Revaluation £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
Balance at 1 April 2010 brought forward	337	8,962	15	407	23,881	(12,172)	21,430
Loss for the year	–	–	–	–	(4,552)	–	(4,552)
Net gains on available-for-sale financial assets net of tax	–	–	–	445	–	–	445
Amounts recycled through the Consolidated Statement of Comprehensive Income	–	–	–	(701)	–	–	(701)
Gain on foreign exchange	–	–	–	–	7	–	7
Total comprehensive income for the year	–	–	–	(256)	(4,545)	–	(4,801)
Acquisition of minority interest shares	–	–	–	–	(2,654)	–	(2,654)
Shares issued	16	1,310	–	–	–	–	1,326
Equity share options issued	–	–	–	–	21	–	21
Balance at 31 March 2011	353	10,272	15	151	16,703	(12,172)	15,322

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
Balance at 1 April 2009 brought forward	337	8,962	15	645	24,950	(12,172)	22,737
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)
Loss 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
Balance at 31 March 2010	337	8,962	15	407	23,881	(12,172)	21,430

Notes to the Financial Statements

1 Principal accounting policies

a) Basis of preparation

The consolidated 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 IFRS Interpretations Committee or their predecessors as adopted by the European Commission, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention (except for the measurement of financial assets at fair value through profit and loss and financial assets available-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 2011.

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 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
IAS 24 (Amended)	Related Party Disclosures

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.

b) Basis of consolidation

The consolidated financial information contained within the financial statements incorporates financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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)

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 for impairment whenever 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 and 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 European Long/Short Growth Fund (a sub-fund of Liontrust Alternative Funds PCC Limited), Liontrust Credit Fund (a Cayman registered Mutual Fund) and Liontrust Credit Absolute Return Fund (both sub-fund of Liontrust International (Luxembourg) SICAV) and are valued on a bid price basis.

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

The Group held some financial assets as "non current financial assets". These financial assets represented seeding investments where the Group controls the asset but meets the requirements under IFRS5 whereby it is being held on a temporary basis. It was the intention of the Group that within the next 12 months the asset will no longer be under the control of the Group. These assets are no longer held.

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 income statement.

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 income statement 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 but noted as a contingent asset.

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) Share options

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

– Liontrust Option Plan ('LOP')

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

The fair value for each options 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 options 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 options 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%

– Liontrust Senior Incentive Plan ('LSIP') with performance conditions

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

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

The expected life of options issued under this LSIP scheme is 10 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%

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 1.82%

1 Principal accounting policies (continued)

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 member and 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 members and 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 trusts and similar entities and has accounted for such assets at fair value through profit and loss or assets available-for-sale.

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 income statement within revenue. Any exchange rate gains or losses arising from monetary assets and liabilities are taken to the Income Statement. 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 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 income statement.

2 Financial risk management

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 8 in the Business Review identifies some of these measures.

a) Market risk

i) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as current financial assets (either held at fair value through profit and loss or held as available-for-sale).

The Group holds the following types of investment as assets held at fair value through profit and loss or assets held as available-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 a sub-fund 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 executives. 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 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 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 Credit Fund at the balance sheet date a price movement of 10% would result in a movement in the value of the investment of £401,000 (2010: £366,000).

The investment in Liontrust Credit Absolute Return Fund, a sub-fund 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 fund grows 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.

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 £421,000 (2010: £407,000).

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 (2010: £143,000).

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 less than £421,000 (2010: £8,000). In light of this exposure the Group has entered into a forward exchange contract to hedge the currency exposure of the investment to £.

In respect of Income receivable in Euro a 10% movement in the exchange rate would result in a movement of £47,000 (2010: £46,000) in the income statement.

In respect of Income receivable in US Dollar a 10% movement in the exchange rate would result in a movement of £55,000 (2010: £23,000) in the income statement.

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 £2,000 (2010: £130,000) in the income statement.

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 on a monthly basis.

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 fund 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.

2 Financial risk management (continued)

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 2011	Within 3 months	Between 3 months and one year	Over one year
Payables	10,277	–	–
As at 31 March 2010	Within 3 months	Between 3 months and one year	Over one year
Payables	14,554	–	90

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 regulated by the Financial Services Authority as a UK consolidation group. The Pillar 1 minimum capital requirement is £7.3 million (2010: £7.2 million).

The Internal Capital Adequacy Assessment Process carried out in 2011 under Pillar 2 of the Capital Requirements Directive concluded that £8 million capital should be retained. Management consider capital to comprise of cash and net assets. As at 31 March 2011 the Group has cash and net assets of £12.6 million (2010: £20.1 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 amounts 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.

3 Segmental reporting

The Group operates only in one business segment – Investment Management.

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-11 £'000	Year ended 31-Mar-10 £'000
United Kingdom	7,000	8,332
Europe (ex UK)	1,326	262
Guernsey	318	1,659
Cayman Islands	1,223	2,905
USA	51	13
	9,918	13,171

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 2011 the Group had no single customer contributing more than 10% of total revenue (2010: 2 customers each contributing more than 10% totalling £4.6m).

