No: 2954692

# LIONTRUST ASSET MANAGEMENT PLC

**The graphs and photographs have been removed from this set of the report and accounts so that they are in an acceptable format for filing with the Registrar of Companies.**

**Copies of the full published accounts are available:**

**1 from the Company Secretary at 24 Bevis Marks, London EC3A 7NR (Tel: 020 7220 3217) or**

**2 from the Company's offices at 2 Savoy Court, London WC2R 0EZ (Tel: 020 7412 1700)**

## Report and Accounts 2005

Liontrust Asset Management PLC is the holding company of a specialist UK equities 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 over £4 billion in segregated and pooled pension fund accounts, unit trusts, offshore funds, personal equity plans and individual savings accounts on behalf of over 25,000 investors.

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*Five Year Financial Highlights*

**Cost : income ratio** (operating profit before exceptional costs)

***Growth in Funds Under Management***

**Group funds under management (r/h scale) and percentage movement in FTSE All-Share Index (l/h scale)**

**(14th July 1995-31st May 2005)**

## *Directors and Advisers*

**Directors, Registered Office and Company Number:**

Bernard Harry Asher (Non-executive Chairman)

Nigel Richard Legge (Chief Executive)

Vinay Kumar Abrol (Chief Operating Officer)

Jeremy David Lang (Joint Investment Director)

William Thomas Pattisson (Joint Investment Director)

Glyn Vincent Hirsch (Non-executive Director)

James Gerald Sanger (Non-executive Director)

2 Savoy Court, Strand, London WC2R 0EZ.

Registered in England with Company Number 2954692.

**Company Secretary:**

David V. Gibbons, FCIS, 24 Bevis Marks, London EC3A 7NR.

**Auditors:**

PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, London SE1 9SY.

**Tax Advisers:**

Rawlinson & Hunter, Eagle House, 110 Jermyn Street, London SW1Y 6RH.

**Legal Advisers:**

Macfarlanes, 10 Norwich Street, London EC4A 1BD.

**Bankers:**

National Westminster Bank plc, 1 Princes Street, London EC2R 8PB.

Anglo Irish Bank Corporation plc, 10 Old Jewry, London EC2R 8DN.

**Stockbrokers:**

JP Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA.

**Registrars:**

Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

## *Chairman's Statement*

It is pleasing to report another set of good results. The business has made healthy financial progress, although our investment performance has been more mixed than in previous years.

**Bernard Asher**
*Chairman*

Our income is generated in two main ways. We have recurring fees from funds under management which make up our core earnings and we have performance related fees which are only earned if our investment performance on particular funds exceeds agreed benchmarks. Performance fee income is variable, so we focus primarily on 'core' earnings when assessing our progress. Our profits before tax in the year to 31st March 2005 are £10.95 million, up 20% from £9.1 million a year ago. Our control over costs has led to a core cost: income ratio of 63.4%, down from 64.4% last year. Core earnings per share have increased by 4% to 23.64 pence from 22.65 pence last year. The percentage increase in core earnings per share is less than the increase in core profits due to the unusually low tax charge last year. Your board has decided to recommend a final core dividend of 8.75 pence per share, payable on 14th July 2005 to shareholders on the register at 17th June 2005, the shares going ex-dividend on 15th June 2005. With the 2 pence interim dividend already paid, the total core dividend for the full year amounts to 10.75 pence per share, an increase of 43% on last year's 7.5 pence per share. The dividend is covered 2.2 times by core earnings per share.

We earned no performance fees this year whereas last year they contributed £0.34 million, after compensation, to total profits before tax of £9.1 million. Our dividend policy remains to grow our core dividend progressively and, in normal circumstances, pay out any performance related profits as special dividends. This year, because no performance fees were earned, there is no special dividend. Last year the special dividend was 0.75 pence per share, taking the final total dividend to 8.25 pence per share.

On 31st March 2005 funds under management stood at £4.403 billion. On 31st March 2004 funds under management stood at £5.035 billion with £145 million in transition. A net £1.1 billion of pension fund assets were withdrawn in the year to 31st March 2005, while net unit trust sales were £184 million. Our funds under management therefore have decreased by 13% during a year in which the FTSE All-Share index rose 12%. Funds under management on 31st May 2005 stood at £4.369 billion. Average funds under management, at £5.023 billion, were 23% higher than the previous year.

Over the year we averaged 37 employees and core operating profits per employee were £272,000 with core revenues per head at £743,000. This level of productivity is a credit to our staff's hard work and I thank them all enormously.

*Chairman's Statement*

The loss of over £1 billion of institutional pension fund mandates is disappointing but reflects the underperformance against their benchmarks of our Growth and Large Cap. investment processes in the last couple of years. In addition, the continued popularity of hedge funds has hurt. We believe a significant proportion of the assets that have been withdrawn have moved to 'absolute return' investment strategies. It is important to remember, however, that both the Growth and Large Cap. investment processes have good longer term performance records and we are confident that in time they will perform well again.

From a financial perspective the effect of losing the pension fund mandates has been partially offset by the level of unit trust sales on which there is a higher fixed fee. The overall profitability of the business is a function of both margin and funds under management. In addition, the way we are organised has contributed to the increase in profitability.

In current market conditions we believe it is right to focus on delivering good performance from our investment processes. Our other investment products: the Income Fund and Intellectual Capital Trust (i.e. our value and smaller companies investment processes respectively) have performed well and we anticipate further growth.

During the year we explored the possibility of taking the Company private. This was in the context of our emerging plans to expand into new asset classes with new investment teams and individuals but in a way that does not put our existing business at risk. The objective remains to widen our product range; to help achieve this we will need to identify new employee incentive schemes that provide long term rewards for long term performance.

Our market is highly competitive but we remain confident that the strong business model that has made Liontrust successful since 1995 will continue to give us a competitive advantage and provides an excellent platform from which to deliver our strategy. We are excited about moving the business forward and see opportunities to do so. We continue to see a bright future for the Company and all those associated with it.

Our Annual General Meeting will be held in the Beaufort Room at The Savoy Hotel, Strand, London WC2R 0EU at 11.00am Friday 8th July 2005 and I hope many of our shareholders will be with us then.

Bernard Asher,

Chairman.

31st May 2005.

## *Chief Executive's Review*

**Nigel Legge**
*Chief Executive*

This year's review is similar to last year's. I make no apology for this since we are doing the same things today as we were then, for more investors, producing greater profits.

All companies want to increase returns to shareholders over the long term. We believe we can do this best by concentrating on the things we do well and improving on them.

This year's review is presented in five sections.

1. Summary of our principles.
2. Our business model.
3. Measurements of our progress.
4. Summary of this reporting period.
5. The future.

**1. Summary of our principles:**

1.1 To stick to our simple business model of applying our investment processes to funds under management.

1.2 To take in funds for management and maintain margins.

1.3 To preserve the Group's corporate culture.

1.4 To increase profits attributable to shareholders and increase dividends.

1.5 To communicate progress clearly to clients and shareholders.

*Chief Executive's Review*

1.1 **To stick to our simple business model of applying our investment processes to our funds under management.**

- ✓ We concentrate on investment process, compliance, financial control, clients, service and our people.
- ✓ We outsource those administrative functions which are headcount intensive.
- ✓ We apply each investment process to segregated and pooled pension fund accounts, unit trusts and offshore funds, to suit different client types.

1.2 **To take in funds for management and maintain margins.**

- ✓ Professional investors and consulting actuaries are increasingly appointing small focused fund management groups to manage portfolios. We have benefited from this trend.
- ✓ Small focused fund management groups with stable fund management teams are popular due to their clear product differentiation, commitment to limit capacity and focus.
- ✓ Our well defined investment processes are a strong competitive advantage. They have led to good long term performance and have enabled us to resist pricing pressure and thus maintain margins.
- ✓ We believe our well defined investment processes can only remain successful if we accept there is a limit to the size of funds to which they are applied.

1.3 **To preserve the Group's corporate culture.**

- ✓ We encourage individuals to develop their skills and be accountable and responsible for what they do.

✓ We want employees to participate in the financial success of the Company through equity ownership. Equity participation is achieved both through direct equity and share options and is a powerful formula in encouraging individuals to concentrate on increasing shareholder returns. Together, employees own approximately 7% of the Company's equity with a further 12% through options.

✓ We aim for widespread participation in the bonus pool, through the discipline of our compensation policy referred to on page 43. This provides rewards for both individual performance and collective success.

**1.4 To increase profits attributable to shareholders and increase dividends.**

✓ Our objective is to grow our core revenues faster than our costs, thereby reducing our cost: income ratio. Our core cost: income ratio has fallen again this year.

✓ We base our financial plans solely on core earnings, recognising that performance related earnings are likely to be erratic. Core earnings have risen again this year.

✓ We have kept a balance between funds with a fixed fee and those with performance fees. This gives us the opportunity to pay special dividends when our investment performance is particularly good.

We have a progressive core dividend policy, which has led to an increase in core dividend this year.

**1.5 To communicate our progress clearly to shareholders.**

✓ We aim to report our progress transparently.

✓ We highlight the financial ratios by which the progress of the business can be easily measured.

*Chief Executive's Review*

2. **Our business model.**

Many fund management companies are organised along the lines of legal entities. Our business model is different.

- ✓ We apply each investment process to different types of funds. The portfolio for each fund based on the same process is therefore the same.
- ✓ The business is not structured along individual product lines. We only operate subsidiary companies for regulatory reasons.
- ✓ We outsource headcount intensive administrative functions, retaining less headcount intensive functions within the business.

The illustration of our business model overleaf sets out how we are organised:

*Chief Executive's Review*

**3. Measurement of our progress.**

3.1 Long-term investment performance.

3.2 Financial performance of the business.

3.3 Dividends paid to shareholders.

3.4 Funds under management.

3.5 Retention of our staff.

**3.1 Long-term investment performance.**

Our four proprietary investment processes are:

**The Value Dynamic** (published in 2001).

✓ The process, which is applied to all stocks in the FTSE All-Share Index, seeks to achieve a higher total return than the index, to yield more than index linked gilts and to provide an income stream for investors that will grow faster than inflation over a five year period.

✓ The process identifies three types of stock. First, stocks with a dividend yield comfortably above long gilts but with limited growth prospects. Second, stocks with a dividend yield comfortably ahead of index linked gilts and with growth prospects at least as good as inflation. Third, relatively safe stocks on lower yields with good growth prospects.

✓ The chart below shows how the unit trust managed in accordance with The Value Dynamic has performed relative to its benchmark, the FTSE All-Share Index:

**Relative performance of Liontrust First Income Fund since launch.**

*Chief Executive's Review*

**The Large Cap. Process** (published in 1999).

✓ The process, which is applied to the UK stock market's largest 350 stocks, seeks to identify shares that have a combination of improving expectations and news flow – 'winning' stocks – and those shares that have a combination of deteriorating expectations and news flow – 'losing' stocks.

