

Company Registration No. 4341768

LIONTRUST INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2019 TO 31 MARCH 2020

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LIONTRUST INVESTMENT MANAGEMENT LIMITED

Company Information

Liontrust Investment Management Limited is a company registered in the United Kingdom.

Registered Office:

2 Savoy Court, London WC2R 0EZ.

Company Secretary:

Mark Jackson, 2 Savoy Court, London, WC2R 0EZ.

Independent Auditors:

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 7 More London, Riverside, London SE1 2RT.

Legal Advisers:

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

Simmons & Simmons LLP, City Point, 1 Ropemaker Street, London, EC2Y 9SS.

Bankers:

RBS, 280 Bishopsgate, 60 Queen Victoria Street, London EC2M 4RB.

HSBC Bank PLC, 21 King's Mall, Hammersmith, London W6 0QF.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

STRATEGIC REPORT

The principal activity of Liontrust Investment Management Limited ("LIM", "the Company") is to operate as an investment manager and authorised corporate director ("ACD") for a range of UK collective investment schemes.

LIM was acquired on 1 October 2019, by Liontrust Asset Management PLC ("LAM").

During the period 1 October 2019 to 31 March 2020, LIM underwent an organisational restructure to align with the business model of LAM. The integration of the business into LAM continues and the Directors anticipate, and are planning that, as a result of the alignment and integration of the operations of the Company into LAM Group (LAM and its subsidiaries, "the Group"), they will transfer all operations to other Group companies, de-regulate LIM, cease trading and put the company into liquidation in the foreseeable 12 month period. This report and accounts has therefore been prepared on a basis other than going concern in anticipation of these changes. All non-current assets had been impaired to net realisable value as at the acquisition of the Company into the LAM Group and no further adjustments to the carrying value of assets and liabilities has been deemed appropriate as at the reporting date. All non-current assets have been reclassified as current assets in anticipation of the liquidation. No provision for the costs of liquidation have been made in the Company's accounts and any further integration and closure costs will be funded by LAM.

LIM has seen the assets under management (AUM) fall to £2.1billion at 31 March 2020 (£2.5 billion at 31 December 2018) following falls in markets due to the ongoing coronavirus pandemic, though AUM have subsequently risen with market. The key performance indicators are in-line to those of LAM and are discussed within the Strategic report in the Group's annual report and financial statements which does not form part of this report.

The Directors of LAM manage the Group's and the Company's risks at a Group level, rather than at an individual entity level. For this reason the Directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of LAM (including COVID19), which include those of the Company are discussed within the Group's annual report and financial statements which does not form part of this report.

Approved on behalf of the Board



M Kearney,
Director
27 July 2020

LIONTRUST INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for LIM for the period ended 31 March 2020. The Company is incorporated and domiciled in England.

On 1 October 2019 the Company was acquired by LAM and the name of the Company was changed from Neptune Investment Management Limited to Liontrust Investment Management Limited and the registered office moved to 2 Savoy Court, London, WC2R 0EZ. The reporting period for the Company was extended to 15 months 31 March 2020 to align the financial year end of the Company with that of LAM Group. Saffery Champness LLP resigned as auditors on 1 October 2019 and PricewaterhouseCoopers were appointed.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to operate as an investment manager and ACD for a range of UK collective investment schemes. The Company targets institutional and retail investors with a range of open ended global equity funds. It is regulated by the Financial Conduct Authority ("FCA") and is authorised to carry on investment business. The regulated functions of the Company are in the process of being reorganised and transferred to other Group entities. Once these activities have been successfully transferred, all regulated activity has ceased, and the Financial Conduct Authority has granted permission for it to be removed from the register, then the Company will be liquidated.

OPERATING PERIOD

The operating period for this report is from 1 January 2019 to 31 March 2020. The long period is to bring the Company in line with the LAM Group's year end following its acquisition into the Group on 1 October 2019.

FINANCIAL RESULTS AND DIVIDEND

The results of the Company for the period to 31 March 2020 are set out in detail on page 8. The loss for the period was £5,235,000 (loss in 2018: £862,000). The Company's total equity Balance Sheet position at 31 March 2020 was £3,948,000 (2018: £7,082,000). The Company has not paid a dividend during the period.

RISK MANAGEMENT POLICIES

The Company's operations expose it to a number of financial risks that include credit risk, market risk, interest rate risk and liquidity risk which are detailed in note 3 on pages 16 to 19. The Company has considered these risks and has managed as follows: for the period 1 January to 30 September 2019 through the operation of the Company's own internal control systems, supported by regular meetings of the Company's Directors; and from 1 October 2019 they have been managed in line with the Group's risk management systems.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

DIRECTORS

The Directors who served during the period and those at the date of this report were as follows:

A G Catto	-	Director	(resigned 1 October 2019)
J Dowey	-	Director	(resigned 1 October 2019)
R J H Geffen	-	Director	(resigned 1 October 2019)
R H Green	-	Director	(resigned 1 November 2019)
J D Punter	-	Director	(resigned 1 October 2019)
R M Smith	-	Director	(resigned 1 November 2019)
S M Southall	-	Director	(resigned 1 October 2019)
E J F Catton	-	Director	(appointed 1 November 2019)
M F Kearney	-	Director	(appointed 1 November 2019)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs adopted by the European Union 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.

