

PRIDE IN OUR PERFORMANCE

LIONTRUST ASSET MANAGEMENT PLC
HALF YEARLY REPORT 2015

Directors and Advisers

Directors, Registered Office and Company number:

Adrian Collins (Chairman)
John Ions (Chief Executive)
Vinay Abrol (Chief Operating Officer and
Chief Financial Officer)
Alastair Barbour (Non-executive Director)
Michael Bishop (Senior Independent Director)
George Yeandle (Non-executive Director)

2 Savoy Court, London WC2R 0EZ.

Registered in England with Company Number
02954692.

Company Secretary:

Mark Jackson,
Tower Bridge House,
St. Katharine's Way,
London E1W 1DD.

Independent Auditors:

PricewaterhouseCoopers LLP,
7 More London, Riverside,
London SE1 2RT.

Legal Advisers:

Macfarlanes LLP,
20 Cursitor Street,
London EC4A 1LT.

Bankers:

Royal Bank of Scotland Plc,
280 Bishopsgate,
London, EC2M 4RB.

Financial Adviser and Corporate Broker:

Numis Securities Limited,
The London Stock Exchange Building,
10 Paternoster Square,
London EC4M 7LT.

Macquarie Capital (Europe) Limited,
Ropemaker Place,
28 Ropemaker Street,
London EC2Y 9HD.

Registrars:

Capita Asset Services, PXS,
34 Beckenham Road,
Kent BR3 4TU.

Introduction

I am delighted to announce very good results for the first six months of our financial year. Our revenues have increased by 18% compared to the first half of the last financial year and our adjusted profit before tax has grown by 16% to £5.9 million. Our earnings and profits have been driven by the continued growth in our AuM, which reached £4.4 billion at the end of September and more than £4.6 billion on 6 November.

It is particularly pleasing that we have been able to report these figures for a period in which there was mounting uncertainty among investors about the future direction of markets. We attribute the relative robustness of our AuM during such volatile market environments to our distinct investment processes, the experience and longevity of our fund managers and our regular and clear communications.

No one knows when interest rates will start to rise in the US and UK but there has been no shortage of comment in the media on what the impact may be on markets. We have increased our range of alternative investments, now offering three strong performing long/short funds for those investors who want to hedge their equity or credit exposure as a result of the uncertainty.

The continued expansion of Liontrust is illustrated by the fact we now have seven fund management teams, including a very wide range of Multi-Asset portfolios, broader reach across the institutional, wealth management and advisory markets in the UK, enhanced distribution in continental Europe and a growing profile among consumers.

We will be enhancing our fund offering further through new launches where we have the expertise or hires and acquisitions where we do not. For example, we will launch the GF Water and Agriculture and the UK Micro Cap funds over the next few months.

This all means we are very well positioned to take advantage of the well known long-term opportunities for fund management companies and to succeed in continuing to grow the company.

Results

Adjusted profit before tax was £5.907 million (2014: £5.095 million) an increase of 16% compared to last year, see note 5 below for a reconciliation of adjusted profit before tax.

Adjusted basic earnings per share of 10.82 pence (2014: 9.73 pence per share) an increase of 11% and Adjusted diluted earnings per share of 10.35 pence per share (2014: 9.35 pence per share) an increase of 11%.

Profit before tax of £4.235 million (2014: £3.236 million) includes a loss of £1.672 million (2014: £1.859 million) of Adjustments.

Dividend

In accordance with the Company's dividend policy, the Board is declaring an interim dividend of 3.0 pence per share (2014: 2.0 pence per share), which will be payable on 17 December 2015 to shareholders who are on the register as at 20 November 2015, the shares going ex-dividend on 19 November 2015.

Assets under management

On 30 September 2015, our assets under management ("AuM") stood at £4,421 million and were broken down by type and process as follows:-

Process	Total (£m)	Institutional (£m)	UK Retail (£m)	MPS* (£m)	Offshore Funds (£m)
Cashflow Solution	774	529	227	–	18
Economic Advantage	2,272	89	2,145	–	38
Macro-Thematic	974	360	601	–	13
Global Credit	34	–	–	–	34
Asia	43	–	43	–	–
Structural Opportunities	16	–	–	–	16
Multi-Asset	261	97	–	164	–
Indexed	47	–	47	–	–
Total	4,421	1,075	3,063	164	119

* Managed Portfolio Services are where we act as discretionary fund manager to a range of model portfolios which are marketed to advisory intermediates in the UK.