4 Revenue and cost of sales (Gross profit)

Revenue from earnings 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-11 £'000	Year ended 31-Mar-10 £'000
Employee related expenses		
Director and employee costs	5,119	9,591
Share incentivisation expense	433	105
Severance compensation ^{(1) (2)}	1,458	126
Cost reduction and restructuring program related severance compensation	–	1,021
	7,010	10,843
Non employee related expenses		
Members drawings charged as an expense	2,175	–
Global equities team closure costs	284	–
Cost reduction and restructuring program ⁽³⁾	892	281
Depreciation and Intangible asset amortisation	238	268
Financial Services Compensation Scheme Levy	414	–
Other administration expenses	4,626	3,954
	15,639	15,346

⁽¹⁾ Includes £665,000 of employment related expenses relating to the departure of Nigel Legge, who stepped down as Chief Executive on 6 May 2010.

⁽²⁾ Includes £513,000 of employment related expenses relating to the departure of the global equities team.

⁽³⁾ Includes £492,000 of expenses related to fund reorganisations and restructuring.

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
Share incentivisation expense		
– Share option expense	21	159
– Share incentive plan expense	151	116
– Share option NI liability	–	(339)
– Share option related expenses	261	169
	433	105

On 8 July 2010, as part of a reorganisation of the Group, two subsidiaries of the Company transferred their respective and entire regulated businesses to two newly incorporated limited liability partnerships ("LLP's"). This has meant that as well as having employees the Group has members who are members of these new LLP's. The services of the members are provided under the terms of a services agreement between the relevant LLP and the relevant group company or LLP in a similar way to that in which services of the employees of the Company are provided to other group companies and LLP's. Members' drawings (as detailed below) are incurred as an expense through the Statement of Comprehensive Income and as such are not subject to claw back from the respective entities.

5 Administration expenses (continued)

The average number of members and employees of the Group, excluding Non-executive directors, was 46 (2010: 54). All members and employees are involved in the investment management business of the Group. The costs incurred in respect of the Directors members and employees was:

	Year ended 31-Mar-11				Members Members drawings charged as an expense £'000
	Average number of members and employees during the year	Wages and salaries £'000	Social security costs £'000	Total employee expense £'000	
General management	1	272	13	285	–
Fund management	8	2,182	261	2,443	655
Fund management support	8	357	39	396	299
Finance, Operations and IT	14	695	76	771	519
Risk management and Compliance	2	73	8	81	111
Sales and Marketing	13	938	102	1,040	591
Non-executive directors	4	93	10	103	–
	50	4,610	509	5,119	2,175

	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 employee expense £'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

6 Operating loss

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
The following items have been included in arriving at operating loss:		
Foreign exchange gains/(losses)	(45)	(66)
Depreciation	38	107
Amortisation of initial commission asset	4	27
Amortisation of amounts accrued in relation to income received on sale of units	(6)	219
Operating lease costs	259	280
Costs relating to Directors, members and employees (Note 5)	9,185	9,822
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	40	50
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	58	46
– Taxation services	28	37
– Other services	111	168

Details of total directors' remuneration and that of the highest paid director are given in the Directors' Remuneration Report on page 21.

7 Adjusted (loss)/profit before tax

Adjusted profit (or loss) before tax is disclosed in order to give shareholders an indication of the profitability of the Group excluding non-cash (depreciation, intangible asset amortisation and IFRS2 related) expenses, non-recurring (cost reduction, restructuring, global equities team closure, share incentivisation, severance compensation related and Financial Services Compensation Scheme Interim Levy) expenses and is reconciled in the table below.

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
Gross profit	9,838	13,069
Realised gain on sale of financial assets	701	1,261
Director and employee costs	(5,119)	(9,591)
Members' drawings charged as an expense	(2,175)	–
Members' advance drawings	(292)	–
Other administration expenses	(4,626)	(3,954)
Adjusted operating (loss)/profit	(1,673)	785
Interest receivable	10	11
Adjusted (loss)/profit before tax	(1,663)	796

8 Interest receivable

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 0.2% (2010: 0.1%).

9 Taxation

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
(a) Analysis of charge in year		
Current tax:		
UK corporation tax at 28% (2010: 28%)	10	(1,959)
Adjustments in respect of prior year	–	(5)
	10	(1,964)
Foreign tax:	–	–
Total current tax	10	(1,964)
Deferred tax:		
Deferred tax originated from timing differences	(548)	(130)
Total charge in period	(538)	(2,094)
(b) Factors affecting current tax		
Loss on ordinary activities before tax	(5,090)	(1,005)
Loss on ordinary activities at UK corporation tax rate of 28% (2010: 28%)	(1,425)	(281)
Effects of:		
Expenses not deductible for tax purposes	262	89
Lower rates of tax on overseas earnings	(243)	–
Depreciation in excess of capital allowances	1	3
Overseas tax	–	377
Adjustments to tax charge in respect of previous periods	–	(5)
Adjustment to deferred tax in respect of rate change to 26%	166	–
Members drawings not taxable	609	–
Adjustment in respect of Group consolidation	–	(2,187)
Deferred tax on overseas income	34	–
Deferred tax	58	(90)
Total taxation	(538)	(2,094)

10 Dividends

	Year ended 31-Mar-11		Year ended 31-Mar-10	
	Pence per Share	£'000	Pence per share	£'000
Second Interim dividend	–	–	5.00	1,497
Interim dividend	–	–	2.50	748
Total dividend	–	–	7.50	2,245
Special dividend	–	–	–	–
Current year dividend	–	–	7.50	2,245

There is no dividend payable in respect of the year ended 31 March 2011.