It is expected that the Directors will liquidate the Company within the 12 months following the balance sheet date, subject to relevant approvals. Therefore the Company is not expected to be in existence for the foreseeable future and, for this reason, the financial statements have been prepared on a basis other than going concern.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

Fixed assets have been reclassified as current assets. There has been no adjustment to reduce assets to their realisable values. There has been no adjustment to provide for liabilities arising from the decision as the expenses will be borne by the parent undertaking. Any trade related receivables and payables will be settled at book value prior to closure.

In reviewing the annual financial statements for the year ending 31 March 2020, the Directors considered the impact of COVID19 pandemic when considering judgements and significant accounting items. In particular the Directors considered the impact on the valuation of assets and liabilities and the suitability of disclosures in relation to COVID19.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

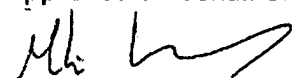
DONATIONS

The Company made no charitable or political donations during the period (2018: £nil).

FUTURE DEVELOPMENTS

The operations of the Company will continue to be integrated into Liontrust Asset Management Group over the next financial year. Once this integration is complete and all operations have been transferred to other Group entities then the Company will be liquidated.

Approved on behalf of the Board



M Kearney,

Director

27 July 2020

LIONTRUST INVESTMENT MANAGEMENT LIMITED

Independent auditors' report to the Members of Liontrust Investment Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, Liontrust Investment Management Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the 15 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2020; the statement of comprehensive income for the period from 1 January 2019 to 31 March 2020, and the statement of changes in equity for the period from 1 January 2019 to 31 March 2020; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the Directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

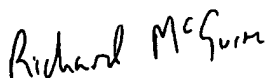
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 July 2020

LIONTRUST INVESTMENT MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2019 to 31 March 2020

		Period 1-Jan-19 to 31-Mar-20 £'000	Year ended 31-Dec-18 £'000
	Note		
Revenue	4	28,158	29,292
Cost of sales		(11,996)	(11,748)
Gross profit		16,162	17,544
Other income		1,954	-
Administrative expenses	5	(23,328)	(18,475)
Operating loss	7	(5,212)	(931)
Finance income		34	20
Loss before tax		(5,178)	(911)
Taxation(charge) / credit	8	(57)	49
Loss for the financial period/year		(5,235)	(862)
Other comprehensive income:			
Other comprehensive income for the financial period/year, net of tax		-	-
Total comprehensive expense attributable to owners of the parent		(5,235)	(862)

The notes on page 11 to 30 form an integral part of these financial statements.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

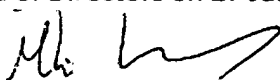
BALANCE SHEET

As at 31 March 2020

		31-Mar-20	31-Dec-18
	Notes	£'000	As restated ¹ £'000
Assets			
Non-current assets			
Fixed assets	9	-	420
Deferred tax asset	8	-	27
		<u>-</u>	<u>447</u>
Current assets			
Fixed assets	9	13	-
Investments	10	-	357
Trade and other receivables	11	39,671	27,283
Current tax recoverable		71	71
Cash and cash equivalents		3,725	6,518
		<u>43,480</u>	<u>34,229</u>
Total assets		<u>43,480</u>	<u>10,835</u>
Liabilities			
Current liabilities			
Trade and other payables	12	(39,532)	(27,594)
Total liabilities		<u>(39,532)</u>	<u>(27,594)</u>
Net assets		<u>3,948</u>	<u>7,082</u>
Shareholders' equity			
Called up share capital	14	75	75
Share premium account		2,209	2,209
Share option reserve	13	-	3,176
Retained earnings		1,664	1,622
Total equity		<u>3,948</u>	<u>7,082</u>

Approved by the Board of Directors on 27 July 2020 and signed on its behalf by

M Kearney, Director



Company registration number: 4341768

The notes on page 11 to 30 form an integral part of these financial statements.

