

PRIDE IN OUR PERFORMANCE

LIONTRUST ASSET MANAGEMENT PLC
HALF YEARLY REPORT 2018

Directors and Advisers

Directors, Registered Office and Company number:

Adrian Collins (Non-executive Chairman)

John Ions (Chief Executive)

Vinay Abrol (Chief Operating Officer and Chief Financial Officer)

Alastair Barbour (Non-executive Director)

Michael Bishop (senior Independent Director)

Sophia Tickell (Non-executive Director)

George Yeandle (Non-executive Director)

2 Savoy Court, London WC2R 0EZ.

Registered in England with Company Number 02954692.

Company Secretary:

Mark Jackson

Independent Auditors:

PricewaterhouseCoopers LLP,

7 More London, Riverside,

London SE1 2RT.

Legal Advisers:

Macfarlanes LLP,

20 Cursitor Street,

London EC4A 1LT.

Bankers:

Royal Bank of Scotland Plc,

280 Bishopsgate,

London, EC2M 4RB.

Financial Adviser and Corporate Broker:

Numis Securities Limited,

The London Stock Exchange Building,

10 Paternoster Square,

London EC4M 7LT.

Macquarie Capital (Europe) Limited,

Ropemaker Place,

28 Ropemaker Street,

London EWC2Y 9HD.

Registrars:

Link Asset Services, PXS,

34 Beckenham Road,

Kent BR3 4TU.

Introduction

When Liontrust announced the full year results on 16 June 2016, our AuM was £4.8 billion with net inflows of £255 million for the financial year. Exactly a week later, the UK went to the polls and voted to leave the EU. We have experienced an unprecedented period of political turbulence over the subsequent past two and a half years with still no certainty over how we will be leaving the EU and what kind of deal we will secure. The political unpredictability and consequential economic uncertainty, however, have not stopped the progress of investment markets or the development of Liontrust since 2016.

This development of the business is shown by the strong results that Liontrust has delivered for the first half of the financial year to 30 September 2018. Our AuM has increased to £12 billion, our net flows for the past six months have been £723 million and adjusted profit before tax is £14.538 million. The success over the past six months means we are declaring a First Interim dividend of 7.0 pence per share, an increase from 5.0 pence last year.

This success has been driven by the quality of our management team, the strength of our fund management capability and the power of our distribution. The rolling 24-hour news service means there is increasing political, economic and market noise. It is vital for our fund managers and the business not to get distracted by this. Our fund management teams have rigorous and robust investment processes to ensure the way they manage money is repeatable and predictable for investors.

Likewise, the business must remain focused, knowing when to take advantage of opportunities and knowing when not to make a decision to do something. We continue to focus on those areas of investment where we believe we can add long-term value for investors, on providing top-quality service for our clients and communicating in a clear and timely manner.

I have decided to retire as Non-executive Chairman of Liontrust at the AGM in 2019. By announcing my retirement now, we can ensure a smooth succession. I will be replaced by Alastair Barbour, who will be an excellent Non-executive Chairman.

I am delighted that over the nine years I have been Chairman we have been able to transform and grow the business so successfully. I would like to thank my fellow Non-executive Directors for their dedication and support. John Ions and Vinay Abrol have done a fantastic job in driving the business forward and putting in place such a strong group of people across the Company.

I will be leaving the Company in excellent hands when I retire next year.

Results

Profit before tax is £7.820 million (2017: £3.138 million (restated – see note 10)).

Adjusted profit before tax was £14.538 million (2017: £12.002 million). Adjusted profit 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 share incentivisation related) expenses and non-recurring (professional fees relating to acquisition, cost reduction, restructuring, share incentivisation and severance compensation related) expenses ("Adjustments"), see note 6 below for a reconciliation of adjusted profit (or loss) before tax.

Dividend

In accordance with the Company's dividend policy, and to create more balance between the First and Second Interim dividends, the Board is declaring a First Interim dividend of 7.0 pence per share (2017: 5.0 pence) which will be payable on 4 January 2019 to shareholders who are on the register as at 30 November 2018, the shares going ex-dividend on 29 November 2018.