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

11 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 30,987,024 for the year (2010:29,937,673). 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 2011. The adjusted weighted average number of Ordinary Shares so calculated for the year was 33,337,489 (2010: 33,796,420). This is reconciled to the actual weighted number of Ordinary Shares as follows:

	2011 number	2010 number
Weighted average number of Ordinary Shares	30,987,024	29,937,673
Weighted average number of dilutive Ordinary shares under option:		
– to the Liontrust Senior Incentive Plan	15,978	–
– to the Liontrust Enterprise Management Incentive Scheme	–	–
– to the Liontrust Incentive Plan	1,186,168	46,675
– to the Liontrust Option Plan	–	–
– to the shareholders in Liontrust European Investment Services Limited	1,148,319	3,812,072
Adjusted weighted average number of Ordinary Shares	33,337,489	33,796,420

Details of the options outstanding at 31 March 2011 to Directors are set out in the Directors' Remuneration Report on page 23.

12 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 standards the asset is an intangible asset with a life of 5 years and was initially measured at fair value. The asset is being amortised over 5 years on a straight line basis.

	2011 £'000	2010 £'000
Balance as at 1 April	800	1,000
Intangible assets purchased in the year	–	–
Amortisation during the year	(200)	(200)
Balance as at 31 March	600	800

Amortisation has been recorded within administration expenses.

13 Property, plant and equipment

	Leasehold Improvements £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
Year to 31 March 2011				
Cost				
At 1 April 2010	72	208	163	443
Additions	46	4	–	50
Disposals	–	–	–	–
At 31 March 2011	118	212	163	493
Depreciation				
At 1 April 2010	15	179	138	332
Charge for the year	11	13	14	38
Disposals	–	–	–	–
At 31 March 2011	26	192	152	370
Net Book Value				
At 31 March 2011	92	20	11	123
At 31 March 2010	57	29	25	111
Year to 31 March 2010				
Cost				
At 1 April 2009	72	222	143	437
Additions	–	3	20	23
Disposals	–	(17)	–	(17)
At 31 March 2010	72	208	163	443
Depreciation				
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
Net Book Value				
At 31 March 2010	57	29	25	111
At 31 March 2009	63	42	50	155

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

14 Deferred tax

	2011 £'000	2010 £'000
Deferred tax assets		
Balance as at 1 April	711	546
Deferred tax relief reversed on IFRS2 Options charge	(58)	58
Deferred tax reversed on prior year losses	(320)	(218)
Deferred tax on current year losses	1,092	332
Movement to deferred tax from prior year receivable	901	–
Movement in deferred tax on fair value losses on financial assets held as available-for-sale	–	(7)
Movement in deferred tax on change in tax rate to 26%	(166)	–
Balance as at 31 March	2,160	711

14 Deferred tax (continued)

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

Deferred tax relating to losses which are expected to be credited to taxation payable on future profits £2,160,000 (2010: £332,000). Deferred tax relating to IFRS2 option charge £nil (2010: £58,000).

	2011 £'000	2010 £'000
Deferred tax liabilities		
Balance as at 1 April	(160)	(289)
Deferred tax charged/(reversed) on overseas income to be remitted	–	32
Deferred tax on fair value gains on financial assets held as available-for-sale	103	97
Balance as at 31 March	(57)	(160)

The following items are included in the above deferred tax balance: Deferred tax relating to unrealised gains on investments £57,000 (2010: £160,000); Deferred tax on overseas income yet to be remitted £nil (2010: £32,000).

A number of changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. Deferred tax has been recognised at 26% to reflect this reduction.

15 Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables		
– Fees receivable	1,625	1,232
– Unit trust sales and cancellations	6,769	10,038
Prepayments and accrued income	412	755
Members' advance drawings	292	–
Corporation tax receivable	1,076	2,251
Initial commission asset	31	26
	10,205	14,302

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 2011, trade receivables of £nil (2010: £nil) were past due but not impaired.

16 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 Level 1 and 2.

Assets held at fair value through profit and loss:

The Group's assets held at fair value through profit and 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 gain on the fair value adjustments during the year was £191,000 (2010: loss of £48,000).

The Group additionally holds a forward foreign exchange contract at the year end. This contract is held to minimise the Group's exposure to currency risk of its investment in the Euro Class shares of Liontrust Credit Fund.