¹ See notes 11 and 12 for details of the restated amounts

LIONTRUST INVESTMENT MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2019 to 31 March 2020

	<i>Ordinary shares £ '000</i>	<i>Share Premium £'000</i>	<i>Share option Reserve £ '000</i>	<i>Retained Earnings £'000</i>	<i>Total Equity £ '000</i>
Balance at 1 January 2019 brought forward	75	2,209	3,176	1,622	7,082
Loss for the period	-	-	-	(5,235)	(5,235)
Share option expense	-	-	2,101	-	2,101
Transfer between reserves	-	-	(5,277)	5,277	-
Balance at 31 March 2020	75	2,209	-	1,664	3,948

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	<i>Ordinary shares £ '000</i>	<i>Share Premium £'000</i>	<i>Share option Reserve £ '000</i>	<i>Retained Earnings £'000</i>	<i>Total Equity £ '000</i>
Balance at 1 January 2018 brought forward	75	2,209	3,916	2,310	8,510
Loss for the year	-	-	-	(862)	(862)
Dividends	-	-	-	(867)	(867)
Share option expense	-	-	301	-	301
Transfer between reserves	-	-	(1,041)	1,041	-
Balance at 31 December 2018	75	2,209	3,176	1,622	7,082

The notes on page 11 to 30 form an integral part of these financial statements.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

LIM is an investment manager and the Company has been authorised and regulated by the Financial Conduct Authority since 19 April 2005.

LIM is a company limited by shares incorporated in England and Wales. The registered office is 2 Savoy Court, London WC2R 0EZ.

1.1 *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on a basis other than going concern under the historical cost convention and in accordance with the Companies Act 2006. In prior periods the Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 10(d) IAS 1, 'Presentation of financial statements';
- IAS 7, 'Statement of cash flows';
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- the requirements of Paragraph 40A-D of IAS 1, 'Presentation of Financial Statements' to disclose the opening comparative balance sheet where the prior year comparative balance sheet has been restated; and
- the requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more Members of a group.

The preparation of financial statement in conformity with generally accepted accounting principles requires the directors to make judgements and estimates that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial information and the reported income and expense during the reporting periods. Although these judgements and assumptions are based on the directors best knowledge of the amount, events or actions, actual results may differ from these estimates. The accounting policies set out below have been used to prepare the financial information.

The financial information has been prepared based on the IFRS standards effective as at 31 March 2020.

Accounting developments

The following new standards became effective in the current reporting period:

Standard
IFRS16 Leases

Effective date
1 January 2019

LIONTRUST INVESTMENT MANAGEMENT LIMITED

1 Accounting policies (continued)

IFRS16 Leases

IFRS 16 provides a single accounting model for leases, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. It supersedes the current guidance found in IAS 17 Leases.

The Company has not recognised a right-of-use (ROU) asset and corresponding liability in the financial statements for its office lease. Following the acquisition of the Company by LAM on 1 October 2019 the office space under the Company's lease is being used by LAM Group and accordingly a ROU asset and liability has been recognised in the financial statements of LAM.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the LAM Group's accounting policies. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates may not equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are set out as follows:

Accounting estimates

Employee share options

Details of accounting policies relating to employee share options can be found at note 1.11 below.

1.2 *Going concern*

It is expected that the Directors will liquidate the Company within the 12 months following the balance sheet date, subject to relevant approvals. The Company is not expected to continue to be in existence for the foreseeable future and, for this reason, the financial statements have been prepared on a basis other than going concern.

Fixed assets have been reclassified as current assets. There has been no adjustment to reduce assets to their realisable values. There has been no adjustment to provide for liabilities arising from the decision as the expenses will be borne by the parent undertaking. Any trade related receivables and payables will be settled at book value prior to closure.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

1 Accounting policies (continued)

1.3 *Income and expenses*

Income and expenses are accounted for on an accruals basis when they become receivable or payable. The Company's primary source of revenue is fee income from investment management activities for retail investment funds. These fees are generally based on an agreed percentage of the valuation of the assets under management ('AuM') and are recognised as the service is provided and it is probable that the fee will be received. Operating expenses represent the Company's administrative expenses and are recognised as the services are provided.

Front end fees received and commissions paid on the sales of units in unitised funds are amortised over the anticipated period of the provision of investment management services to these funds. Managers' dealings profits are calculated as the difference between the cost of purchasing redeemed units at cancellation prices and reselling them at creation prices. Such dealing profits are recognised when the related transaction occurs.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.4 *Property, plant and equipment*

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. As at 1 October 2019 all property, plant and equipment was impaired to its net realisable value.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	over the period of the lease
Plant and equipment	3 years
Office equipment	4 years
Motor vehicles	20% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

1 Accounting policies (continued)

1.5 *Impairment of tangible assets*

At each reporting end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 *Cash and cash equivalents*

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

1.7 *Financial assets*

The Company classifies its financial assets in the following category: 'Financial assets held at fair value through profit and loss' and receivables.