The Company has a Dividend Reinvestment Plan ("DRIP") that allows shareholders to reinvest dividends to purchase additional shares in the Company. For shareholders to apply the proceeds of this and future dividends to the DRIP, application forms must be received by the Company's Registrars by no later than 14 December 2018. Existing participants in the DRIP will automatically have the dividend reinvested. Details on the DRIP can be obtained from Link Asset Services on 0371 664 0381 or at www.signalshares.com. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales).

Funds under Management

On 30 September 2018, our AuM stood at £12.045 billion and were broken down by type and process as follows:-

Process	Total (£m)	Institutional (£m)	UK Retail (£m)	Multi-Asset (£m)	Offshore Funds (£m)
Cashflow Solution	1,008	553	334	–	121
Economic Advantage	5,962	397	5,467	–	98
Macro Thematic	261	84	165	–	12
European Income	199	–	199	–	–
Asia	122	–	112	–	10
Sustainable Investment	3,390	30	3,203	–	157
Global Fixed Income	272	–	126	–	146
Multi-Asset	786	–	–	786	–
Indexed	45	–	45	–	–
Total	12,045	1,064	9,651	786	544

On 19 November 2018, our AuM was £11.507 billion.

Chairman's Statement

Funds Flows

The net inflows over the six months to 30 September 2018 are £723 million (2017: £178 million). A reconciliation of fund flows and AuM over the half year is as follows:-

	Total £m	Institutional £m	UK Retail £m	Multi- Asset £m	Offshore Funds £m
Opening AuM - 1 April 2018	10,475	1,144	8,201	700	430
Net flows	723	(134)	707	61	89
Market and Investment performance	847	54	743	25	25
Closing AuM - 30 September 2018	12,045	1,064	9,651	786	544

Fund Performance (Quartile ranking)

	Quartile ranking – Since Launch/ Manager Appointed	Quartile ranking - 5 year	Quartile ranking - 3 year	Quartile ranking - 1 year	Launch Date/ Manager Appointed
Liontrust UK Growth Fund	1	1	1	1	25/03/2009
Liontrust Special Situations Fund	1	1	1	1	10/11/2005
Liontrust UK Smaller Companies Fund	1	1	1	1	08/01/1998
Liontrust UK Micro Cap Fund	1			1	09/03/2016
Liontrust Macro Equity Income Fund	1	3	4	4	31/10/2003
Liontrust Macro UK Growth Fund	2	4	4	4	01/08/2002
Liontrust European Growth Fund	1	1	1	1	15/11/2006
Liontrust Asia Income Fund	2	3	3	4	05/03/2012
Liontrust European Income Fund	4	4	4	4	15/12/2005
Liontrust European Enhanced Income Fund (Hedged)	4	4	4	4	30/04/2010
Liontrust Global Income Fund	4	4	3	3	03/07/2013
Liontrust Monthly Income Bond Fund	1	1	1	1	12/07/2010
Liontrust SF Absolute Growth Fund	3	1	1	1	19/02/2001
Liontrust SF Corporate Bond Fund	1	1	1	2	20/08/2012
Liontrust SF Cautious Managed Fund	1		2	1	23/07/2014
Liontrust SF Defensive Managed Fund	1		1	1	23/07/2014

Chairman's Statement

	Quartile ranking – Since Launch/ Manager Appointed	Quartile ranking - 5 year	Quartile ranking - 3 year	Quartile ranking - 1 year	Launch Date/ Manager Appointed
Liontrust SF European Growth Fund	2	2	3	4	19/02/2001
Liontrust SF Global Growth Fund	4	2	1	1	19/02/2001
Liontrust SF Managed Fund	2	1	1	1	19/02/2001
Liontrust UK Ethical Fund	2	1	1	1	01/12/2000
Liontrust SF UK Growth Fund	2	1	1	1	19/02/2001

Source: Financial Express, total return (income reinvested and net of fees), to 30 September 2018 unless otherwise stated, based on primary share classes. The above funds are all UK authorised unit trusts or UK authorised ICVCs (primary share class). Liontrust FTSE 100 Tracker Fund (index fund) not included. Past performance is not a guide to the future; the value of investments and the income from them can fall as well as rise. Investors may not get back the amount originally subscribed. Quartile rankings correct as at 2 October 2018.