AuM as at close of business on 6 November 2015 were £4,618 million.

Fund Flows

Liontrust has recorded net inflows of £110 million over the six months to 30 September 2015 (2014: £284 million).

A reconciliation of fund flows and AuM over the half year is as follows:-

	Total £m	Institutional £m	UK Retail £m	MPS* £m	Offshore Funds £m
Opening AuM - 1 April 2015	4,494	1,161	3,092	156	85
Net flows	110	(48)	104	17	37
Market and Investment performance	(183)	(38)	(133)	(9)	(3)
Closing AuM - 30 September 2015	4,421	1,075	3,063	164	119

* Managed Portfolio Services are where we act as discretionary fund manager to a range of model portfolios which are marketed to advisory intermediates in the UK.

Fund Performance (Quartile ranking)

The strength of Liontrust's fund management capability is shown by the fact that all but one of its actively managed unit trust funds have outperformed the average fund in their respective Investment Association sectors since launch or since the fund managers were appointed to 30 September 2015.

Chairman's Statement

	Quartile ranking - 1 year	Quartile ranking - 3 year	Quartile ranking - 5 year	Quartile ranking – Since Manager tenure	Launch / Manager appointed
Liontrust UK Growth Fund	2	3	2	2	25/03/2009
Liontrust Special Situations Fund	2	3	1	1	10/11/2005
Liontrust UK Smaller Companies Fund	1	2	1	1	08/01/1998
Liontrust European Growth Fund	2	4	3	1	15/11/2006
Liontrust Global Income Fund	4	–	–	4	03/07/2013
Liontrust Asia Income Fund	2	2	–	2	05/03/2012
Liontrust Macro Equity Income Fund	3	2	3	1	31/10/2003
Liontrust Macro UK Growth Fund	2	2	2	1	01/08/2002

Source: Financial Express, total return, bid to bid, to 30 September 2015 unless otherwise stated. The above funds are all UK authorised unit trusts (retail share class). Liontrust FTSE 100 Tracker Fund (index fund) not included. Past performance is not a guide to the future; the value of investments and the income from them can fall as well as rise. Investors may not get back the amount originally subscribed.

Outlook

This time last year, I wrote about the uncertainty facing UK investors from the upcoming General Election in May 2015. A year on and investors face great uncertainty as governments and central banks continue to grapple with the challenge of how to generate sustainable economic growth and will they or won't they raise interest rates.

As I have written before, we focus on managing money according to our robust and distinct investment processes so it gives our clients certainty over how we will invest their savings even if everything else is unclear. This will continue to stand us in good stead over the coming months and years.

Adrian Collins,
Chairman

Consolidated Statement of Comprehensive Income

Six months ended 30 September 2015

	Notes	Six months to 30-Sep-15 (unaudited) £'000	Six months to 30-Sep-14 (unaudited) £'000	Year ended 31-Mar-15 (audited) £'000
Continuing operations				
Revenue	3	18,708	15,846	36,821
Cost of sales		(26)	(31)	(57)
Gross profit		18,682	15,815	36,764
Realised profit on sale of financial assets		–	–	2
Administration expenses	4	(14,455)	(12,593)	(29,522)
Operating profit from Continuing Operations		4,227	3,222	7,244
Interest receivable		8	14	21
Profit before tax from Continuing Operations		4,235	3,236	7,265
Taxation	6	(916)	(48)	(1,058)
Profit for the period		3,319	3,188	6,207
Total comprehensive income		3,319	3,188	6,207
		Pence	Pence	Pence
Basic earnings per share	7	7.60	7.71	14.61
Diluted earnings per share	7	7.27	7.41	13.58