✓ To help achieve this, two quantifiable characteristics are used: three months consensus earnings' forecast revisions (how the average earnings' forecast, of all analysts, for a company is changing) and twelve month share price momentum (a measure of how well a company's shares have done over that period) relative to other shares in the stock market.

✓ The aim is to outperform the FTSE All-Share Index consistently whilst maintaining low volatility.

✓ The chart below shows how the unit trust managed in accordance with The Liontrust Large Cap. Process has performed relative to its benchmark, the FTSE All-Share Index:

**Relative performance of Liontrust First Large Cap. Fund since launch.**

*There are technical differences between the way a segregated account and a unit trust based on the same process perform. Unit trust performance is not identical to segregated accounts.*

**The Cross Report** (published in 1997).

✓ The process, which is applied to stocks predominantly below the UK stock market's largest 350, seeks to identify and invest in small companies which can demonstrate an ability to develop and exploit intangible strengths such as copyright, patents, procedures and culture, usually described as intellectual capital.

*Chief Executive's Review*

✓ As it is employees who create intellectual capital it is important that they are motivated. For investors the best method of financial motivation of employees is often direct equity ownership, ensuring that their interests are precisely aligned with those of outside shareholders.

✓ Academic and statistical evidence demonstrates that companies that motivate employees via equity ownership achieve faster profits growth and higher returns for shareholders than companies that do not.

✓ The aim is to outperform the FTSE Small Cap. (excluding Investment Trusts) Total Return Index.

✓ The chart below shows how the unit trust managed in accordance with The Cross Report has performed relative to its benchmark, the FTSE Small Cap. Index:

**Relative performance of The Liontrust Intellectual Capital Trust since launch.**

*There are technical differences between the way a segregated account and a unit trust based on the same process perform. Unit trust performance is not identical to segregated accounts.*

**The Lang Approach** (published in 1996).

✓ The process, which is applied to all stocks in the FTSE All-Share Index, seeks to identify shares with the greatest likelihood to surprise investors positively with their results.

✓ Our research has shown that a key driver of share price performance is not necessarily a company's ability to deliver good earnings growth, but its ability to surprise the market with its earnings growth.

*Chief Executive's Review*

✓ By studying and understanding a company's previous earnings surprises, or disappointments, it is possible to predict some surprises before they happen.

✓ The aim is to outperform the FTSE All-Share Index by a significant margin with higher volatility than that of The Large Cap. Process.

✓ The chart below shows how the unit trust managed in accordance with The Lang Approach has performed relative to its benchmark, the FTSE All-Share Index:

**Relative performance of Liontrust First Growth Fund since launch.**

*There are technical differences between the way a segregated account and a unit trust based on the same process perform. Unit trust performance is not identical to segregated accounts.*

*Chief Executive's Review*

3.2 **Financial performance of the business.**

Table (a) below shows the split in revenues between core and performance related earnings:

**Table (a)**

| | Core earnings £'000 | Performance related £'000 | Total 31st March 2005 £'000 | Core earnings £'000 | Performance related £'000 | Total 31st March 2004 £'000 |
|---|---|---|---|---|---|---|
| Turnover | 27,499 | – | 27,499 | 23,723 | 762 | 24,485 |
| Staff compensation | (13,272) | – | (13,272) | (10,944) | (419) | (11,363) |
| Other operating costs | (4,172) | – | (4,172) | (4,327) | – | (4,327) |
| | 10,055 | – | 10,055 | 8,452 | 343 | 8,795 |
| Exceptional costs | | | – | | | (189) |
| Operating profit | | | 10,055 | | | 8,606 |
| Interest | | | 896 | | | 464 |
| Profit before tax | | | 10,951 | | | 9,070 |

...profits... ✓ In a period when the average level of the FTSE All-Share Index rose by 12%, our core revenue increased by 16%, core costs by only 14% although non-people costs fell and core operating profits rose by 19%.

...cost: income... ✓ Our cost: income ratio during the year to 31st March 2005, based on core earnings (excluding exceptional costs), fell from 64.4% to 63.4%.

...compensation... ✓ The largest component of our costs, in common with other service companies, is staff compensation. We have kept our compensation costs as a percentage of pre-compensation profits at the same level as last year.

...performance fees... ✓ We earned no performance fees this year. Table (b) below analyses fees earned between amounts brought forward from previous periods and amounts relating to the current year. It also discloses the amounts calculable at each year end but deferred until the next time a performance fee is collectable.

*Chief Executive's Review*

Table (b)

| | Year to 31st March 2005 (£'000) | Year to 31st March 2004 (£'000) | Year to 31st March 2003 (£'000) |
|---|---|---|---|
| Current year | – | 762 | 6,967 |
| Brought forward from previous years | – | – | 1,665 |
| Interest | – | – | 56 |
| Performance fee income | – | 762 | 8,688 |
| Deferred performance fees | – | 1,285 | 1,379 |

All the pension fund accounts where deferred performance fees were carried forward from last year terminated our appointment during the course of the year. Under the terms of the relevant investment management agreements, final calculations were carried out to the termination date to determine if any of the deferred performance fees were due. In all cases no deferred performance fees were due on termination.

...efficiency...

✓ Changes in revenues, costs, margins, operating profits, earnings per share, dividends and cost: income ratio are all measures of our financial progress. This year again we have become more efficient in converting revenues into profits and have increased the core dividend paid to shareholders, through profits growth.

...ratios...

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

*Chief Executive's Review*

Table (c)

| | Year to 31st March 2005 | Year to 31st March 2004 | Year to 31st March 2003 | Year to 31st March 2002 | Year to 31st March 2001 |
|---|---|---|---|---|---|
| Core operating profit (£'000) (1) | 10,055 | 8,452 | 4,254 | 3,215 | 2,798 |
| Core cost: income ratio (%) (1) | 63 | 64 | 69 | 69 | 69 |
| Core earnings per share (pence) (1) | 23.64 | 22.65 | 10.20 | 7.52 | 6.59 |
| Core dividend (pence) | 10.75 | 7.5 | 4.0 | 3.0 | 0.5 |
| Dividend cover | 2.20 | 3.02 | 2.55 | 2.51 | 13.18 |
| Growth in core revenue (%) | 16 | 73 | 31 | 14 | 35 |
| Growth in total core operating costs (%) (1) | 14 | 61 | 31 | 14 | 26 |
| Change in other operating costs (%) (2) | (4) | 11 | 28 | 19 | 32 |
| Growth in core operating profit (%) (1) | 19 | 99 | 32 | 15 | 61 |
| Performance related profit (£'000) | – | 343 | 3,865 | 2,132 | 2,443 |
| Performance related earnings per share (pence) | – | 0.74 | 8.49 | 4.51 | 5.20 |
| Performance related dividend (pence) | – | 0.75 | 8.25 | 4.50 | n/a |
| Funds under management (£m) | 4,403 | 5,035 | 2,569 | 1,768 | 1,276 |
| Average headcount | 37 | 43 | 41 | 35 | 31 |
| Total compensation as % of pre-compensation profit | | | | | |
| Including Absolute Return Fund (3) | 55.2 | 55.5 | 55.6 | n/a | n/a |
| Excluding Absolute Return Fund (3) | 55.0 | 55.0 | 55.0 | 55.0 | 56.9 |
| Funds under management per head (£m) | 119.0 | 117.1 | 62.6 | 50.5 | 41.2 |
| Core revenue per head (£'000) | 743 | 552 | 335 | 299 | 296 |
| Core operating costs per head (£'000) (1) | 471 | 355 | 231 | 207 | 206 |
| Core operating profits per head (£'000) (1) | 272 | 197 | 104 | 92 | 90 |
| Average funds under management (£m) | 5,023 | 4,076 | 2,120 | 1,471 | 1,155 |
| Core revenue as % of average funds under management | 0.55 | 0.58 | 0.65 | 0.71 | 0.79 |
| Core operating profit before tax as % of average funds under management | 0.20 | 0.21 | 0.20 | 0.22 | 0.24 |
| Total revenue as % of average funds under management | 0.55 | 0.60 | 1.06 | 1.03 | 1.28 |
| Total profit before tax as % of average funds under management | 0.22 | 0.22 | 0.40 | 0.37 | 0.47 |

*(1) Excluding exceptional costs.*

*(2) Excluding staff costs.*

*(3) Liontrust Absolute Return Fund was liquidated in March 2005.*

*Chief Executive's Review*

**(i) Growth in core operating profit.**

✓ The growth in core operating profit is shown in the chart below.

✓ Core operating profit grew by 19% in the year to March 2005.

**(ii) Core revenue and core operating profit per head.**

✓ Core revenue and core operating profit per head, as shown in the chart below, indicates whether our people are becoming more or less efficient.

✓ The chart below shows an upward trend over the last five years, indicating increased efficiency.

**Core revenue and core operating profit per head (£'000)**

(before exceptional costs)

**(iii) Operating profit as a percentage of average funds under management.**

✓ As it is funds under management that generate our revenues we monitor core and total operating profit as a percentage of average funds under management.

✓ Core operating profit as a percentage of average funds under management was 0.20% compared with 0.21% last year. Total and core profits as a percentage of average funds under management are the same as no performance fees were earned.

**3.3 Dividends paid to shareholders.**

✓ It is our intention to grow our core dividend progressively.

*Chief Executive's Review*

✓ We believe in aligning the interests of employees with those of shareholders. When the Group earns performance related income, employees share in the rewards through the bonus pool and we believe that, in the absence of specific requirements to retain additional cash, shareholders should participate in these rewards through the payment of special performance dividends. This year, because no performance fees were earned, there is no special dividend.

**3.4 Funds under management.**

✓ Average funds under management over the year were up 23% at £5.023 billion, although actual funds under management at year end had fallen by 13% whilst the FTSE All-Share Index rose by 12%. This was due, for the most part, to the withdrawal of £831 million of pension fund mandates at our year end.

✓ We regard the fees earned on funds under management as more important than either the funds under management themselves, or how they break down by product.

✓ Maximising total margins on funds under management is important. We believe accepting large amounts of business at low fixed margins is not in the best long term interests of shareholders.

✓ The split of our funds under management by product, as shown below, can be expected to change over time.

*Chief Executive's Review*

Funds under management 31st March 2005: **£4.403 billion**

Funds under management 31st March 2004: **£5.035 billion**

(with a further £145 million of funds in transition)

**3.5 Retention of our staff.**

✓ We believe that staff are less likely to leave if they enjoy their working environment. Our small firm culture is an essential part of providing an environment in which people are happy. However, financial incentives are also important and three years ago we introduced an options package as incentivisation.