Outlook

We have successfully integrated the Global Fixed Income team into the business, having raised £272 million by 30 September, since they joined at the start of 2018 and have seen increasing demand for and flows into our Sustainable Investment team's funds. Over the past 18 months, these two teams have added to the excellent fund management capability we already had and have further diversified our offering.

With our enhanced distribution and broader client base in the UK and internationally, along with our investment across the business, I am confident Liontrust will continue to grow.

Adrian Collins

Non-executive Chairman

Consolidated Statement of Comprehensive Income

Six months ended 30 September 2018

	Notes	Six months to 30-Sep-18 (unaudited) £'000	Six months to 30-Sep-17 (unaudited) (restated) £'000	Year ended 31-Mar-18 (audited) £'000
Revenue	4	46,326	34,572	76,861
Cost of sales	4	(5,150)	(25)	(50)
Gross profit		41,176	34,547	76,811
Realised profit on sale of financial assets		1	2	3
Unrealised profit on financial assets		–	–	(142)
Contingent consideration on ATI acquisition	10	(44)	(456)	(912)
Administration expenses	5	(33,316)	(30,957)	(63,450)
Operating profit		7,817	3,136	12,310
Interest receivable		3	2	3
Profit before tax		7,820	3,138	12,313
Taxation	7	(1,892)	(954)	(3,590)
Profit for the period		5,928	2,184	8,723
Other comprehensive income		–	–	33
Total comprehensive income		5,928	2,184	8,756
		Pence	Pence	Pence
Basic earnings per share	8	11.81	4.44	17.76
Diluted earnings per share	8	11.39	4.31	16.78

Consolidated Balance Sheet

As at 30 September 2018

	Notes	30-Sep-18 (unaudited) £'000	30-Sep-17 (unaudited) (restated) £'000	31-Mar-18 (audited) £'000
Assets				
Non current assets				
Intangible assets	9	12,514	14,530	13,521
Goodwill	9	11,872	11,872	11,872
Property, plant and equipment		615	263	207
Deferred tax assets		–	–	–
		25,001	26,665	25,600
Current assets				
Trade and other receivables		139,766	48,564	79,080
Financial assets	11	3,411	1,545	2,076
Cash and cash equivalents		21,881	22,619	30,775
Total current assets		165,058	72,728	111,931
Liabilities				
Non current liabilities				
DVBAP liability		(398)	(788)	(918)
Deferred tax liabilities		(804)	(998)	(838)
ATI acquisition related contingent consideration		(2,956)	(2,456)	(2,912)
Total non current liabilities		(4,158)	(4,242)	(4,668)
Current liabilities				
Trade and other payables		(138,600)	(51,831)	(83,104)
Corporation tax payable		–	(58)	(1,403)
Total current liabilities		(138,600)	(51,889)	(84,507)
Net current assets		26,458	20,839	27,424
Net assets		47,301	43,262	48,356
Shareholders' equity				
Ordinary shares		505	495	495
Share premium		19,745	15,796	15,796
Deferred consideration		–	3,959	3,959
Capital redemption reserve		19	19	19
Retained earnings		30,924	26,677	31,853
Own shares held		(3,892)	(3,684)	(3,766)
Total equity		47,301	43,262	48,356

Consolidated Cash Flow Statement

Six months ended 30 September 2018

	Six months to 30-Sep-18 (unaudited) £'000	Six months to 30-Sep-17 (unaudited) £'000	Year ended 31-Mar-18 (audited) £'000
Cash flows from operating activities			
Cash inflow from operations	44,222	48,944	88,032
Cash outflow from operations	(36,816)	(38,835)	(60,783)
Cash (outflow)/inflow from changes in unit trust receivables and payables	(3,155)	4,233	92
Net cash from operations	4,251	14,342	27,341
Interest received	3	2	3
Tax paid	(3,409)	(1,403)	(2,774)
Net cash from operating activities	845	12,941	24,570
Cash flows from investing activities			
Purchase of property, plant and equipment	(490)	(146)	(159)
Acquisition of ATI (net of cash acquired)	–	(929)	(929)
Purchase of financial assets	(1,629)	–	(920)
Sale of financial assets	752	–	–
Purchase of seeding investments	(323)	–	–
Sale of seeding investments	106	54	54
Net cash used in investing activities	(1,584)	(1,021)	(1,954)
Cash flows from financing activities			
Purchase of own shares	(126)	(848)	(930)
Dividends paid	(8,029)	(5,409)	(7,867)
Net cash used in financing activities	(8,155)	(6,257)	(8,797)
Net (decrease)/increase in cash and cash equivalents	(8,894)	5,663	13,819
Opening cash and cash equivalents*	30,775	16,956	16,956
Closing cash and cash equivalents	21,881	22,619	30,775

* Cash and cash equivalents consists only of cash balances.