Consolidated Balance Sheet

As at 30 September 2015

	Notes	30-Sep-15 (unaudited) £'000	30-Sep-14 (unaudited) £'000	31-Mar-15 (audited) £'000
Assets				
Non current assets				
Intangible assets	8	3,774	6,222	4,998
Property, plant and equipment		278	236	277
Deferred tax assets		1,076	1,180	1,088
		5,128	7,638	6,363
Current assets				
Trade and other receivables		18,951	24,972	32,405
Financial assets	9	668	732	242
Cash and cash equivalents		16,176	12,903	16,393
Total current assets		35,795	38,607	49,040
Liabilities				
Current liabilities				
Trade and other payables		(16,587)	(24,570)	(30,969)
Corporation tax payable		(1,007)	–	(686)
Total current liabilities		(17,594)	(24,570)	(31,655)
Net current assets		18,201	14,037	17,385
Net assets		23,329	21,675	23,748
Shareholders' equity				
Ordinary shares		454	454	454
Share premium		17,692	17,692	17,692
Capital redemption reserve		19	19	19
Retained earnings		7,309	13,285	11,395
Own shares held		(2,145)	(9,775)	(5,812)
Total equity		23,329	21,675	23,748

Consolidated Cash Flow Statement

Six months ended 30 September 2015

	Six months to 30-Sep-15 (unaudited) £'000	Six months to 30-Sep-14 (unaudited) £'000	Year ended 31-Mar-15 (audited) £'000
Cash flows from operating activities			
Cash inflow from operations	20,570	20,634	41,411
Cash outflow from operations	(15,438)	(17,626)	(33,477)
Cash outflow from changes in unit trust receivables and payables	(677)	(2,728)	(2,964)
Net cash from operations	4,455	280	4,970
Interest received	8	16	21
Tax paid	(583)	(658)	(657)
Net cash from/(used in) operating activities	3,880	(362)	4,334
Cash flows from investing activities			
Purchase of property and equipment	(57)	(12)	(103)
Purchase of ICI's	(207)	(461)	(694)
Purchase of seeding investments	(74)	(163)	(180)
Sale of seeding investments	–	–	4
Net cash used in investing activities	(338)	(636)	(973)
Cash flows from financing activities			
Issue of new shares	–	30	30
Purchase of own shares	(1,150)	(543)	(553)
Dividends paid	(2,609)	(859)	(1,718)
Net cash used in financing activities	(3,759)	(1,372)	(2,241)
Net (decrease)/increase in cash and cash equivalents	(217)	(2,370)	1,120
Opening cash and cash equivalents*	16,393	15,273	15,273
Closing cash and cash equivalents	16,176	12,903	16,393

* Cash and cash equivalents consists only of cash balances.

Consolidated Statement of Change in Equity (unaudited)

Six months ended 30 September 2015

	Share capital £'000	Share premium £'000	Capital redemption £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
Balance at 1 April 2015 brought forward	454	17,692	19	11,395	(5,812)	23,748
Profit for the period	–	–	–	3,319	–	3,319
Total comprehensive income for the period	–	–	–	3,319	–	3,319
Dividends paid	–	–	–	(2,609)	–	(2,609)
Shares issued	–	–	–	–	–	–
Purchase of own shares	–	–	–	–	(1,150)	(1,150)
Purchase of ICI's	–	–	–	(5,024)	4,817	(207)
Equity share options issued	–	–	–	228	–	228
Balance at 30 September 2015	454	17,692	19	7,309	(2,145)	23,329

Consolidated Statement of Change in Equity (unaudited)

Six months ended 30 September 2014

	Share capital £'000	Share premium £'000	Capital redemption £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
Balance at 1 April 2014 brought forward	424	17,692	19	14,263	(12,227)	20,171
Profit for the period	–	–	–	3,188	–	3,188
Total comprehensive income for the period	–	–	–	3,188	–	3,188
Dividends paid	–	–	–	(859)	–	(859)
Shares issued	30	–	–	–	–	30
Purchase of own shares	–	–	–	–	(543)	(543)
Purchase of ICI's	–	–	–	(3,456)	2,995	(461)
Equity share options issued	–	–	–	149	–	149
Balance at 30 September 2014	454	17,692	19	13,285	(9,775)	21,675

Consolidated Statement of Change in Equity (audited)

Year ended 31 March 2015

	Share capital £'000	Share premium £'000	Capital redemption £'000	Retained earnings £'000	Own shares held £'000	Total Equity £'000
Balance at 1 April 2014						
brought forward	424	17,692	19	14,263	(12,227)	20,171
Profit for the period	–	–	–	6,207	–	6,207
Total comprehensive income for the year	–	–	–	6,207	–	6,207
Dividends paid	–	–	–	(1,718)	–	(1,718)
Shares issued	30	–	–	–	–	30
Purchase of own shares	–	–	–	–	(553)	(553)
Purchase of ICI's	–	–	–	(7,662)	6,968	(694)
Equity share options issued	–	–	–	305	–	305
Balance at 31 March 2015	454	17,692	19	11,395	(5,812)	23,748