Notes to the Financial Statements continued

16 Financial assets (continued)

Assets held as available-for-sale:

The Group's assets held as available-for-sale represent 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 £445,000 (2010:£1,023,000). 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.

	2011			2010		
	Assets held at fair value through profit and loss £'000	Assets held as available-for-sale £'000	Total £'000	Assets held at fair value through profit and loss £'000	Assets held as available-for-sale £'000	Total £'000
Financial assets in Level 1						
UK Authorised unit trusts	441	–	441	250	–	250
Guernsey open ended investment companies	28	–	28	25	–	25
Luxembourg Société d'investissement à capital variable	–	–	–	–	37	37
	469	–	469	275	37	312
Financial assets in Level 2						
Guernsey open ended investment companies	–	–	–	–	–	–
Cayman open ended investment company	–	4,019	4,019	–	3,664	3,664
Forward foreign exchange contract	(165)	–	(165)	–	–	–
Luxembourg Société d'investissement à capital variable	–	4,207	4,207	–	4,076	4,076
	(165)	8,226	8,061	–	7,740	7,740
Total Financial Assets	304	8,226	8,530	275	7,777	8,052
Non current financial assets in Level 2						
Non-current financial asset held for sale	–	–	–	–	830	830
Liabilities directly associated with non-current financial asset held for sale	–	–	–	–	(181)	(181)
Total Non current financial assets held for sale	–	–	–	–	649	649

17 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:

	2011 £'000	2010 £'000
Foreign currency translation losses:		
– Other operating activities	(45)	(66)
	(45)	(66)

Gain/(losses) on foreign currency translations are taken to the income statement within Revenue.

18 Trade and other payables

	2011 £'000	2010 £'000
Trade payables – unit trust repurchases and creations	7,074	10,944
Other payables including taxation and social security	141	372
Deferred income and sundry payables	3,062	3,238
Directors' interest in subsidiary*	–	90
	10,277	14,644

* see Directors report on page 13

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.

19 Accruals

	2011 £'000	2010 £'000
Amounts accrued in relation to income received on the sale of units	119	113
	119	113

20 Ordinary Shares

	2011 £'000	2010 £'000
Authorised		
Equity		
60,000,000 Ordinary Shares of 1 pence each (2010: 60,000,000)	600	600
Allotted, called up and fully paid		
Equity		
35,344,890 Ordinary Shares of 1 pence each (2010: 33,665,008)	353	337

21 Share premium

	2011 £'000	2010 £'000
Balance at 1 April	8,962	8,962
Share premium on shares issued during the year	1,310	–
Balance at 31 March	10,272	8,962

22 Capital redemption reserve

	2011 £'000	2010 £'000
Balance at 1 April	15	15
Share premium on shares issued during the year	–	–
Balance at 31 March	15	15

23 Revaluation reserve

	2011 £'000	2010 £'000
Balance at 1 April	407	645
Unrealised gains on financial assets	502	1,183
Amounts recycled through the Consolidated Statement of Comprehensive Income	(701)	(1,261)
Deferred taxation on investment gain	(57)	(160)
Balance at 31 March	151	407

24 Retained earnings

	2011 £'000	2010 £'000
Balance at 1 April	23,881	24,950
Retained profit for the year	(4,552)	1,089
Dividends	–	(2,245)
Exchange gains	7	(72)
Acquisition of minority interest shares*	(2,654)	–
Share options issued	21	159
Balance at 31 March	16,703	23,881

* On 17 August 2010 The Group acquired the minority interest shares in Liontrust European Investment Services Limited. Details of this acquisition can be found on page 13.

25 Own shares

Approval was given at the 2002 Annual General Meeting for the grant of options to employees under the Liontrust Enterprise Management Incentive Scheme (the "LEMIS"). Approval was given at a General Meeting in January 2011 for the grant of options under the Liontrust Senior Incentive Plan (the "LSIP"). 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 under the LEMIS, LSIP, LIP and LOP, including the executive directors (in the case of LEMIS, LIP and LSIP), were as follows:

Issue Date	1 April 2010	Options Granted	Options Exercised	Lapsed	31 March 2011	Exercise price	Scheme
30 July 2002	445,183	–	–	445,183	–	287.5 pence	LEMIS
26 June 2003	114,295	–	–	114,295	–	417.5 pence	LEMIS
5 November 2003	107,228	–	–	107,228	–	445.0 pence	LEMIS
15 December 2004	428,277	–	–	428,277	–	290.0 pence	LEMIS
3 December 2009	1,000,000	–	–	–	1,000,000	1.0 pence	LIP
10 February 2010	1,100,000	–	–	350,000	750,000	1.0 pence	LIP
10 February 2010	451,772	–	–	265,471	186,301	110.5 pence	LOP
15 April 2010	–	200,000	–	–	200,000	1.0 pence	LIP
1 February 2011	–	3,000,000	–	–	3,000,000	1.0 pence	LSIP

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
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

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

Details of the share options can be found in the Directors' Remuneration report on page 23.