Consolidated Statement of Change in Equity (unaudited) (restated)

Six months ended 30 September 2018

	Share capital £'000	Share premium £'000	Deferred consideration £'000	Capital redemption £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
Balance at 1 April 2018 brought forward	495	15,796	3,959	19	31,853	(3,766)	48,356
Profit for the period	–	–	–	–	5,928	–	5,928
Total comprehensive income for the period	–	–	–	–	5,928	–	5,928
Dividends paid	–	–	–	–	(8,029)	–	(8,029)
Shares issued	10	3,949	(3,959)	–	–	–	–
Purchase of own shares	–	–	–	–	–	(126)	(126)
Equity share options issued	–	–	–	–	1,172	–	1,172
Balance at 30 September 2018	505	19,745	–	19	30,924	(3,892)	47,301

Consolidated Statement of Change in Equity (unaudited)

Six months ended 30 September 2017

	Share capital £'000	Share premium £'000	Deferred consideration £'000	Capital redemption £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
Balance at 1 April 2017 brought forward	454	–	–	19	28,936	(2,859)	26,550
Profit for the period	–	–	–	–	2,184	–	2,184
Total comprehensive income for the period	–	–	–	–	2,184	–	2,184
Dividends paid	–	–	–	–	(5,409)	–	(5,409)
Shares issued	41	15,796	–	–	–	–	15,837
Deferred consideration - ATI acquisition	–	–	3,959	–	–	–	3,959
Purchase of own shares	–	–	–	–	–	(825)	(825)
Equity share options issued	–	–	–	–	966	–	966
Balance at 30 September 2017	495	15,796	3,959	19	26,677	(3,684)	43,262

Consolidated Statement of Change in Equity (audited)

Year ended 31 March 2018

	Share capital £'000	Share premium £'000	Deferred consideration £'000	Capital redemption £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
Balance at 1 April 2018 brought forward	454	-	-	19	28,936	(2,859)	26,550
Profit for the period	-	-	-	-	8,723	-	8,723
Other comprehensive income	-	-	-	-	33	-	33
Total comprehensive income for the period	-	-	-	-	8,756	-	8,756
Dividends paid	-	-	-	-	(7,867)	-	(7,867)
Shares issued	41	15,796	-	-	-	-	15,837
Purchase of own shares	-	-	-	-	-	(965)	(965)
Deferred consideration - ATI acquisition	-	-	3,959	-	-	-	3,959
EBT share option settlement	-	-	-	-	(58)	58	-
Equity share options issued	-	-	-	-	2,086	-	2,086
Balance at 31 March 2018	495	15,796	3,959	19	31,853	(3,766)	48,356

1 Principal Accounting policies

a) Basis of preparation

This Half Yearly Report is unaudited and does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The financial information for the half years ended 30 September 2018 and 2017 has not been audited or reviewed by the auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The statutory accounts for the year ended 31 March 2018, which were prepared in accordance with International Financial Reporting Standards, comprising standards and interpretations approved by either the International Accounting Standards Board or the International Financial Reporting Interpretations Committee or their predecessors, as adopted by the European Union ("IFRS"), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under s498 of the Companies Act 2006.

The financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Sourcebook and with IAS 34 'Interim Financial Reporting'.

The accounting policies applied in this Half Yearly Report are consistent with those applied in the Group's most recent annual accounts other than the implementation of IFRS9 and IFRS15 as noted in the 2018 annual report and accounts.

Forthcoming accounting standards applicable to the Group

IFRS 16 'Leases' will become applicable from 1 January 2019. The expected impact of these standards is being assessed and further quantitative information will be included within the Group's 2019 Annual Report and Accounts.