1 Principal Accounting policies

a) Basis of preparation

This Half Yearly Report is unaudited and does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The financial information for the half years ended 30 September 2015 and 2014 has not been audited or reviewed by the auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The statutory accounts for the year ended 31 March 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), comprising standards and interpretations approved by either the International Accounting Standards Board or the International Financial Reporting Interpretations Committee or their predecessors, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under s498 of the Companies Act 2006.

The financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("DTR") and with IAS 34 'Interim Financial Reporting'.

The accounting policies applied in this Half Yearly Report are consistent with those applied in the Group's most recent annual accounts.

2 Segmental reporting

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

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

Notes to the Financial Statements

3 Revenue

	Six months to 30-Sep-15 (unaudited) £'000	Six months to 30-Sep-14 (unaudited) £'000	Year ended 31-Mar-15 (audited) £'000
Revenue			
– Revenue	18,666	15,846	33,631
– Performance fee revenue	42	–	3,190
Total Revenue	18,708	15,846	36,821

4 Administration expenses

	Six months to 30-Sep-15 (unaudited) £'000	Six months to 30-Sep-14 (unaudited) £'000	Year ended 31-Mar-15 (audited) £'000
Employee related expenses			
Director and employee costs	1,886	1,339	3,145
Pension costs	101	65	141
Share incentivisation expense	240	206	285
Severance compensation	6	16	31
	2,233	1,626	3,602
Non employee related expenses			
Members' drawings charged as an expense	6,429	5,967	14,502
Restructuring (acquisition related and other)	22	223	1,840
Members' share incentivisation expense	123	149	277
Depreciation, Intangible asset amortisation and impairment	1,281	1,265	2,539
Financial services Compensation Scheme Levy	–	–	(135)
Other administration expenses	4,367	3,363	6,897
Total administration expenses	14,455	12,593	29,522

Notes to the Financial Statements

5 Adjusted profit before tax

Adjusted profit before tax is disclosed in order to give shareholders a clearer indication of the profitability of the Group. The adjusted profit or loss is the total of Group profit or loss excluding the following items:

Non-cash items which include depreciation, intangible asset amortisation and IFRS2 related expenses; and

Non-recurring items which include cost reduction expenses, restructuring costs, acquisition related costs, integration costs, share incentivisation expenses, severance compensation and Financial Services Compensation Scheme Interim Levy.

Adjusted profit before tax is reconciled in the table below:

	Six months to 30-Sep-15 (unaudited) £'000	Six months to 30-Sep-14 (unaudited) £'000	Year ended 31-Mar-15 (audited) £'000
Profit for the period	3,319	3,188	6,207
Taxation on Continuing Operations	916	48	1,058
Profit before tax from Continuing Operations	4,235	3,236	7,265
Employee related share incentivisation expense	240	206	285
Member related share incentivisation expense	123	149	277
Severance compensation	6	16	31
Professional services (restructuring, acquisition related and other)	22	223	1,840
Convertible Loan repurchase	–	–	(135)
Depreciation, Intangible asset amortisation and impairment	1,281	1,265	2,539
Adjustments	1,672	1,859	4,837
Adjusted profit before tax	5,907	5,095	12,102
Interest receivable	(8)	(14)	(21)
Adjusted operating profit	5,899	5,081	12,081
Adjusted basic earnings per share*	10.82	9.73	22.51
Adjusted diluted earnings per share*	10.35	9.35	20.92

* Assumes a tax rate of 20% (2014: 21%)

6 Taxation

The half yearly tax charge has been calculated at the estimated full year effective UK corporation tax rate of 20% (2014: 21%).

Notes to the Financial Statements

7 Earnings per share

The calculation of basic earnings per share is based on profit after taxation and the weighted average number of Ordinary Shares in issue for each period. The weighted average number of Ordinary Shares for the six months ended 30 September 2015 was 43,658,542 (30 September 2014: 41,373,566, 31 March 2015: 42,472,053). Shares held by the Liontrust Asset Management Employee Trust are not eligible for dividends and are treated as cancelled for the purposes of calculating earnings per share.