LEMIS, LIP, LOP and LSIP operate in conjunction with the Liontrust Asset Management Employee Trust on the basis that at least 50% of the options for LEMIS, 100% of the options for LIP and LOP, and a percentage determined by the Remuneration Committee for LSIP will be satisfied by market purchased shares. This is to ensure that dilution of shareholders' interest is limited. At 31 March 2011 the weighted average remaining life of the options was 9.10 years (2010:7.45 years).

At 31 March 2011, the Liontrust Asset Management Employee Trust owned 3,727,335 shares (2010: 3,727,335) at a cost of £12,172,000 (2010: £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 2011 the market value of the shares was £3,094,000 (2010: £3,774,000).

26 Operating lease commitments

The Group and Company are 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-11 £'000	Year ended 31-Mar-11 £'000
Amounts due		
Within one year	259	280
Between one year and five years	1,038	1,074
Later than five years	432	716
	1,729	2,070

27 Related party transactions

During the year the Group received fees from unit trusts under management of £10,099,000 (2010: £10,313,000). Transactions with these unit trusts comprised creations of £158,692,000 (2010: £58,465,000) and liquidations of £158,267,000 (2010: £306,853,000). 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 2011 the Group owed the unit trusts £4,462,000 (2010: £432,000) in respect of unit trust creations and was owed £2,274,000 (2010: £8,929,000) in respect of unit trust cancellations and fees. During the year the group paid drawings of £924,000 to members of Liontrust Fund Partners LLP and drawings of £1,291,000 to members of Liontrust Investment Partners LLP.

Compensation to key management personnel (executive directors) is disclosed in the Directors' Remuneration Report on page 21.

28 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 2011 has not been recognised in the results for the year.

Contingent liabilities as at 31 March 2011 amount to £nil (2010: £nil).

29 Post balance sheet date event

On 12 April 2011, the Company entered into a conditional business purchase agreement for the sale of its credit business to Avoca Capital Holdings, further details can be found on page 5.

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 2011 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 17, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual 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 parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss 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 2011.

Lindsay Gardiner (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
14 June 2011

Company Statement of Comprehensive Income

for the year ended 31 March 2011

	Notes	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
Continuing operations			
Revenue		199	858
Gross profit		199	858
Realised gain on sale of financial assets		701	1,268
Administration expenses	34	(3,317)	(3,504)
Operating loss	35	(2,417)	(1,378)
Interest receivable	36	–	3
Loss before tax		(2,417)	(1,375)
Taxation	37	315	255
Loss for the year		(2,102)	(1,120)
Other comprehensive income:			
Net gains on available-for-sale financial assets net of tax		442	1,018
Amount recycled through the statement of comprehensive income		(701)	(1,268)
Other Comprehensive income for the year, net of tax		(259)	(250)
Total comprehensive income		(2,361)	(1,370)
Memo - Dividends		–	(2,245)

The notes on pages 52 to 59 form an integral part of these Company financial statements.

Company Balance Sheet

as at 31 March 2011

	Notes	31-Mar-11 £'000	Restated 31-Mar-10 £'000
Assets			
Non current assets			
Property, plant and equipment	38	123	111
Investment in subsidiary undertakings	39	11,690	7,712
Deferred tax assets	40	1,215	231
Loan to Liontrust Asset Management Employee Trust *	31	4,360	4,360
		17,388	12,414
Current assets			
Trade and other receivables	41	395	9,829
Financial assets	42	8,061	8,389
Cash and cash equivalents		88	1,866
		8,544	20,084
Liabilities			
Current liabilities			
Deferred tax liabilities		(57)	(160)
Trade and other payables	44	(6,371)	(11,855)
		(6,428)	(12,015)
Net current assets		2,116	8,069
Net assets		19,504	20,483
Shareholders' equity attributable to owners of the parent			
Ordinary shares	45	353	337
Share premium	46	10,272	8,962
Capital redemption reserve	47	15	15
Revaluation reserve	48	151	410
Retained earnings	49	8,713	10,759
Total equity		19,504	20,483

* There has been a restatement of the prior year balance sheet to show the loan to the Liontrust Asset Management Employee Trust as an asset in non current assets rather than as a deduction of equity

Approved by the Board of Directors on 14 June 2011 and signed on its behalf by

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

The notes on pages 52 to 59 form an integral part of these Company financial statements.

Company Number 2954692

Company Cash Flow Statement

for the year ended 31 March 2011

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
Cash flows from operating activities		
Cash inflow from operations	10,334	11,116
Cash outflow from operations	(10,071)	(7,615)
Net cash generated from operations	263	3,501
Interest received	–	3
Tax received	–	390
Net cash generated from operating activities	263	3,894
Cash flows from investing activities		
Purchase of property and equipment	(50)	(23)
Investment in subsidiaries	(3,978)	(1,525)
Sale/(purchase) of seeding investments	661	(984)
Net cash used in investing activities	(3,367)	(2,532)
Cash flows from financing activities		
Issue of shares	1,326	–
Dividends paid to shareholders	–	(2,245)
Net cash from/(used in) financing activities	1,326	(2,245)
Net decrease in cash and cash equivalents	(1,778)	(883)
Effect of exchange rate changes	–	16
Opening cash and cash equivalents*	1,866	2,733
Closing cash and cash equivalents	88	1,866

* Cash and cash equivalents consist only of cash balances.