2 Alternative Performance measures

The Group assess its performance using a variety of measures that are not defined under IFRS and are therefore termed alternative performance measures ('APM's). The APMs that we use may not be directly comparable with similarly named measures used by other companies.

The Group uses the APM's to present its financial performance, in a manner which is aligned with the requirements of our stakeholders. By presenting these APM's it enables comparison with our peers who may use different accounting policies.

Notes to the Financial Statements

The Group uses the following APM's:

Alternative Performance Measure	Definition	Reconciliation
Adjusted profit before tax	Profit before depreciation, amortisation, non-recurring items* and share incentivisation schemes	Note 6
Adjusted profit before tax is used to present a measure of profitability which excludes the effects of non recurring and non cash items and capital investment (depreciation and amortisation), enabling comparison with our peers and to provide a consistent measure of the businesses performance.		
Adjusted operating profit	Adjusted profit before tax and interest.	Note 6
Adjusted basic earnings per share	Adjusted profit before tax divided by the weighted average number of shares in issue for the period	n/a
Adjusted diluted earnings per share	Adjusted profit before tax divided by the diluted weighted average number of shares in issue for the period	n/a

* Non-recurring items include cost reduction expenses, restructuring costs, acquisition related costs, integration costs, severance compensation and non-recurring legal expenses.

3 Segmental reporting

The Group operates only in one business segment - Investment management.

The Group 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.

Notes to the Financial Statements

4 Revenue from Continuing Operations

	Six months to 30-Sep-18 (unaudited) £'000	Six months to 30-Sep-17 (unaudited) £'000	Year ended 31-Mar-18 (audited) £'000
Revenue			
- Revenue*	46,326	34,514	72,411
- Performance fee revenue	-	58	4,450
Total Revenue	46,326	34,572	76,861

* Following the implementation of IFRS 15 on 1 April 2018 Management Fees are now shown gross, with rebates and commissions disclosed in Cost of Sales

Revenue from earnings includes:

1. Investment management on unit trusts, open-ended investment companies sub-funds, portfolios and segregated account;
2. Performance fees on unit trusts, open-ended investment companies sub-funds, portfolios and segregated accounts;
3. Fixed administration fees on unit trusts and open-ended investment companies sub-funds;
4. Net value of sales and repurchases of units in unit trusts and shares in open-ended investment companies (net of discounts);
5. Net value of liquidations and creations of units in unit trusts and shares in open-ended investment companies sub-funds;
6. Box profits on unit trusts; and
7. Foreign currency gains and losses.

The cost of sales includes:

1. Operating expenses (including but not limited to keeping a record of investor holdings, paying income, sending annual and interim reports, valuing fund assets and calculating prices, maintaining fund accounting records, depositary and trustee oversight and auditors);
2. Rebates paid on investment management fees;
3. Sales commission paid or payable; and
4. External investment advisory fees paid or payable.

Notes to the Financial Statements

5 Administration expenses

	Six months to 30-Sep-18 (unaudited) £'000	Six months to 30-Sep-17 (unaudited) £'000	Year ended 31-Mar-18 (audited) £'000
Employee related expenses			
Director and employee costs	5,001	3,905	9,721
Pension costs	277	318	585
Share incentivisation expense	1,003	1,677	2,929
DBVAP expense ⁽¹⁾	3,309	505	805
Severance compensation	15	1,469	430
	9,605	7,874	14,470
Non employee related expenses			
Members' drawings charged as an expense	13,653	11,127	25,357
Members' share incentivisation expense	436	999	1,296
Member's severance compensation	-	338	339
Professional services ⁽²⁾	821	2,017	5,840
Depreciation, Intangible asset amortisation and impairment	1,090	1,403	2,481
Other administration expenses	7,711	7,199	13,667
Total administration expenses	33,316	30,957	63,450

⁽¹⁾ Includes £2.4 million relating to 2015 DBVAP. The Remuneration Committee chose to settle this award with cash rather than using Liontrust shares held by the Liontrust Asset Management Employee Benefit Trust ("EBT"), so that the EBT holds onto Liontrust shares to reduce future dilution on awards under the Liontrust Long Term Incentive Plan.