*Chief Executive's Review*

**4. Summary of this reporting period.**

✓ The Liontrust business model is straightforward, robust and efficient.

✓ We have grown our revenues and controlled our costs.

✓ Core operating profit has risen by 19% and the core dividend is up 43% at 10.75 pence per share.

✓ Profitability per employee has risen by 38%.

✓ Our Small Cap. process has outperformed its benchmark during the financial year while our Large Cap., Value and Growth processes have underperformed. All four investment processes have outperformed since inception.

✓ Average funds under management over the year were up 23% at £5.023 billion, although actual funds under management at year end had fallen by 13% whilst the FTSE All-Share Index rose 12%.

✓ Shareholders' funds rose by 42% to £13.29 million.

**5. The Future.**

As our Chairman reported, our strategy is to expand into new asset classes with new investment teams and individuals. We plan to do this in a way that does not put our existing business at risk. Of our 38 members of staff currently only eight are employed in the fund management function. We believe that we can grow the assets we manage in new asset classes with similar numbers of investment professionals in each asset class. Each class will need to be scaleable and suitable for both the retail and institutional markets. We want the planned increase in fund management capability to complement our existing skills.

This strategy, we believe, provides our business with excellent prospects for the future and we look forward to making a start on implementing it in the year ahead.

*Chief Executive's Review*

In tandem with this we will continue to explore the most efficient ways in which to incentivise both the new and existing teams to deliver the strategy and maximise the benefits of it to shareholders, employees and clients alike.

Finally, we thank all clients who have continued to support us and for continuing to trust us with their money.

Nigel Legge,

Chief Executive.

31st May 2005.

*Directors*

**Bernard Asher**, 69, (Non-executive Chairman). Joined the board in April 2004 and appointed Chairman in July 2004. Bernard was in banking for twenty years with HSBC as a director of the holding company and chairman of HSBC Investment Bank plc. Between 1998 and 2004 he was non-executive vice chairman of Legal & General Group Plc. He is also a non-executive director of other listed companies and of the London School of Economics and The Health Foundation.

**Nigel Legge**, 47, (Chief Executive). Joined the board in February 1995. Nigel co-founded Liontrust in 1994. Between 1988 and 1994 he was at HSBC Asset Management Limited, latterly as Managing Director of their European retail business, and prior to that was at Henderson Administration.

**Vinay Abrol**, 40, (Chief Operating Officer). Joined the board in September 2004. Vinay is responsible for overseeing all information technology and operations of the Group. Following the resignation of Andrew Yates as Finance Director on 24th March 2005, Vinay added the role of Chief Financial Officer to his current responsibilities as Chief Operating Officer. After obtaining a first class degree in computing science from Imperial College of Science and Technology, Vinay worked for W.I. Carr (UK) Limited specialising in the development of equity trading systems for their Far East subsidiaries, and then at HSBC Asset Management (Europe) Limited where he was responsible for global mutual funds systems. Following a short period at S.G. Warburg and Co. he joined Liontrust in 1995.

*Directors*

**Jeremy Lang**, 40, (Joint Investment Director). Joined the board in July 1997. Jeremy is jointly responsible for overseeing all investment management operations. Between 1986 and 1991 he was an investment manager at James Capel Fund Managers Limited managing North American and Latin American equity portfolios.

**William Pattisson**, 41, (Joint Investment Director). Joined the board in June 1999. William is jointly responsible for overseeing all investment management operations. Between 1994 and 1999 he was at Fleming Investment Management Limited, latterly as head of the UK equities team. Between 1986 and 1994 he was an investment manager at James Capel Fund Managers Limited managing UK and US equity portfolios.

**Glyn Hirsch**, 43, (Non-executive Director). Joined the board in June 1999. Glyn holds a number of executive and non-executive directorships with both public and private companies including Glotel plc, Raven Mount plc and HHK plc. 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.

**James Sanger**, 66, (Non-executive Director). Joined the board in June 1999. Having read law at Worcester College, Oxford, he qualified as a Chartered Accountant and has an MBA degree from Harvard Business School, USA. Jim worked on the management side of Associated Newspapers Group Ltd before being appointed a director of Henderson Administration responsible for the asset management side of its activities. His subsequent career has encompassed Far East trading with Blyth Greene Jourdain & Co Limited, consumer goods with James Burrough plc, industrial management with Tomkins plc, and electronics with Peek plc. A member of the Supervisory Board of Articon-Integralis AG, he is also a non-executive director of a number of venture capital backed companies and charitable organisations.

*Directors' Report*

The Directors present their report and the audited accounts of Liontrust Asset Management PLC.

**Principal activity**

Liontrust Asset Management PLC is a holding company whose shares are quoted on the Official List of the London Stock Exchange. It has five wholly owned subsidiaries: Liontrust Investment Funds Limited, a financial services organisation managing unit trusts, authorised and regulated by the Financial Services Authority; Liontrust Investment Services Limited, a financial services organisation offering investment management services to professional investors directly and through investment consultants, which is authorised and regulated by the Financial Services Authority; Liontrust International (Guernsey) Limited, incorporated in Guernsey, a financial services organisation managing investment funds, which operates under licence from the Guernsey Financial Services Commission; Liontrust International (Cayman) Limited, registered in the Cayman Islands, a financial services organisation; and Liontrust Management Services Limited which employs all staff members.

**Results and dividends**

The consolidated net profit before tax for the year to 31st March 2005 was £10,951,000. (Year to 31st March 2004: £9,070,000.)

An interim dividend of 2.0 pence per share was paid on 20th November 2004. (November 2003: 1.5 pence per share.) The Directors recommend a final dividend of 8.75 pence per share, which will be proposed at the Company's Annual General Meeting on 8th July 2005. If approved this will be paid on 14th July 2005 to all shareholders on the register as at 17th June 2005. The shares will go ex-dividend on 15th June 2005.

**Review of the business and future developments**

A review of the business and future developments is set out in the Chairman's Statement and Chief Executive's Review on pages 6 and 7 and 8 to 25 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 31st March 2005.

*Directors' Report*

### Donations

The Company made charitable donations during the year amounting to £2,904 (2004: £2,987), but made no political donations.

### Directors

The Directors of the Company during the year were as follows. Their interests in the share capital of the Company at 31st March 2005 are set out in the Directors' Remuneration Report on page 46.

B.H. Asher (appointed 28th April 2004 and elected Chairman 6th July 2004)

W.E.S. Carey (resigned 6th July 2004)

N.R. Legge

V.K. Abrol (appointed 14th September 2004)

J.D. Lang

W.T. Pattisson

A.J.V. Yates (resigned 24th March 2005)

G.V. Hirsch

J.G. Sanger

M.E. Winser (resigned 6th July 2004)

### *Share capital and substantial interests*

The issued share capital of the Company was increased as set out below in respect of the exercise of options under the Liontrust Savings-Related Share Option Scheme:

| *Date* | *No. of Shares* | *Pence per Share* |
|---|---|---|
| 1st February 2005 | 152,614 | 154.80 |
| 1st February 2005 | 3,921 | 288.67 |
| 8th February 2005 | 658 | 288.67 |
| 15th March 2005 | 329 | 288.67 |

Renewal of the Company's power to purchase its own shares will be sought at the Annual General Meeting on 8th July 2005. 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.

*Directors' Report*

The following substantial shareholdings comprising 3% or more of the Company's issued ordinary share capital had been notified to the Company as at 31st May 2005:

| | *Ordinary 1 pence Shares* | *Percentage* |
|---|---|---|
| Schroder Investment Management Limited | 3,871,319 | 11.01 |
| Fidelity International Limited | 3,288,585 | 9.35 |
| Morley Fund Management Limited | 2,086,140 | 5.93 |
| AEGON Asset Management UK plc | 1,665,618 | 4.74 |
| Merseyside Pension Fund | 1,425,000 | 4.05 |
| Legal & General Investment Management Limited | 1,386,533 | 3.94 |
| Scottish Widows Investment Participation Limited | 1,162,185 | 3.31 |

**Acquisition of own shares**

Under Resolution 10 of the Annual General Meeting held on 6th July 2004, the shareholders authorised the Company to purchase its own shares pursuant to section 166 of the Companies Act 1985. This authority is limited to the maximum number of 5,250,000 ordinary shares of 1 pence each (equivalent to approximately fifteen per cent of the issued share capital of the Company). This authority expires at this year's Annual General Meeting of the Company or 31st July 2005 (whichever is the earlier). The maximum price that may be paid for an ordinary share will be the amount that is equal to 105 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.

Since the authority was obtained, no ordinary shares of 1 pence each have been purchased by the Company. As at 31st March 2005 authority for the Company to purchase its own shares remained valid over 5,250,000 ordinary shares of 1 pence each.

**Corporate governance**

A report on corporate governance appears on pages 33 to 41.

**Corporate social responsibility**

The Board recognises the Company's impact, responsibilities and obligations on and towards society and aims to reduce environmental risk. Given the Company's nature of business, there are limited opportunities to directly impact the environment in any significant manner. Nevertheless, the Company does have a proactive stance to recycling office consumables.

*Directors' Report*

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 31st March 2005 comprise cash, liquid short-term investments and debtor and creditor balances that arise directly from its daily operations.

Debtors 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.

Short-term investments are unit trust units held in the 'manager's box' to ease the calculation of daily creations and cancellations. Box positions are not used to create speculative proprietary positions but are managed in accordance with specified criteria and authorisation limits. At 31st March 2005 the Group held £315,000 (2004: £197,000) of such box positions, valued at the bid price on that day, and was exposed to market price risk in respect of these holdings.

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 weekly deposits.

The Group does not hold any financial assets or liabilities denominated in foreign currencies and there is no exposure to movements in currency exchange rates.

**Annual General Meeting**

The tenth Annual General Meeting of the Company will be held in the Beaufort Room at The Savoy Hotel, Strand, London WC2R 0EU on Friday 8th July 2005 at 11am. A notice convening this Meeting can be found on pages 72 to 75.

*Directors' Report*

**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 Annual General Meeting.

**By order of the Board**

David V. Gibbons, Secretary.

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

31st May 2005.

*Corporate Governance*

**Compliance with the provisions of the Combined Code**

The Group complied throughout the year with the provisions of section 1 of the new Combined Code and with the Schedules except with respect to:

- ✓ a meeting of the non-executive directors without the Chairman present to appraise the Chairman's performance (Code A.1.3);
- ✓ the appointment of a senior independent director (Code A.3.3); and
- ✓ a formal evaluation of the Board's performance (Code A.6.1).