The notes on pages 52 to 59 form an integral part of these Company financial statements.

Company Statement of Changes in Equity

for the year ended 31 March 2011

	Share capital £'000	Share premium £'000	Capital redemption £'000	Revaluation £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 April 2010 brought forward	337	8,962	15	410	10,759	20,483
Profit for the year	–	–	–	–	(2,102)	(2,102)
Net gains on available-for-sale financial assets net of tax	–	–	–	442	–	442
Amounts recycled through the Statement of Comprehensive Income	–	–	–	(701)	–	(701)
Total comprehensive income for the year	–	–	–	(259)	(2,102)	(2,361)
Dividends paid	–	–	–	–	–	–
Shares issued	16	1,310	–	–	–	1,326
Equity share options issued	–	–	–	–	56	56
Balance at 31 March 2011	353	10,272	15	151	8,713	19,504

Company Statement of Changes in Equity

for the year ended 31 March 2010 (Restated)

	Share capital £'000	Share premium £'000	Capital redemption £'000	Revaluation £'000	Retained earnings £'000	EBT shares held £'000	Total Equity £'000
Balance at 1 April 2009 brought forward	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)
Equity share options issued	–	–	–	–	(2,245)	–	(2,245)
EBT transferred	–	–	–	–	–	(4,360)	(4,360)
Adjustment*	–	–	–	–	–	4,360	4,360
Equity share options issued	–	–	–	–	1	–	1
Balance at 31 March 2010	337	8,962	15	410	10,759	–	20,483

* There has been a restatement of the prior year Statement of Changes in Equity to show the loan to the EBT as an asset in non current assets on the balance sheet rather than as a deduction of equity

The notes on pages 52 to 59 form an integral part of these Company financial statements.

30 Prior year adjustment

During the year it was established that the classification of the own-shares held in relation to the loan to the Liontrust Asset Management Employee Trust was incorrect in the 31 March 2010 financial statements. The prior year classification has been restated to correct this. The March 2010 current assets has been increased by £4,360,000 and the total equity has been increased by the same amount. As a result of the above adjustment, the 31 March 2010 basic earnings per share figure remains unchanged, with both current assets and total equity increasing to £20,483,000.

31 Significant Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. 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. 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 53 reflect the information for the Company.

32 Financial risk management

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. 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 investment in Liontrust Credit Fund is valued on a bid basis at each month end and reviewed twice a week. The investment in Liontrust Credit Absolute Return Fund, a sub-fund of Liontrust International (Luxembourg) SICAV (a Luxembourg domiciled société d'investissement à capital variable) is valued on a weekly basis. 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 Credit Fund at the balance sheet date a price movement of 10% would result in a movement in the value of the investment of £401,000 (2010: £360,000).

Based on the holdings in Liontrust Credit Absolute Return Fund at the balance sheet date a price movement of 1% would result in a movement in the value of the investment of £421,000 (2010: £407,000).

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 £6,000 increase or decrease in interest receivable (2010: £18,000).

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.

33 Loan to the Liontrust Asset Management Employee Trust

The Company is the sponsor of Liontrust Asset Management Employee Trust (the 'EBT'). An impairment review was carried out under the appropriate accounting standards and the value of the loan to the EBT was calculated at £4,360,000 (2010: £4,360,000). The current value of the shares in the EBT are disclosed in Note 25.

34 Administration expenses

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
Employee costs		
– Director, member and employee costs	536	809
– Share incentivisation expense	385	(330)
– Termination costs *	598	–
	1,519	479
Non employee costs		
Other administration expenses	1,798	3,025
	3,317	3,504

* includes severance compensation linked to cost reduction and restructuring program.

The average number of members and employees engaged in business for the Company excluding Non-executive directors, was 5 (2010: 5). All members and employees are involved in the investment management business of the Group. The costs incurred in respect of the Directors, members and employees was:

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
Share incentivisation expense		
- Share option expense	56	1
- Share incentive plan expense	75	7
- Share option NI liability	–	(339)
- Share option related administration expenses	254	1
	385	(330)

	Year ended 31-Mar-11			
	Average number of members and employees during the year	Wages and salaries £'000	Social security costs £'000	Total £'000
General management	2	282	16	298
Finance, Operations and IT	3	137	8	145
Non-executive directors	4	88	5	93
	9	507	29	536

	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

35 Operating loss

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
The following items have been included in arriving at operating loss:		
Foreign exchange (losses)/gains	(5)	16
Depreciation	38	68
Member and employee costs (note 34)	1,519	479
Services provided by the Company's auditors:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	10	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.