⁽²⁾ Includes costs relating to the consolidation of all outsourced fund services for our UK and Ireland ranges into one provider: Bank of New York Mellon (International) Limited.

Notes to the Financial Statements

6 Adjusted profit before tax

Adjusted profit before tax is reconciled in the table below:

	Six months to 30-Sep-18 (unaudited) £'000	Six months to 30-Sep-17 (unaudited) (restated) £'000	Year ended 31-Mar-18 (audited) £'000
Profit for the period	5,928	2,184	8,723
Taxation	1,892	954	3,590
Profit before tax	7,820	3,138	12,313
Share incentivisation expense	1,439	2,676	4,225
Other comprehensive income			33
DBVAP expense ⁽¹⁾	3,309	505	805
Contingent consideration on ATI acquisition	44	456	912
Severance compensation	15	1,807	769
Professional services ⁽²⁾	821	2,017	5,840
Depreciation and Intangible asset amortisation	1,090	1,403	2,481
Adjustments	6,718	8,864	15,065
Adjusted profit before tax	14,538	12,002	27,378
Interest receivable	(3)	(2)	(3)
Adjusted operating profit	14,535	12,000	27,375
Adjusted basic earnings per share	23.47	19.77	45.14
Adjusted diluted earnings per share	22.62	19.17	42.67

⁽¹⁾ Includes £2.4 million relating to 2015 DBVAP. The Remuneration Committee chose to settle this award with cash rather than using Liontrust shares held by the Liontrust Asset Management Employee Benefit Trust ("EBT"), so that the EBT holds onto Liontrust shares to reduce future dilution on awards under the Liontrust Long Term Incentive Plan.

⁽²⁾ Includes costs relating to the consolidation of all outsourced fund services for our UK and Ireland ranges into one provider: Bank of New York Mellon (International) Limited.

7 Taxation

The half yearly tax charge has been calculated at the estimated full year effective UK corporation tax rate of 19% (2017: 19%).

Notes to the Financial Statements

8 Earnings per share

The calculation of basic earnings per share is based on profit after taxation and the weighted average number of Ordinary Shares in issue for each period. The weighted average number of Ordinary Shares for the six months ended 30 September 2018 was 50,180,286 (30 September 2017: 49,168,235, 31 March 2018: 49,125,724). 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 is 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 that were in existence during the six months ended 30 September 2018. The adjusted weighted average number of Ordinary Shares so calculated for the period was 52,061,284 (30 September 2017: 50,719,938, 31 March 2018: 51,977,398). This is reconciled to the actual weighted number of Ordinary Shares as follows:

	30-Sep-18	30-Sep-17	31-Mar-18
Weighted average number of Ordinary Shares	50,180,286	49,168,235	49,125,724
Weighted average number of dilutive Ordinary shares under option:			
– to Liontrust Long Term Incentive Plan	1,704,393	1,173,750	1,463,856
– to the Liontrust Option Plan	–	–	–
– to the DBVAP	176,605	377,953	372,620
– to the Liontrust LMIP	–	–	–
– shares related to the ATI acquisition	–	–	1,015,198
Adjusted weighted average number of Ordinary Shares	52,061,284	50,719,938	51,977,398

9 Intangible assets

Intangible assets represent investment management contracts that have been capitalised upon acquisition and are amortised on a straight-line basis over a period of 5 years or 10 years depending on the type of contracts acquired. The intangible asset on the balance sheet represents investment management contracts as follows:

	30-Sep-18 £'000	30-Sep-17 £'000	31-Mar-18 £'000
Investment management contracts acquired from Argonaut	2,314	3,130	2,721
Investment management contracts acquired from ATI	10,200	11,400	10,800
	12,514	14,530	13,521

10 Restatement

As detailed in Note 13 of the 2018 Annual Report and accounts - Acquisition of Alliance Trust Investments Limited

There is an additional contingent consideration that may become payable if, on the second anniversary of the completion date, the average assets under management managed by the Sustainable Investment team (the investment team acquired pursuant to the Acquisition) for the 3 month period prior to this date is in excess of £3 billion then the Group will pay an additional £3,000,000 in cash to AT Plc.