**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.

The division of responsibilities between Bernard Asher, Chairman, and Nigel Legge, 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, liaising as necessary with the Chief Executive on developments between meetings of the Board, 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 is responsible to the Board for the executive management of the Group and for liaising with the Chairman and keeping him informed on all material matters.

The day to day management of the business is delegated to the executive directors who meet formally once a fortnight. Additionally, a management committee, comprising functional heads or their representatives, meets every two weeks.

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

*Corporate Governance*

The Board met nine times during the year. Seven Board meetings were scheduled before the start of the year and two Board meetings were arranged 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

Details of the appointments and retirements can be found on page 29 and biographical details of all current directors can be found on pages 26 and 27. Attendance at meetings of the Board and the Audit, Nomination and Remuneration Committees is shown in the table on page 42.

Given the short period during which the Chairman has been in office, the directors considered that it was too early for a productive meeting to appraise the Chairman's performance or for the whole Board to undertake a full, formal evaluation of its performance or of all of its committees or the individual directors. It is anticipated that these activities will take place during the ensuing year.

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

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

The Board considers that all the non-executive 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 bring objectivity and independent judgement to the Board and complement the executive directors' skills, experience and detailed knowledge of the business.

The Chairman met the independence criteria in the Combined Code on his appointment in 2004. There have been no changes to his external commitments in the year which might affect his responsibilities to the Group. None of the executive directors are on the board of a FTSE 100 Index constituent company.

*Corporate Governance*

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, including the Chairman, 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 appropriate insurance cover in respect of legal action against its directors and officers.

**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 the introduction of International Financial Reporting Standards and 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 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 42 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 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 Committee assists the Board in its presentation of the Company's financial results and position through its review of the interim and full year accounts 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 & Accounts. 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 Head of Risk Management to the Board in respect of compliance assurance work undertaken;
- ✓ reports to the Board in respect of the management of, and results of visits to, third parties to whom functions have been outsourced; and
- ✓ 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.

**Internal audit**

The Board considered the need to establish a separate internal audit function. However, it was decided that under the direction of the Head of Risk Management, 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 & Accounts. 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, are available upon request from the Company Secretary.

**Directors' responsibilities**

The directors are required to ensure that adequate accounting records are maintained so as to disclose at any time, and with reasonable accuracy, the financial position of the Group. They are also responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

*Corporate Governance*

They must present financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing such financial statements, they are required to:

- ✓ select suitable accounting policies and then apply them consistently;
- ✓ make judgements and estimates that are reasonable and prudent;
- ✓ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ✓ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**Basis of accounts**

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

**International Financial Reporting Standards**

All UK listed groups, for accounting periods starting after 1st January 2005, will have to prepare financial statements in accordance with International Financial Reporting Standards ('IFRS'). For the Company, this will be the year ending 31st March 2006. In preparation for this, the International Accounting Standards Board has been re-examining IFRS and the differences with individual countries' accounting standards so as to develop standards the whole international community can adopt and support. As part of this process, the UK's Accounting Standards Board have reissued or re-drafted a number of accounting standards in the UK to bring them into line with international standards. We will continue to keep our accounting policies under review and work towards implementation of IFRS.

IFRS 2, 'Share Based Payments', is the standard that will have the greatest impact on the Group's results for the year to 31st March 2006. This standard will require an expense to be recognised in respect of options granted to employees after 7th November 2002, such expense to be amortised over the period that the Group benefits from the employees' service. Our initial analysis, which will be finalised in the coming months, indicates that the total expense to be recognised in respect of options granted up to March 2005 will be just under £3 million. Approximately £2 million of this will need to be recognised by March 2006: just over £1 million as a 'prior year adjustment' and just under £1 million for the year to 31st March 2006.

This 'expense' is based on the estimated 'value' of the option at the date of grant and requires assumptions to be made in respect, inter alia, of share price volatility, future dividends, time to exercise and prospective lapses of options. One likely outcome of this is that the expense recognised through the Profit and Loss Account will not equate with the gain actually received by the option holders. This, inevitably, will give rise to a difference between the accounting expense and the tax-deductible expense. Another anomaly is that the 'expense' recognised through the Profit and Loss Account will never result in cash outflow from the business, but can only result in cash inflows, from the payment of the option exercise price. Furthermore, whereas the impact on shareholders is currently assessed via the potential dilution of earnings per share, in future there will be a "double whammy" effect on shareholders. Not only will a diluted earnings per share figure be reported, but the earnings on which this measure is based will already have been reduced by the expensing of the options.

The full effect of reporting under IFRS as it will be applied and reported on in the Group's first financial statements post IFRS may be subject to change. This is because there is a possibility that further standards and interpretations may be issued which may apply to the Group's first financial statements after the introduction of IFRS. In addition, different practice might develop with regard to the interpretation and application of the standards between now and the Group's first financial statements post IFRS.

**Report of the Audit Committee**

The membership of the Audit Committee and the attendance record of directors during the year are shown in the table on page 42. All members of the Committee are independent non-executive directors. All members have recent and relevant financial experience; Messrs Sanger and Hirsch are Chartered Accountants.

The Committee met three times for scheduled meetings during the year. The former Finance Director was a regular attendee. Other members of executive management are also invited to attend from time to time, as is the Head of Risk Management.

*Corporate Governance*

**Principal duties**

The Committee's principal duties are as follows:

✓ to 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;

✓ to keep under review the scope, results and cost effectiveness of the audit and the independence of the external auditors; and

✓ to assist the Board in its presentation of the Company's financial results and position through its review of the interim and full year accounts 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 available upon request from the Company Secretary.

**External auditors**

The 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 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. In order to maintain their independence, such appointments are only made when the 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 Board has accepted the Committee's recommendation that a resolution be put to the 2005 Annual General Meeting for the reappointment of PricewaterhouseCoopers LLP as external auditors.

*Corporate Governance*

**Report of the Nomination Committee**

The membership of the Nomination Committee and the attendance record of directors during the year are shown in the table on page 42. The Committee did not meet in the year under review.

**Principal duties**

The 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 Committee considers the leadership needs and succession planning of the Board when making decisions on new appointments.

The terms of reference of the Committee, which explains its role and the authority delegated to it by the directors, are available 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.

**By order of the Board**

David V. Gibbons, Secretary.

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

31st May 2005.

*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 31st March 2005 is as follows:

| | Board | Audit Committee | Remuneration Committee |
|---|---|---|---|
| *Total number of meetings during the year* | *9* | *3* | *3* |
| B.H. Asher (1) | 8/9* | 2/2 | 2/2 |
| W.E.S. Carey (2) | 0/3 | – | – |
| N.R. Legge | 9/9 | – | – |
| V.K. Abrol (3) | 6/6 | – | – |
| J.D. Lang | 9/9 | – | – |
| W.T. Pattisson | 8/9 | – | – |
| A.J.V. Yates (4) | 8/9 | – | – |
| G.V. Hirsch | 9/9 | 3/3 | 3/3* |
| J.G. Sanger | 9/9 | 3/3* | 3/3 |
| M.E. Winser (5) | 2/2* | 1/1 | 1/1 |

*Chairman of the Board or Board Committee.

**Notes**

(1) B.H. Asher was elected Chairman of the Board and appointed to the Audit, Nomination and Remuneration Committees on 6th July 2004.

(2) W.E.S. Carey resigned as a Director on 6th July 2004.

(3) V.K. Abrol was appointed as a Director on 14th September 2004.

(4) A.J.V. Yates resigned as a Director on 24th March 2005.

(5) M.E. Winser retired from the Board (and as Chairman) and the Audit, Nomination and Remuneration Committees on 6th July 2004.

*The Nomination Committee did not meet during the year. Its members are B.H. Asher (Chairman), N.R. Legge, G.V. Hirsch and J.G. Sanger.*

*Directors' Remuneration Report*

**Composition and policy**

The membership of the Remuneration Committee and the attendance record of directors during the year are shown in the table on page 42. All members of the Committee are independent non-executive directors. The terms of reference of the Committee, which explains its role and the authority delegated to it by the Board of Directors, are available upon request from the Company Secretary.

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

The remuneration of the Joint Investment Directors is determined by their employment contracts as disclosed in the flotation prospectus dated 14th July 1999, therefore the Committee is primarily concerned with the remuneration of the other executive directors. In addition, the Committee has regard to pay and conditions for other employees in the Group, especially the arrangements for directors of subsidiary companies who are not directors of the Company.

Levels of pay reflect the competitive environment in which the Group operates and the need to attract, retain and motivate key personnel. Consequently the Group's policy is to pay competitive salaries to all its employees. However, as disclosed in the flotation prospectus, total compensation paid to staff (including all remuneration paid to investment managers) was targeted to fall from 65% for the period immediately preceding flotation to 55% of pre-compensation profit in the year to 31st March 2002. This target was achieved and has been maintained in the year to 31st March 2005, as extended to include the management of the Liontrust Absolute Return Fund launched in September 2002. It is the compensation ratio that determines whether there is a bonus pool available to employees, and if so, how large the bonus pool is. The bonus pool is then distributed between employees, including the executive directors (but excluding the Joint Investment Directors) on a discretionary basis. The Remuneration Committee's allocation of bonus to the *executive directors reflects their contribution to the success of the business during the year.*

The Board itself determines the remuneration of the non-executive directors of the Company, including the Chairman, each of whom abstains in respect of matters relating to his own position.

To ensure that the Company's rates of remuneration are competitive, the Committee takes account of publicly available market data within the confines of the compensation ratio.

*Directors' Remuneration Report*

The Committee's policy for payment of compensation for loss of office is based on the relevant contractual terms of employment.

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.

*Directors' Remuneration Report*

The information presented in those tables marked 'auditable' is audited by the independent auditors, PricewaterhouseCoopers LLP, whose report is presented on pages 51 and 52.

**Directors' detailed emoluments (auditable)**

| | *Salary and guaranteed bonus £'000* | *Bonus £'000* | *Benefits in kind £'000* | *Fees and commission £'000* | *Compensation for loss of office £'000* | *Total for year to 31st March 2005 £'000* | *Total for year to 31st March 2004 £'000* |
|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | |
| N.R. Legge | 250 | 255 | 15 | – | – | 520 (7) | 491 |
| V.K. Abrol (1) | 82 | 240 | 5 | – | – | 327 (7) | – |
| J.D. Lang | 65 | – | 7 | 2,429 (2) | – | 2,501 | 2,260 |
| W.T. Pattisson | 500 | – | 7 | 1,886 (2) | – | 2,393 | 2,165 |
| A.J.V. Yates (3) | 155 | 205 | 9 | – | 255 | 624 (7) | 347 |
| W.E.S. Carey (4) | 66 | – | 4 | – | 721 | 791 (7) | 493 |
| **Non-executive** | | | | | | | |
| B.H. Asher (5) | – | – | – | 42 | – | 42 | – |
| G.V. Hirsch | – | – | – | 25 | – | 25 | 17 |
| J.G. Sanger | – | – | – | 25 | – | 25 | 17 |
| M.E. Winser (6) | – | – | – | 13 | – | 13 | 34 |
| | 1,118 | 700 | 47 | 4,420 | 976 | 7,261 | 5,824 |

**Notes**

(1) Appointed on 14th September 2004.