Details of total directors' remuneration and that of the highest paid director are given in the Directors' Remuneration Report on page 21.

36 Interest receivable

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 0.2% (2010: 0.1%).

37 Taxation

	Year ended 31-Mar-11 £'000	Year ended 31-Mar-10 £'000
(a) Analysis of charge in year		
Current tax:		
UK corporation tax at 28% (2010: 28%)	–	–
Adjustments in respect of prior year	–	(68)
Total current tax (note (b))	–	(68)
Deferred tax	(315)	(187)
Total charge in period	(315)	(255)
(b) Factors affecting current tax		
Loss on ordinary activities before tax	(2,417)	(1,375)
Loss on ordinary activities at UK corporation tax rate of 28% (2010: 28%)	(677)	(385)
Effects of:		
Group dividends not deductible for tax purposes	234	(98)
Expenses not deductible for tax purposes	–	326
Depreciation in excess of capital allowances	1	3
Adjustment in respect of deferred tax recoverability rate to 26%	93	–
Adjustments to tax charge in respect of previous periods	–	(68)
Deferred tax on overseas income	34	–
Deferred tax	–	(33)
Total Taxation	315	(255)

38 Property, plant and equipment

	Leasehold Improvements £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
Year to 31 March 2011				
Cost				
At 31 March 2010	72	208	163	443
Additions	46	4	–	50
Disposals	–	–	–	–
At 31 March 2011	118	212	163	493
Depreciation				
At 31 March 2010	15	179	138	332
Charge for the year	11	13	14	38
Disposals	–	–	–	–
At 31 March 2011	26	192	152	370
Net Book Value				
At 31 March 2011	92	20	11	123
At 31 March 2010	57	29	25	111

	Leasehold Improvements £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
Year to 31 March 2010				
Cost				
At 31 March 2009	72	222	143	437
Additions	–	3	20	23
Disposals	–	(17)	–	(17)
At 31 March 2010	72	208	163	443
Depreciation				
At 31 March 2009	8	180	93	281
Charge for the year	7	16	45	68
Disposals	–	(17)	–	(17)
At 31 March 2010	15	179	138	332
Net Book Value				
At 31 March 2010	57	29	25	111
At 31 March 2009	64	42	50	156

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

Notes to the Financial Statements continued

39 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, 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.

	2011 £'000	2010 £'000
Balance at 1 April	7,712	6,687
Additions during the year	3,978	1,525
Write downs during the year	–	(500)
Balance at 31 March	11,690	7,712

The Company has made the following changes to its subsidiary undertakings as follows: Liontrust Investment Funds Limited - an addition of £1,350,000; Liontrust European Investment Services Limited an addition of £2,744,000 to purchase the minority interest and Liontrust Global Investment Services Limited - a reduction of £25,000 following the decision to close this company.

40 Deferred tax

Deferred tax assets	2011 £'000	2010 £'000
Balance as at 1 April	231	–
Deferred tax on current year losses	408	231
Deferred tax on prior year losses	669	–
Adjustment in respect of tax rate change	(93)	–
Balance as at 31 March	1,215	231

The following items are included in the above deferred tax balance: Deferred tax relating to losses which are expected to be credited to taxation payable on future profits: £593,000 (2010: £231,000).

Deferred tax liabilities	2011 £'000	2010 £'000
Balance as at 1 April	(160)	(289)
Deferred tax reversed on overseas income to be remitted	–	32
Deferred tax on fair value gains on financial assets held as available-for-sale	103	97
Balance as at 31 March	(57)	(160)

The following items are included in the above deferred tax balance: Deferred tax relating to unrealised gains on investments £57,000 (2010: £160,000); Deferred tax on overseas income yet to be remitted £nil (2010: £nil).

A number of changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. Deferred tax has been recognised at 26% to reflect this reduction.

41 Trade and other receivables

	2011 £'000	2010 £'000
Receivables due from subsidiary undertakings	349	9,733
Prepayments and accrued income	46	96
	395	9,829

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.

42 Financial assets

Assets held as available-for-sale:

The Company's financial assets held as available-for-sale represent shares 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 16.

Assets held at fair value through profit and loss:

The Company additionally holds a forward foreign exchange contract at the year end. This contract is held to minimise the Company's exposure to currency risk of its investment in the Euro Class shares of Liontrust Credit Fund.

	2011			2010		
	Assets held at fair value through profit and loss £'000	Assets held as available-for-sale £'000	Total £'000	Assets held at fair value through profit and loss £'000	Assets held as available-for-sale £'000	Total £'000
Financial assets						
Guernsey Open ended investment companies	–	–	–	649	–	649
Luxembourg SICAV	–	4,207	4,207	–	4,076	4,076
Forward foreign exchange contract	(165)	–	(165)	–	–	–
Cayman open ended investment company	–	4,019	4,019	–	3,664	3,664
	(165)	8,226	8,061	649	7,740	8,389

43 Foreign currency translations

	2011 £'000	2010 £'000
Foreign currency translation gain/(losses) on:		
- Other operating activities	(5)	16
	(5)	16

Gain/(losses) on foreign currency translations are taken to the income statement within Revenue.