Based on facts and circumstances known at the previous interim accounting date (30 September 2017) the fair value of the contingent consideration was assessed as nil and no liability recorded. Prior to the year end, with the assets under management having grown considerably, the fair value of this liability was reassessed. Based on the assessment, it was identified that at acquisition date, certain conditions existed which were not previously considered when assessing the fair value of the liability.

Following the completion of the acquisition, the positive fundflows were significantly higher than initially expected. The perception of corporate instability surrounding AT Plc and to what extent it would suppress demand for ATI's retail funds had not been fully considered. UK investment consumer demand for 'Sustainable' investments had been underestimated.

These two factors were considered in the re-evaluation of whether a liability should be recognised on acquisition date. Based on a probability assessment model a measurement period adjustment was recorded at a discounted value of £2,000,000 (£2,175,000 undiscounted value) which increased the Goodwill by a corresponding amount. Further, £175,000 is expected to be recorded over a period of 2 years through the Statement of Comprehensive Income to account for the difference between the discounted and undiscounted values. Further, the balance of £825,000 is recorded through the Statement of Comprehensive Income to reflect that the entire £3,000,000 will be payable.

Goodwill on acquisition is allocated to the Sustainable funds cash generating unit ('CGU'). An assessment was made in relation to impairment of the Goodwill where the recoverable amount was calculated using an earnings model which used key assumptions such as growth rate and discount rate. A reasonably possible change in these assumptions would not result in an impairment.

11 Financial assets

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 held in the manager's box (these are valued at bid price.) and units in the UK Authorised unit trusts and shares in the sub-funds of Liontrust Global Funds Plc held as part of the Liontrust DBVAP.

12 Related party transactions

During the six months to 30 September 2018 the Group received fees from unit trusts under management of £27,428,000 (2017: £22,371,000). Transactions with these unit trusts comprised creations of £659,174,000 (2017: £384,521,000) and liquidations of £284,888,000 (2017: £181,329,000). 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 30 September 2018 the Group owed the unit trusts £105,270,000 (2017: £28,149,000) in respect of unit trust creations and was owed £105,172,000 (2017: £27,360,000) in respect of unit trust cancellations and fees.

During the six months to 30 September 2018 the Group received fees from ICVC's under management of £6,863,000 (2017: £5,284,000). Transactions with these ICVC's comprised creations of £400,039,000 (2017: £542,208,000) and liquidations of £87,615,000 (2017: £243,365,000). Directors can invest in ICVC's managed by the Group on commercial terms that are no more favourable than those available to staff in general. As at 30 September 2018 the Group owed the ICVC's £20,496,000 (2017: £13,859,000) in respect of creations and was owed £20,045,000 (2017: £14,009,000) in respect of cancellations and fees.

During the six months to 30 September 2018 the Group received fees from offshore funds under management of £1,236,000 (2017: £1,087,000). Transactions with these funds comprised purchases of £323,000 (2017: £0) and sales of £106,000 (2017: £54,000). As at 30 September 2018 the Group was owed £254,000 (2017: £177,000) in respect of management fees.

During the six months to 30 September 2018 remuneration paid to key decision makers (the Executive Directors and the Chairman) was £338,000 (2017: £338,000).

13 Key risks

The Directors have identified the risks and uncertainties that affect the Group's business and believe that they will be substantially the same for the second half of the year as the current risks as identified in the 2018 Annual Report. 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 reputational damage and fraud.

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

Management monitor all risks to the business, they record how each risk is mitigated and have warning flags to identify increased risk levels. Management recognise the importance of risk management and view it 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 47 of the 2018 Annual Report and Note 2 "Financial risk management" on page 87 of the 2018 Annual Report.

14 Contingent assets and liabilities

The Group can earn performance fees on some of the segregated and 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 30 September 2018 has not been recognised in the results for the year.

15 Directors' responsibilities

The Directors confirm that this condensed set of interim financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Half Yearly Report herein includes a fair review of the information required by DTR 4.2.7, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and DTR 4.2.8, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could have a material effect on the financial position or performance of the Group in the past six months of the current financial year.

By Order of the Board

John S. Ions
Chief Executive

Vinay K. Abrol
**Chief Operating Officer
and Chief Financial Officer**

22 November 2018

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.

NOTES



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