(2) In accordance with contract of employment as disclosed in the flotation prospectus dated 14th July 1999.

(3) Resigned 24th March 2005.

(4) Resigned 6th July 2004.

(5) Appointed 28th April 2004.

(6) Resigned 6th July 2004.

(7) N.R. Legge, V.K. Abrol, A.J.V. Yates and W.E.S. Carey each exercised options over 10,901 shares at 154.8 pence on 1st February 2005. The share price on that date was 330 pence and each of these Directors made a gain of £19,099.

Benefits in kind comprise private medical insurance and car allowances.

*Directors' Remuneration Report*

**Directors' share interests**

The interests of the directors and their families in the share capital of the Company at 31st March 2005 were as follows:

| | *Ordinary 1 pence shares held at 31st March 2005* | *Ordinary 1 pence shares held at 31st March 2004* |
|---|---|---|
| B.H. Asher | 1,600 | 1,600 (1) |
| N.R. Legge | 892,777 | 880,378 |
| V.K. Abrol | 404,597 | 392,792 (2) |
| J.D. Lang | 93,120 | 93,120 |
| W.T. Pattisson | 93,120 | 93,120 |
| G.V. Hirsch | 8,000 | 8,000 |
| J.G. Sanger | 40,000 | 40,000 |

(1) As at date of appointment, 28th April 2004.

(2) As at date of appointment, 14th September 2004.

Changes to the directors' interests between 1st April 2005 and 31st May 2005 were increases in the beneficial interests of N.R. Legge and V.K. Abrol of 278 shares each through participation in the Employee Share Ownership Plan, an all employee share plan established in April 2001.

**Share schemes**

The Group has adopted a Savings-Related Share Option Scheme and an Employee Share Ownership Plan.

*The Company's Savings-Related Share Option Scheme is open to all qualifying Group employees,* including the executive directors of the Company. Under the terms of the Scheme, employees commit to a monthly savings plan over three or five years. Options are granted to acquire the number of shares that the total savings will buy when the savings contract matures. 157,522 shares were acquired during the current year on the maturity of various savings contracts. The exercise price is determined by calculating the higher of either the nominal value of an ordinary share or 80% of the middle market quotation of the ordinary shares for three days immediately preceding the date on which invitations to apply for such options were made. The option price to participants on 1st September 2004 was 276 pence. The maximum number of shares that may be applied for under these arrangements is 54,345 (2004: 200,791 shares).

The Employee Share Ownership Plan, established in April 2001, allows all staff to contribute part of their monthly salary to the Plan which will buy, and hold, shares in the Company on their behalf.

*Directors' Remuneration Report*

**Share options**

As approved at the Annual General Meeting in July 2002 the Company introduced the Liontrust Enterprise Management Incentive Scheme ("the Scheme"). The Scheme is designed to provide a potentially rewarding incentive if challenging performance targets are met. The Scheme operates in conjunction with the Liontrust Asset Management Employee Trust on the basis that 50% of options will be satisfied by the issue of new ordinary shares and 50% by the purchase 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 Scheme on the initial grant of options is that over the first three financial years of the Company following the grant, there must be an increase in the diluted earnings per share (core) of the Company ("EPS") of 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.

*Directors' Remuneration Report*

On 16th December 2004 options under the Scheme were granted to all staff, excluding each of the executive directors, at 290 pence per share. The options granted to the executive directors have been as follows:

**Executive directors' share options (auditable)**

| Director | 1st April 2004 | Options granted | Options exercised | Lapsed | 31st March 2005 | Exercise price (pence) | Issue date | Scheme |
|---|---|---|---|---|---|---|---|---|
| N.R. Legge | 10,901 | – | 10,901 | – | – | 154.8 | 29th Dec 1999 | SRSOS |
| | 125,391 | – | – | – | 125,391 | 287.5 | 29th Jul 2002 | LEMIS 1 |
| | 23,066 | – | – | – | 23,066 | 417.5 | 26th Jun 2003 | LEMIS 2 |
| | 21,640 | – | – | – | 21,640 | 445.0 | 5th Nov 2003 | LEMIS 3 |
| V.K. Abrol | 10,901 | – | 10,901 | – | – | 154.8 | 29th Dec 1999 | SRSOS |
| | 75,270 | – | – | – | 75,270 | 287.5 | 29th Jul 2002 | LEMIS 1 |
| | 21,030 | – | – | – | 21,030 | 417.5 | 26th Jun 2003 | LEMIS 2 |
| | 19,730 | – | – | – | 19,730 | 445.0 | 5th Nov 2003 | LEMIS 3 |
| W.E.S. Carey (1) | 10,901 | – | 10,901 | – | – | 154.8 | 29th Dec 1999 | SRSOS |
| | 125,391 | – | – | – | 125,391 | 287.5 | 29th Jul 2002 | LEMIS 1 |
| | 23,066 | – | – | – | 23,066 | 417.5 | 26th Jun 2003 | LEMIS 2 |
| | 21,640 | – | – | – | 21,640 | 445.0 | 5th Nov 2003 | LEMIS 3 |
| J.D. Lang | 332,567 | – | – | – | 332,567 | 287.5 | 29th Jul 2002 | LEMIS 1 |
| | 167,549 | – | – | – | 167,549 | 417.5 | 26th Jun 2003 | LEMIS 2 |
| | 167,549 | – | – | – | 167,549 | 445.0 | 5th Nov 2003 | LEMIS 3 |
| W.T. Pattisson | 332,567 | – | – | – | 332,567 | 287.5 | 29th Jul 2002 | LEMIS 1 |
| | 167,549 | – | – | – | 167,549 | 417.5 | 26th Jun 2003 | LEMIS 2 |
| | 167,549 | – | – | – | 167,549 | 445.0 | 5th Nov 2003 | LEMIS 3 |
| A.J.V. Yates (2) | 10,901 | – | 10,901 | – | – | 154.8 | 29th Dec 1999 | SRSOS |
| | 78,817 | – | – | – | 78,817 | 287.5 | 29th Jul 2002 | LEMIS 1 |
| | 18,994 | – | – | – | 18,994 | 417.5 | 26th Jun 2003 | LEMIS 2 |
| | 17,820 | – | – | – | 17,820 | 445.0 | 5th Nov 2003 | LEMIS 3 |

(1) Resigned 6th July 2004.

(2) Resigned 24th March 2005.

Key:

SRSOS – Savings-Related Share Option Scheme, exercisable 1st February 2005, expiry 1st August 2005.

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

LEMIS 1: Between 29th July 2005 and 29th July 2010.

LEMIS 2: Between 26th June 2006 and 26th June 2011.

LEMIS 3: Between 5th November 2006 and 5th November 2011.

The middle market quotation of the Company's shares at the end of the year was 337.5 pence and the range of market prices during the year was between 422.5 pence and 262.5 pence.

*Directors' Remuneration Report*

**Pensions**

The Group operates two non-contributory defined contribution pension schemes for executive directors. N.R. Legge is a member of The Liontrust Occupational Pension Scheme and is entitled to a contribution of 15% of his basic annual salary, subject to maximum Inland Revenue limits under occupational pension scheme rules. V.K. Abrol, J.D. Lang and W.T. Pattisson are members of The Liontrust Group Personal Pension Plan. V.K. Abrol is entitled to a contribution of 15% of his basic annual salary, subject to the pension contribution limits. J.D. Lang and W.T. Pattisson are entitled to a contribution of 15% of pensionable earnings limit (£102,000 in the tax year 2004-2005).

**Pension rights (auditable)**

Contributions in respect of pension entitlements are made by the Group only in respect of the executive directors. The pension contributions made in respect of those directors during the year to 31st March 2005 were as follows:

| | *£'000* |
|---|---|
| N.R. Legge | 38 |
| V.K. Abrol (appointed 14th September 2004) | 12 |
| W.E.S. Carey (resigned 6th July 2004) | 9 |
| J.D. Lang | 15 |
| W.T. Pattisson | 15 |
| A.J.V. Yates (resigned 24th March 2005) | 20 |

**Service contracts**

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

| *Director* | *Date of contract* | *Notice period* |
|---|---|---|
| **Executive** | | |
| N.R. Legge | 21st December 1994 | 12 months |
| V.K. Abrol | 16th November 1994 | 12 months |
| J.D. Lang | 12th May 1999 | 12 months |
| W.T. Pattisson | 12th May 1999 | 12 months |
| **Non-executive** | | |
| B.H. Asher | 28th April 2004 | 3 months |
| G.V. Hirsch | 2nd June 1999 | 3 months |
| J.G. Sanger | 13th June 1999 | 3 months |

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

**Performance graph**

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

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 reflect the Group's inclusion within that index.
- ✓ The Speciality & Other Finance sub-sector of the FTSE All-Share Index, since the Group is a constituent of this sub-sector.

**Best practice**

The Committee believes that the Group 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 Committee will attend the Annual General Meeting and will be available to answer shareholders' questions regarding remuneration.

G.V. Hirsch, Chairman of the Remuneration Committee.

31st May 2005.

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

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

**Respective responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Directors' Report and the unaudited part of the Directors' Remuneration Report.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the FRC 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's Statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

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

**Basis of Audit Opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and Group at 31st March 2005 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP,

Chartered Accountants and Registered Auditors,

London.

6th June 2005.

*Consolidated Profit and Loss Account for the year ended 31st March 2005*

| | Notes | Year ended 31st March 2005 £'000 | Year ended 31st March 2004 £'000 |
|---|---|---|---|
| **Turnover (gross profit)** | 2 | 27,499 | 24,485 |
| Staff costs | 3 | (13,272) | (11,363) |
| Exceptional staff costs | 4 | – | (189) |
| Total staff costs | | (13,272) | (11,552) |
| Total operating charges | | (4,172) | (4,327) |
| **Operating profit** | 6 | 10,055 | 8,606 |
| Interest receivable | | 896 | 464 |
| **Profit on ordinary activities before taxation** | | 10,951 | 9,070 |
| Tax on profit on ordinary activities | 7 | (3,168) | (1,536) |
| **Profit on ordinary activities after taxation** | 18 | 7,783 | 7,534 |
| Dividends paid and proposed | 8, 18 | (3,554) | (2,890) |
| **Profit for the financial period transferred to reserves** | 17 | 4,229 | 4,644 |

| | | Pence | Pence |
|---|---|---|---|
| Basic earnings per share | 5 | 23.64 | 22.98 |
| Basic earnings per share (adjusted) | 5 | 23.64 | 23.39 |
| Basic earnings per share (core) | 5 | 23.64 | 22.65 |
| Diluted earnings per share | 5 | 23.38 | 22.29 |
| Diluted earnings per share (adjusted) | 5 | 23.38 | 22.68 |
| Diluted earnings per share (core) | 5 | 23.38 | 21.97 |

The Group had no gains or losses in the year other than the results in the above Profit and Loss Account, which arise wholly from continuing activities.