Diluted earnings per share is calculated on the same bases as set out above, after adjusting the weighted average number of Ordinary Shares for the effect of options to subscribe for new Ordinary Shares that were in existence during the six months ended 30 September 2015. The adjusted weighted average number of Ordinary Shares so calculated for the period was 45,656,303 (30 September 2014: 43,047,922, 31 March 2015: 45,700,575). This is reconciled to the actual weighted number of Ordinary Shares as follows:

	30-Sep-15	30-Sep-14	31-Mar-15
Weighted average number of Ordinary Shares	43,658,542	41,373,566	42,472,053
Weighted average number of dilutive Ordinary shares under option:			
– to Liontrust Senior Incentive Plan	–	1,485,715	745,012
– to Liontrust Incentive Plan	–	132,789	66,587
– to Liontrust Option Plan	44,126	38,129	39,358
– to the Liontrust Members Incentive Plan	1,550,765	–	2,346,713
– to the Deferred Bonus and Variable Allocation Plan	402,870	17,723	30,852
Adjusted weighted average number of Ordinary Shares	45,656,303	43,047,922	45,700,575

8 Intangible assets

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

	30-Sep-15 £'000	30-Sep-14 £'000	31-Mar-15 £'000
Contracts acquired from Walker Crips Asset Managers Limited	3,774	6,222	4,998
	3,774	6,222	4,998

9 Financial assets

Assets held at fair value through profit and loss:

The Group's assets held at fair value through profit and loss represent units in the UK Authorised unit trusts held in the manager's box and are valued at bid price.

Assets held as available-for-sale

The Group's assets held as available-for-sale represent shares in Liontrust GF Global Strategic Bond Fund, Liontrust GF Special Situations Fund, Liontrust GF Macro Equity Income Fund, Liontrust GF European Strategic Equity Fund, Liontrust GF UK Growth Fund and Liontrust GF Global Income Fund (all sub-funds of Liontrust Global Funds Plc) and are valued at bid price).

10 Related party transactions

During the six months to 30 September 2015 the Group received fees from unit trusts under management of £16,291,000 (2014: £16,547,000). Transactions with these unit trusts comprised creations of £215,667,000 (2014: £342,262,000) and liquidations of £115,711,000 (2014: £159,584,000). Directors can invest in unit trusts managed by the Group on commercial terms that are no more favourable than those available to staff in general. As at 30 September 2015 the Group owed the unit trusts £12,764,000 (2014: £12,017,000) in respect of unit trust creations and was owed £13,391,000 (2014: £5,194,000) in respect of unit trust cancellations and fees.

As at 30 September 2015 members owed Liontrust Fund Partners LLP and Liontrust Investment Partners LLP (the 'LLPs') £706,000 (2014: £216,000). These loans were provided in connection with the relevant members' duties as a member of the relevant LLP.

During the six months to 30 September 2015 remuneration paid to key decision makers (the Executive Directors) was £449,000 (2014: £478,000).

11 Key risks

The Directors have identified the risks and uncertainties that affect the Group's business and believe that they will be substantially the same for the second half of the year as the current risks as identified in the 2015 Annual Report. These can be broken down into risks that are within the management's influence and risks that are outside it.

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

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

Management monitor all risks to the business, they record how each risk is mitigated and have warning flags to identify increased risk levels. Management recognise the importance of risk management and view it as an integral part of the management process which is tied into the business model and is described further in the Risk management and internal control section on page 28 of the 2015 Annual Report and Note 2 "Financial risk management" on page 56 of the 2015 Annual Report.

12 Contingent assets and liabilities

"In the normal course of business a claim has been made by a former member against Liontrust Asset Management PLC, Liontrust Investment Partners LLP, Liontrust Investment Services Limited and the individual members of the LLP (together, the "Respondents"). As the timing and amount of any potential liability or potential asset is unknown and cannot be reliably estimated as this stage, they are not disclosed.

13 Directors' responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Half Yearly Report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

By Order of the Board

John S. Ions
Chief Executive

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

9 November 2015

Forward Looking Statements

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

NOTES

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