44 Trade and other payables

	2011 £'000	2010 £'000
Other payables including taxation and social security	–	–
Payables due to subsidiary undertakings	5,945	11,316
Deferred income and sundry payables	426	539
NI liability on share options	–	–
	6,371	11,855

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.

45 Ordinary Shares

	2011 £'000	2010 £'000
Authorised		
Equity		
60,000,000 Ordinary Shares of 1 pence each (2010: 60,000,000)	600	600
Allotted, called up and fully paid		
Equity		
35,344,890 Ordinary Shares of 1 pence each (2010: 33,665,008)	353	337

46 Share premium

	2011 £'000	2010 £'000
Balance at 1 April	8,962	8,962
Share premium on shares issued during the year	1,310	–
Balance at 31 March	10,272	8,962

47 Capital redemption reserve

	2011 £'000	2010 £'000
Balance at 1 April	15	15
Share premium on shares issued during the year	–	–
Balance at 31 March	15	15

48 Revaluation reserve

	2011 £'000	2010 £'000
Deferred taxation on investment gain	410	660
Unrealised gains on financial assets	499	1,178
Amounts recycled through the Statement of Comprehensive Income	(701)	(1,268)
Deferred taxation on investment gain	(57)	(160)
Balance at 31 March	151	410

49 Retained earnings

	2011 £'000	2010 £'000
Balance at 1 April	10,759	14,123
Retained profit for the year	(2,102)	(1,120)
Dividends	–	(2,245)
Share options issued	56	1
Balance at 31 March	8,713	10,759

50 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-11 £'000	Year ended 31-Mar-10 £'000
Amounts due		
Within one year	259	268
Between one year and five years	1,038	1,073
Later than five years	432	716
	1,729	2,057

51 Related party transactions

As at 31 March 2011 the Company owed the following intercompany balances to:

Liontrust Investment Funds Limited - £588,000 (2010: £3,708,000); and
Liontrust Investment Services Limited - £697,000 (2010: £7,608,000); and
Liontrust Investment Partners LLP - £3,261,000 (2010: £nil); and
Liontrust European Investment Services Limited - £1,399,000 (2010: £nil), these amounts arose from Group operations.
The Liontrust Asset Management Employee Trust - £4,360,000 (2010: £4,360,000)

As at 31 March 2011 the Company was owed the following intercompany balances by:

Liontrust Management Services Limited - £252,000 (2010: £8,700,000); and
Liontrust Investment Funds Limited - £nil (2010: £nil); and
Liontrust Fund Partners LLP - £91,000 (2010: £nil); and
Liontrust European Investment Services Limited - £nil (2010: £1,022,000); and
Liontrust International (Guernsey) Limited - £5,000 (2010: £10,000); and
Liontrust International (North America) Inc. - £nil (2010: £nil) these amounts arose from Group operations.

52 Contingent assets and liabilities

Contingent assets as at 31 March 2011 amount to £nil (2010: £nil).

Contingent liabilities as at 31 March 2011 amount to £nil (2010: £nil).

53 Post balance sheet date event

There were no post balance sheet 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 report 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 UK Growth Fund
Liontrust Income Fund
Liontrust UK Smaller Companies Fund
Liontrust Special Situations Fund
Liontrust Top 100 Fund
Liontrust European Growth Fund
Liontrust European 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 one sub fund:
Liontrust European Long/Short Fund

Unit trust prices:

The prices of Liontrust's range of authorised unit trusts quoted in *The Financial Times* FT Managed Funds Service. In *The Daily Telegraph* the prices of our range of authorised unit trusts are listed in the Unit Trusts & Open Ended Investment Companies Prices page.

Further information:

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

Liontrust Fund Partners LLP
2 Savoy Court
London WC2R 0EZ

Telephone: 020 7412 1700
Facsimile: 020 7412 1779
e-mail: info@liontrust.co.uk
or visit: www.liontrust.co.uk

Group subsidiary entities – Board members:

Liontrust Investment Funds Limited

V.K. Abrol

J.S. Ions

Liontrust Fund Partners LLP

A list of members is open for inspection at 2 Savoy Court, London WC2R 0EZ

Liontrust Investment Services Limited

V.K. Abrol

J.S. Ions

Liontrust Investment Partners LLP

A list of members is open for inspection at 2 Savoy Court, London WC2R 0EZ

Liontrust European Investment Services Limited

V.K. Abrol

J.S. Ions

J.J. Inglis-Jones

G. West

Liontrust International (Guernsey) Limited

E.J.F. Catton

C. J. Edmeades

G. M. Harrison

Investment companies – Board members:

Liontrust Guernsey Fund Limited

E.J.F. Catton

C. J. Edmeades

G. M. Harrison

Liontrust Alternative Funds PCC Limited

E.J.F. Catton

C. J. Edmeades

G. M. Harrison

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