Details of movements in shareholders' funds are provided in Note 18.

The Notes on pages 57 to 71 form part of these accounts.

*Consolidated Balance Sheet as at 31st March 2005*

| | Notes | 31st March 2005 £'000 | 31st March 2005 £'000 | 31st March 2004 Restated (see Note 10) £'000 | 31st March 2004 Restated (see Note 10) £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 9 | | 227 | | 299 |
| **Current assets** | | | | | |
| Short-term investments | 12 | 315 | | 197 | |
| Debtors | 13 | 30,847 | | 23,615 | |
| Cash at bank and in hand | | 26,140 | | 15,813 | |
| | | 57,302 | | 39,625 | |
| **Creditors:** (amounts falling due within one year) | 14 | (44,235) | | (30,529) | |
| **Net current assets** | | | 13,067 | | 9,096 |
| **Total assets less current liabilities** | | | 13,294 | | 9,395 |
| **Capital and reserves** | | | | | |
| Called up share capital | 15 | | 352 | | 350 |
| Share premium account | 16 | | 8,878 | | 8,630 |
| Profit and loss account | 17 | | 11,311 | | 7,082 |
| Own shares held by the Liontrust Asset Management Employee Trust | 10 | | (7,247) | | (6,667) |
| **Shareholders' funds** (all equity interests) | 18 | | 13,294 | | 9,395 |

Approved by the Board of Directors on 31st May 2005 and signed on its behalf by

V.K. Abrol, Chief Operating Officer.

The Notes on pages 57 to 71 form part of these accounts.

***Company Balance Sheet as at 31st March 2005***

| | Notes | 31st March 2005 £'000 | 31st March 2005 £'000 | 31st March 2004 Restated (see Note 10) £'000 | 31st March 2004 Restated (see Note 10) £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 9 | | 227 | | 299 |
| Investment in subsidiaries | 11 | | 2,580 | | 2,580 |
| | | | 2,807 | | 2,879 |
| **Current assets** | | | | | |
| Debtors | 13 | 14,568 | | 5,010 | |
| Cash at bank and in hand | | 3,160 | | 3,958 | |
| | | 17,728 | | 8,968 | |
| **Creditors:** (amounts falling due within one year) | 14 | (7,173) | | (6,282) | |
| **Net current assets** | | | 10,555 | | 2,686 |
| **Total assets less current liabilities** | | | 13,362 | | 5,565 |
| **Capital and reserves** | | | | | |
| Called up share capital | 15 | | 352 | | 350 |
| Share premium account | 16 | | 8,878 | | 8,630 |
| Profit and loss account | 17 | | 4,132 | | 3,252 |
| Own shares held by the Liontrust Asset Management Employee Trust | 10 | | – | | (6,667) |
| **Shareholders' funds** (all equity interests) | 18 | | 13,362 | | 5,565 |

Approved by the Board of Directors on 31st May 2005 and signed on its behalf by

V.K. Abrol, Chief Operating Officer. X Vinay Abrol

The Notes on pages 57 to 71 form part of these accounts.

*Consolidated Cash Flow Statement for the year ended 31st March 2005*

Reconciliation of operating profit to net cash inflow from operating activities

| | Year ended 31st March 2005 £'000 | Year ended 31st March 2004 £'000 |
|---|---|---|
| Operating profit | 10,055 | 8,606 |
| Exceptional staff costs | – | (314) |
| Depreciation charges | 105 | 104 |
| (Increase) in short term investments | (118) | (23) |
| (Increase)/decrease in debtors | (7,232) | 8,391 |
| Increase/(decrease) in creditors | 12,186 | (3,493) |
| Net cash inflow from operating activities | 14,996 | 13,271 |

*Cash Flow Statement*

| | Note | £'000 | £'000 |
|---|---|---|---|
| Net cash inflow from operating activities | | 14,996 | 13,271 |
| Returns on investment and servicing of finance | 19 | 896 | 464 |
| Taxation | | (2,306) | (2,066) |
| Capital expenditure and financial investment | 19 | (613) | (3,330) |
| Equity dividends paid | | (2,896) | (4,294) |
| | | 10,077 | 4,045 |
| Financing | 19 | 250 | 1,853 |
| Increase in cash | 19 | 10,327 | 5,898 |

The Notes on pages 57 to 71 form part of these accounts.

*Notes to the Financial Statements*

1. **Accounting policies**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts have been prepared on a going concern basis. The Company has changed its accounting policy in respect of own shares held by the Liontrust Asset Management Employee Trust to reflect the provisions of UITF 38. The impact of this change is given in note 10.

The principal accounting policies are set out below:

**(a) Basis of consolidation**

The consolidated financial statements incorporate the results of the Company and all of its subsidiaries. No separate profit and loss account has been presented for the Company as permitted by section 230 of the Companies Act 1985. The profit after tax for the financial year dealt with in the accounts of the Company was £4,434,000 (2004: £5,319,000).

**(b) Investment in subsidiary undertakings**

The investment in subsidiary undertakings is stated in the Company's balance sheet at its original cost less provision for any impairment in value.

**(c) Fixed assets and depreciation**

Leasehold improvements and furniture are included at cost and are depreciated over the lower of the estimated useful life and the lease term, which is ten years.

Office equipment is included at cost and is depreciated over the estimated useful life of the asset, which is between three and ten years.

Computer equipment and purchased software is included at cost and is depreciated over the estimated useful life of the asset, which is three years.

**(d) Own shares**

In accordance with UITF 38 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' funds.

*Notes to the Financial Statements*

**(e) Operating leases**

Operating lease rentals are accounted for on an accruals basis, spreading the total lease costs over the term of the lease.

**(f) Income and expenses**

Income and expenses are accounted for on an accruals basis when they become either receivable or payable. 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 as set out in Note 24.

**(g) Deferred taxation**

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that an asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

**(h) Pensions**

The Company operates defined contribution, money purchase pension schemes covering its employees. The assets are invested with insurance companies and are held separately from the Company. The costs of the pension scheme are charged to the Profit and Loss Account in the period in which they are incurred.

**(i) National insurance on unapproved share options**

Employer's national insurance on unapproved share options is provided for over the period from the date of grant of the relevant options to the first date at which such options can be exercised, based on the rate of national insurance and the price of the Company's shares at the relevant balance sheet dates.

*Notes to the Financial Statements*

2. **Turnover (gross profit)**

Group turnover includes the gross value of sales, net of discounts, and the net value of liquidations of units in unit trusts, less the net value of creations and the gross value of repurchases of units in unit trusts, sales commission paid or payable, investment advisory fees and stamp duty, as well as investment management, performance and administration fees.

| | *Year ended 31st March 2005 £'000* | *Year ended 31st March 2004 £'000* |
|---|---|---|
| Management and administration fees and sales of unit trusts | 676,773 | 779,766 |
| Cost of sales of unit trusts | (649,274) | (756,043) |
| Group turnover from core earnings | 27,499 | 23,723 |
| Performance related fees | – | 762 |
| Total Group turnover | 27,499 | 24,485 |

*Notes to the Financial Statements*

**3. Directors and employees**

The average number of staff employed by the Company, excluding non-executive directors, was 37 (2004: 43). All employees are involved in the investment management business of the Group. The costs incurred in respect of the directors and employees were:

| | *Year ended 31st March 2005 £'000* | *Year ended 31st March 2004 £'000* |
|---|---|---|
| Wages and salaries | 11,465 | 9,775 |
| Social security costs | 1,427 | 1,278 |
| Other pension costs | 380 | 310 |
| | 13,272 | 11,363 |

The staff costs can be analysed between core earnings and performance related fees as follows:

| | *Core earnings £'000* | *Performance related £'000* | *Total costs £'000* |
|---|---|---|---|
| Wages and salaries | 11,465 | – | 11,465 |
| Social security costs | 1,427 | – | 1,427 |
| Other pension costs | 380 | – | 380 |
| | 13,272 | – | 13,272 |

Emoluments of the Chairman, highest paid director and the other directors are shown in the Directors' Remuneration Report on page 45.

**4. Exceptional staff costs**

| | *Year ended 31st March 2005 £'000* | *Year ended 31st March 2004 £'000* |
|---|---|---|
| **Staff costs** | | |
| Cost for employer's national insurance on potential gain on unapproved share options | – | 189 |

The related share options were exercised in the year to 31st March 2004.

*Notes to the Financial Statements*

5. **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 was 32,924,922 for the year (32,781,687 for the year ended 31st March 2004). 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.

Basic earnings per share (adjusted) are calculated after removing the exceptional items and associated tax credit/(charge). Basic earnings per share (core) are calculated after removing the exceptional items, the performance related fees and costs and related tax charges and are reconciled to the basic earnings per share for the year ended 31st March 2005 as follows:

| | *Earnings £'000* | *EPS pence* |
|---|---|---|
| Basic earnings | 7,783 | 23.64 |
| Exceptional items less tax credit | – | – |
| Basic earnings (adjusted) | 7,783 | 23.64 |
| Performance related fees and costs less tax charge | – | – |
| Basic earnings (core) | 7,783 | 23.64 |

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 that were in existence during the year ended 31st March 2005. The adjusted weighted average number of ordinary shares so calculated for the year was 33,292,740 (2004: 33,797,605). This is reconciled to the actual weighted number of ordinary shares as follows:

| | *2005 number* | *2004 number* |
|---|---|---|
| Weighted average number of ordinary shares | 32,924,922 | 32,781,687 |
| Weighted average number of dilutive ordinary shares under option: | | |
| – unapproved options granted on flotation | – | 164,118 |
| – to Savings-Related Share Option Scheme | 290,850 | 123,453 |
| – to the Liontrust Enterprise Management Incentive Scheme | 76,968 | 728,347 |
| Adjusted weighted average number of ordinary shares | 33,292,740 | 33,797,605 |

Details of the options outstanding at 31st March 2005 to directors are set out in the Directors' Remuneration Report on page 48. Details in respect of the Savings-Related Share Option Scheme are also given in the Directors' Remuneration Report on page 48.

*Notes to the Financial Statements*

6. **Operating profit**

| | Year ended 31st March 2005 £'000 | Year ended 31st March 2004 £'000 |
|---|---|---|
| The Group's operating profit is arrived at after charging: | | |
| Auditors' remuneration | | |
| – statutory audit | 44 | 39 |
| – audit related reporting | 11 | 9 |
| – further assurance services | 45 | 47 |
| Depreciation | 105 | 104 |
| Operating lease costs | 200 | 242 |

Of the statutory audit costs noted above, £20,000 related to the audit of the Company.

7. **Tax on profit on ordinary activities**

| | | Year ended 31st March 2005 £'000 | Year ended 31st March 2004 £'000 |
|---|---|---|---|
| **Group** | | | |
| (a) | Analysis of charge in period | | |
| | Current tax: | | |
| | UK corporation tax at 30% (2004: 30%) | 3,196 | 1,511 |
| | Adjustments in respect of prior year | (29) | - |
| | | 3,167 | 1,511 |
| | Foreign tax | 1 | 25 |
| | Total current tax (Note (b)) | 3,168 | 1,536 |
| (b) | Factors affecting tax charge for the period | | |
| | Profit on ordinary activities before tax | 10,951 | 9,070 |
| | Profit on ordinary activities at UK corporation tax rate of 30% (2004: 30%) | 3,285 | 2,721 |
| | Effects of: | | |
| | Contributions to the Employee Trust funded by subsidiaries | (80) | (1,205) |
| | Expenses not deductible for tax purposes | 33 | 34 |
| | Lower tax rates on overseas earnings | (41) | (14) |
| | Adjustments to tax charge in respect of previous periods | (29) | - |
| | | 3,168 | 1,536 |

*Notes to the Financial Statements*

**8. Dividends**

| | Year ended 31st March 2005 Pence per share | Year ended 31st March 2005 £'000 | Year ended 31st March 2004 Pence per share | Year ended 31st March 2004 £'000 |
|---|---|---|---|---|
| Interim dividend paid (core) | 2.00 | 662 | 1.50 | 495 |
| Final dividend proposed (core) | 8.75 | 2,892 | 6.00 | 1,986 |
| Total core dividend | 10.75 | 3,554 | 7.50 | 2,481 |
| Special dividend proposed | – | – | 0.75 | 248 |
| Current year dividend | 10.75 | 3,554 | 8.25 | 2,729 |
| Final dividend 2003* | – | – | – | 161 |
| | 10.75 | 3,554 | 8.25 | 2,890 |

*1,428,308 shares were issued on 28th May 2003 in respect of share options exercised. These shares were on the share register as at 20th June 2003 and became eligible for the 2003 final dividend of 11.25 pence per share. The dividend paid on these shares had not been accrued at 31st March 2003 as the shares had not been issued at that date.

**9. Tangible fixed assets**

| *Group and Company* | *Leasehold improvements £'000* | *Office equipment £'000* | *Computer equipment £'000* | *Total £'000* |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31st March 2004 | 221 | 261 | 380 | 862 |
| Additions | – | 12 | 21 | 33 |
| At 31st March 2005 | 221 | 273 | 401 | 895 |
| **Depreciation** | | | | |
| At 31st March 2004 | 106 | 164 | 293 | 563 |
| Charge for the year | 26 | 35 | 44 | 105 |
| At 31st March 2005 | 132 | 199 | 337 | 668 |
| **Net book value** | | | | |
| At 31st March 2005 | 89 | 74 | 64 | 227 |
| At 31st March 2004 | 115 | 97 | 87 | 299 |

*Notes to the Financial Statements*

10. **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. Options were subsequently granted to employees, and those still in existence at 31st March 2005 are as set out below.

| *Date* | *Options granted* | *Exercise price* |
|---|---|---|
| 29th July 2002 | 1,848,770 | 287.5 pence |
| 26th June 2003 | 583,770 | 417.5 pence |
| 5th November 2003 | 567,378 | 445.0 pence |
| 16th December 2004 | 1,196,899 | 290.0 pence |

The Liontrust Asset Management Employee Trust has purchased sufficient shares to provide that 50% of the shares under option would not be dilutive to existing shareholders. Further shares have been purchased to provide a hedge against the employer's national insurance liability that will arise if the market price of the shares exceeds the option price on exercise of unauthorised options.

At 31st March 2005, the Liontrust Asset Management Employee Trust owned 2,101,251 shares (2004: 1,901,251 shares) at a cost of £7,247,000 (2004: £6,667,000). 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 31st March 2005, the market value of the shares was £7,092,000 (2004: £8,033,000).

**Prior year adjustment**

As at 31st March 2004 the Urgent Issues Task Force's ('UITF') Abstract 13 required that the value of shares in Liontrust Asset Management PLC held by the Liontrust Asset Management Employee Trust should be shown as an asset on the balance sheet of the Trust's sponsoring company and the Group.

UITF 38, 'Accounting for ESOP Trusts', came into effect for periods ending on or after 22nd June 2004, superseding UITF 13. UITF Abstract 38 requires that the value of such shares is presented as a deduction in calculating shareholders' funds. Comparative figures have been restated appropriately. This restatement has resulted in a deduction in fixed assets, total assets less current liabilities and shareholders' funds as at 31st March 2004 of £6,667,000 in both the Company and the Group balance sheets.

*Notes to the Financial Statements*

During the year to 31st March 2005, however, Liontrust Management Services Limited became the sponsoring company for the Liontrust Asset Management Employee Trust and therefore no deduction is recorded in the accounts of the parent company as at 31st March 2005.

Despite this amendment in accounting regulations, the substance of the position has not changed. The Employee Trust buys, and holds, shares to reduce the dilutive effect of options granted to employees. When options are exercised – and the options granted in July 2002 are exercisable from this summer – half the shares will be provided from those held by the Employee Trust. The Employee Trust will receive the option strike price for the shares delivered and will be able to repay the loans provided by the Group for the purchase of the shares. Thus the value of the shares held – and the deduction from Shareholders' Funds – will decrease, and assets – cash – will increase.

**11. Investment in subsidiary undertakings**

The Company's investment in subsidiary undertakings represents 100% interests in the ordinary shares, voting rights and redeemable preference shares of Liontrust Investment Funds Limited, whose principal activity is unit trust management, Liontrust Investment Services Limited, whose principal activity is investment management, and Liontrust Management Services Limited, whose principal activity is as the Group's employer, all registered in England; Liontrust International (Guernsey) Limited, incorporated in Guernsey, whose principal activity is investment management; and Liontrust International (Cayman) Limited, registered in Cayman, whose principal activity is investment management.

**12. Short-term investments**

The Group's short-term investments represent units in the unit trusts under management held in the manager's box and are valued at bid price.

**13. Debtors: (amounts falling due within one year)**

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2005* | *2004* | *2005* | *2004* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Trade debtors | | | | |
| Fees receivable | 4,610 | 4,409 | – | – |
| Unit trust sales and cancellations | 25,959 | 18,916 | – | – |
| Amounts due from subsidiary undertakings | – | – | 14,499 | 4,997 |
| Other debtors | 48 | 110 | 48 | 12 |
| Prepayments and accrued income | 230 | 180 | 21 | 1 |
| | 30,847 | 23,615 | 14,568 | 5,010 |

*Notes to the Financial Statements*

**14. Creditors: (amounts falling due within one year)**

| | Group 2005 £'000 | Group 2004 £'000 | Company 2005 £'000 | Company 2004 £'000 |
|---|---|---|---|---|
| Trade creditors – unit trust repurchases and creations | 31,544 | 19,993 | – | – |
| Other creditors including taxation and social security | 3,951 | 1,407 | 322 | 584 |
| Dividend payable | 2,892 | 2,234 | 2,892 | 2,234 |
| Amounts due to subsidiary undertaking | – | – | 3 | – |
| *Accruals and deferred income* | 5,848 | 6,895 | 3,956 | 3,464 |
| | 44,235 | 30,529 | 7,173 | 6,282 |

**15. Called up share capital**

| | Group 2005 £'000 | Group 2004 £'000 | Company 2005 £'000 | Company 2004 £'000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| Equity | | | | |
| 60,000,000 ordinary shares of 1 pence each (2004: 60,000,000) | 600 | 600 | 600 | 600 |
| **Allotted, called up and fully paid** | | | | |
| Equity | | | | |
| 35,158,283 ordinary shares of 1 pence each (2004: 35,000,761) | 352 | 350 | 352 | 350 |

**16. Share premium account**

| *Group and Company* | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Balance at 31st March 2004 (31st March 2003) | 8,630 | 2,777 |
| Share premium on shares issued during the year | 248 | 5,853 |
| Balance at 31st March 2005 (31st March 2004) | 8,878 | 8,630 |

*Notes to the Financial Statements*

## 17. Profit and loss account

| | £'000 |
|---|---|
| **Group** | |
| Balance at 31st March 2004 | 7,082 |
| Retained profit for the year | 4,229 |
| Balance at 31st March 2005 | 11,311 |

| | £'000 |
|---|---|
| **Company** | |
| Balance at 31st March 2004 | 3,252 |
| Retained profit for the year | 880 |
| Balance at 31st March 2005 | 4,132 |

## 18. Statement of movement in shareholders' funds

| | *Year ended 31st March 2005 £'000* | *Year ended 31st March 2004 £'000* |
|---|---|---|
| **Group** | | |
| Profit attributable to shareholders | 7,783 | 7,534 |
| Dividends paid and proposed | (3,554) | (2,890) |
| Issue of new shares, net of issue costs | 250 | 5,868 |
| Contributions to the Employee Trust funded by subsidiaries | – | (4,015) |
| Net increase in shareholders' funds | 4,479 | 6,497 |
| Opening shareholders' funds | 16,062 | 9,565 |
| Closing shareholders' funds | 20,541 | 16,062 |
| **Company** | | |
| Profit attributable to shareholders | 4,434 | 5,319 |
| Dividends paid and proposed | (3,554) | (2,890) |
| Issue of new shares, net of issue costs | 250 | 5,868 |
| Net increase in shareholders' funds | 1,130 | 8,297 |
| Opening shareholders' funds | 12,232 | 3,935 |
| Closing shareholders' funds | 13,362 | 12,232 |

*Notes to the Financial Statements*

19. **Analysis of cash flows for headings netted in the cash flow statement**

| | Year ended 31st March 2005 £'000 | Year ended 31st March 2004 £'000 |
|---|---|---|
| **Returns on investments and servicing of finance** | | |
| Interest received | 896 | 464 |
| Net cash inflow for returns on investments and servicing of finance | 896 | 464 |
| **Capital expenditure and financial investment** | | |
| Purchase of tangible fixed assets | (33) | (117) |
| Liontrust Asset Management Employee Trust purchase of own shares | (580) | (3,213) |
| Net cash outflow for capital expenditure and financial investment | (613) | (3,330) |
| **Financing** | | |
| Issue of new shares, net of issue costs | 250 | 5,868 |
| Contributions to the Employee Trust funded by subsidiaries | – | (4,015) |
| Net cash inflow from financing | 250 | 1,853 |
| **Increase in cash** | | |
| Cash at bank and in hand: | | |
| At 31st March 2004 (31st March 2003) | 15,813 | 9,915 |
| Increase in cash | 10,327 | 5,898 |
| At 31st March 2005 (31st March 2004) | 26,140 | 15,813 |

*Notes to the Financial Statements*

**20. Reconciliation of net cash flow by movement in net funds**

| | Year ended 31st March 2005 £'000 | Year ended 31st March 2004 £'000 |
|---|---|---|
| Increase in cash in the year | 10,327 | 5,898 |
| Change in net funds | 10,327 | 5,898 |
| Net funds at 31st March 2004 (31st March 2003) | 15,813 | 9,915 |
| Net funds at 31st March 2005 (31st March 2004) | 26,140 | 15,813 |

| **Analysis of changes in net funds** | 31st March 2004 £'000 | Cash flows £'000 | 31st March 2005 £'000 |
|---|---|---|---|
| Net funds – cash at bank and in hand | 15,813 | 10,327 | 26,140 |

**21. Lease and capital commitments**

The Group and Company are committed to making the following payments over the next twelve months under operating leases which expire as follows:

| | Year ended 31st March 2005 £'000 | Year ended 31st March 2004 £'000 |
|---|---|---|
| *Land and buildings* | | |
| After five years | 182 | 177 |
| *Other assets* | | |
| Within one year | 14 | 24 |
| Between one and two years | 2 | 12 |
| Between two and five years | 24 | 2 |
| | 40 | 38 |

*Notes to the Financial Statements*

22. **Financial instruments**

Disclosures relating to the Group's financial instruments are included in the Directors' Report on page 31. The Group's financial instruments comprise cash, liquid short-term investments and debtor and creditor balances that arise from its daily operations and are excluded from financial instrument disclosures as permitted by FRS 13. The Group's short-term investments, as disclosed in Note 12, are valued at bid price at 31st March 2005, which was their fair value at that date. The Group does not hold any financial assets or liabilities denominated in a foreign currency.

23. **Related party transactions**

During the year the Group received fees from unit trusts under management of £20,092,000 (2004: £14,415,000). Transactions with these unit trusts comprised creations of £259,733,000 (2004: £824,682,000) and liquidations of £105,266,000 (2004: £21,908,000). 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 31st March 2005 the Group owed the unit trusts £20,005,000 (2004: £12,666,000) in respect of unit trust creations and was owed £3,770,000 (2004: £1,841,000) in respect of unit trust cancellations and fees.

24. **Contingent liabilities and contingent assets**

As previously explained, the Group can earn performance fees on some of the pension fund accounts that it manages. In some cases a proportion of the fee calculated is deferred until the next performance fee is payable 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.

Performance fees that may, or may not, be collectable in the year to 31st March 2005, or subsequent periods, currently amount to £nil (2004: £1.3 million).

There were no contingent liabilities as at 31st March 2005 (2004: nil).

*Notes to the Financial Statements*

**25. Post balance sheet date event**

On 4th April 2005 the Liontrust Asset Management Employee Trust purchased an additional 537,636 shares in Liontrust Asset Management PLC. Shares held by the Employee Trust do not qualify for dividends and are treated as having been cancelled for the purpose of calculating earnings per share. The accrual for the final proposed dividend is made based on the shares in existence at 31st March 2005 not held by the Employee Trust. If the shares had been purchased prior to 31st March 2005, the accrual for the final dividend would have been £47,000 lower.

***Notice of Annual General Meeting***

Notice is hereby given that the tenth annual general meeting of the Company will be held in the Beaufort Room at The Savoy Hotel, Strand, London WC2R 0EU on Friday 8th July 2005 at 11 am for the following purposes:

**As ordinary business:**

1. to receive the audited accounts for the financial year ended 31st March 2005, together with the report of the Directors and the Auditors;

2. to declare a dividend;

3. to approve the Directors' Remuneration Report for the financial year ended 31st March 2005;

4. to re-elect as a director Mr N.R. Legge who retires by rotation in accordance with the Company's articles of association and offers himself for reappointment;

5. to re-elect as a director Mr W.T. Pattisson who retires by rotation in accordance with the Company's articles of association and offers himself for reappointment;

6. to re-elect as a director Mr V.K. Abrol who was appointed on 14th September 2004 and retires in accordance with the Company's articles of association and offers himself for reappointment;

7. to reappoint PricewaterhouseCoopers LLP as Auditors and to authorise the directors to determine their remuneration.

*Notice of Annual General Meeting*

As special business:

8. To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

*THAT in substitution for all existing authorities, the directors be and they are hereby* generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985 and so that references to the allotment of relevant securities shall be construed in accordance with the said section 80) up to an aggregate nominal amount of £52,735 (representing 15 per cent of the issued share capital of the Company at the date thereof), such authority to expire on the conclusion of the next Annual General Meeting of the Company, provided that the Company may, before such expiry, make an offer or agreement which would, or might, require relevant securities to be allotted after such expiry, and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

*Notice of Annual General Meeting*

9. To consider and, if thought fit, pass the following resolution which will be proposed as an special resolution:

THAT in substitution for all existing authorities, the directors be empowered, pursuant to section 95 of the Companies Act 1985, to allot equity securities (as defined in section 94 of that Act) for cash pursuant to the general authority conferred in 8 above as if section 89(1) of that Act did not apply to such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer by way of rights in favour of the holders of ordinary shares on the register of members at such record date or dates as the directors may determine for the purpose of the issue receipts, where the equity securities respectively attributable to the interests of all holders of ordinary shares are proportionate (as nearly as may be) to the respective number of ordinary shares held by them on any such record date or dates (subject to such exclusions or arrangements as the Board may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising under the laws of any overseas territory or by virtue of the shares being represented by depository receipts, the requirements of any regulatory body or stock exchange or any matter whatsoever); and

(b) the allotment of equity securities (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £17,575 (representing 5 per cent of the issued share capital of the Company at the date thereof) and shall expire on the conclusion of the next Annual General Meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would, or might, require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred hereby has expired.

***Notice of Annual General Meeting***

10. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

THAT the Company be generally authorised for the purpose of section 166 of the Companies Act 1985 to make a market purchase or purchases (within the meaning of section 163(3) of that Act) of its own ordinary shares of 1 pence each in such manner and on such terms as the directors may from time to time determine provided that:

(a) *the maximum number of shares hereby authorised to be acquired is 5.27 million;*

(b) the maximum price, exclusive of expenses, which may be paid for an ordinary share is 105 per cent of the average of the middle market quotations for an ordinary share of the Company as derived from the London Stock Exchange Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

(c) the minimum price, exclusive of expenses, which may be paid for each ordinary share is 1 pence;

(d) this authority shall expire on the conclusion of the next Annual General Meeting or 31st July 2006, whichever is the earlier (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of such authority and which will or might be executed wholly or partly after such expiry), unless such authority is renewed prior to such time.

By Order of the Board

David V. Gibbons, Secretary.

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

31st May 2005.

***Notes***

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not also be a member of the Company.

2. A form of proxy is enclosed with this Notice. Completion of the form will not preclude a member from attending and voting should he or she wish to do so. To be valid the form of proxy and power of attorney or other authority (if any) under which it is signed, or notarially certified or office copy of such power or authority, must be lodged at the office of the Company's Registrars not less than 48 hours before the time fixed for the Meeting.

3. The register of directors' interests will be available for inspection at the commencement of, and during the continuance of, the Annual General Meeting.

*Shareholder Information*

**Financial Calendar:**

| | |
|---|---|
| Year end: | 31st March |
| Half year end: | 30th September |
| Results announced: | Full year: May, half year: November |
| Interim report available: | December |
| Annual report available: | June |
| Annual General Meeting: | July |

**Shareholder news:**

The Company publishes ROAR!, a periodic newsletter for shareholders.

**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 'Speciality & Other Finance'), *The Daily Telegraph*, (listed under 'Asset Managers'), *The Times* (listed under 'Other Financial') and *The Evening Standard* (listed under 'Speciality & Other Finance').

**UK authorised unit trusts:**

Liontrust First Growth Fund

Liontrust First Income Fund

Liontrust First Large Cap. Fund

The Liontrust Intellectual Capital Trust

Liontrust Top 100 Fund

Liontrust Distribution Fund

**Pension fund pooling vehicles:**

Liontrust First Exempt Fund

Liontrust Prime Exempt Fund

**Guernsey domiciled open-ended investment company:**

Liontrust Guernsey Fund Limited, comprising four sub funds:

Liontrust First Equity Fund

Liontrust Dynamic Income Fund

Liontrust Active 350 Fund

Liontrust First Smaller Companies Fund

*Shareholder Information*

**Fund prices:**

The prices of Liontrust's range of authorised unit trusts, offshore funds and pension fund pooling vehicles are 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 Investment Funds Limited,
2 Savoy Court,
London WC2R 0EZ
Telephone: 020-7412 1766
Facsimile: 020-7412 1779
e-mail: info@liontrust.co.uk
or visit: www.liontrust.co.uk

*Shareholder Information*

Group subsidiary companies – board members:

**Liontrust Investment Funds Limited**

V.K. Abrol
W.E.S. Carey
A.W.P. Cross
W.M. Dwerryhouse
C.J. Edmeades
R.C. Farquhar
J.H. Harbottle
J.D. Lang
N.R. Legge
M.P. Morrissey
W.T. Pattisson
R.A. Stead
S.G. Watson

**Liontrust Investment Services Limited**

V.K. Abrol
E.F. Catton
A.W.P. Cross
C.J. Edmeades
R.C. Farquhar
J.H. Harbottle
J.D. Lang
N.R. Legge
W.T. Pattisson
S. G. Watson

**Liontrust Management Services Limited**

N.R. Legge
V.K. Abrol

**Liontrust Nominees Limited**

V.K. Abrol
C.J. Edmeades

**Liontrust International (Guernsey) Limited**

V.K. Abrol
G.M. Harrison
P.M. Langford

**Liontrust International (Cayman) Limited**

V.K. Abrol
O. Garcia
G.M. Harrison

Investment companies – board members:

**Liontrust Guernsey Fund Limited**

V.K. Abrol
G.M. Harrison
P.M. Langford