Financial assets are classified as held at fair value through profit or loss if their carrying amounts will be recovered through continuing use. These financial assets consist of shares held in the Company's collective investment schemes.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Company's receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

1 Accounting policies (continued)

The Company assesses at each Balance Sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Trade and other receivables

Trade and other receivables include prepayments as well as amounts the Company is due to receive from third parties in the normal course of business. These include fees as well as settlement accounts for transactions undertaken. These receivables are normally settled by receipt of cash. Trade and other receivables are stated after deducting provisions for bad and doubtful debts. Prepayments arise where the Company pays cash in advance for services. As the service is provided, the prepayment is reduced and the operating expense recognised in the income statement.

1.8 *Trade and other payables*

Trade and other payables (excluding deferred income) represent amounts the Company is due to pay to third parties in the normal course of business. These include expense accruals as well as settlement accounts (amounts due to be paid for transactions undertaken). Trade creditors are costs that have been billed, accruals represent costs, including remuneration, that are not yet billed or due for payment. They are financial liabilities held at amortised cost.

1.9 *Foreign currency gains/losses*

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates (The 'functional currency'). The financial statements are presented in Sterling ('£') which is the Company's functional and presentation currency.

Foreign currency assets and liabilities are translated at rates of exchange ruling at the Balance Sheet date and any exchange rate differences arising from income or expense items are taken to the income statement within revenue. Any exchange rate gains or losses arising from monetary assets and liabilities are taken to the Statement of Comprehensive Income. Differences arising from the translation of available for sale assets are taken to equity. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction.

1.10 *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

1 Accounting policies (continued)

1.11 *Share-based payments*

The Company operated a number of share options schemes for employees. The services received from the employees are measured by reference to the fair value of the share options. The fair value of the options issued is calculated at grant date and is recognised in the Statement of Comprehensive Income within administration expenses (and credited to equity reserves) over the vesting period. All options are equity settled. IFRS 2 has been applied to share options granted after 7 November 2002 and the related expense has been charged to Administration Expenses and credited to retained earnings. Details of the schemes that have operated in the period and the models used to assess fair value are disclosed in note 13.

2 SEGMENTAL REPORTING

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

3 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including price risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme understands the unpredictable nature of financial markets and seeks to minimise any potential adverse effects on the Company's financial performance. The Company uses a number of analytical tools to measure the state of the business which include the Company's operations. These measures are disclosed in the LAM Group's annual report and financial statements.

a) **Market risk**

i. *Cash flow interest rate risk*

Interest rate risk is the risk that the Company will sustain losses from the fair value or future cash flow of adverse movements in interest bearing assets and liabilities and so reduce profitability.

The Company holds cash on deposit. The interest on these balances is based on floating rates and fixed rates. The Company monitors its exposure to interest rate movements and may decide to adjust the balance between deposits on fixed or floating interest rates, or adjust the level of borrowings and deposits. Following a review of sensitivity based on average cash holdings during the year a 1% increase in the interest rate will cause a £51,000 (2018: £75,000) increase in interest receivable. The weighted average effective interest rate on cash is 0.65% (2018: 0.27%).

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

ii. Price Risk

The Company is exposed to equity securities price risk because of investments it holds which are shares in ICVCs, classified on the Balance Sheet as current financial assets held at fair value through profit and loss. The COVID19 pandemic resulted in increased recent market volatility.

The shares in the 'dealing account' are accounted for on a trade date basis. These shares are valued on a bid price basis and held at fair value through profit and loss.

b) Credit risk

Credit risk is managed at a Group level. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to other Group entities, including outstanding receivables and committed transactions.

For banks and financial institutions only independently rated parties with a minimum rating of 'A-2' are used and their creditworthiness is reviewed by the Group's Portfolio Risk Committee.

For receivables the Company takes into account the credit quality of the client and credit positions are monitored. The Company has two main types of receivables: management fees and settlement due from investors in its funds. For management fee receivables, the Company proactively manages the invoicing process to ensure that invoices are sent out on a timely basis and has procedures in place to chase for payment at pre-determined times after the despatch of the invoice to ensure timely settlement. For receivables due from investors, the Company has rigorous procedures to chase investors by phone/letter to ensure that settlement is received on a timely basis. In all cases, detailed escalation procedures are in place to ensure that senior management are aware on any problems at an early stage.

During the period there have been no losses due to non-payment of receivables and the Company does not expect any losses from the credit counterparties as held at the Balance Sheet date.

Maximum exposure to credit risk	31-Mar-20 £'000	31-Dec-18 £'000
Cash and cash equivalents	3,725	6,518
Trade and other receivables	39,671	27,283

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

c) Liquidity risk

Prudent liquidity risk management requires the maintenance of sufficient cash. The Company monitors rolling forecasts of the Company's liquidity reserves (comprising readily realisable investments and cash and cash equivalents) on the basis of expected cash flow.

The Company has analysed its financial liabilities into maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. There is a payables balances of £39,532,000 (2018: £27,594,000) refer to note 12.

As at 31 March 2020	within 3 months	Between 3 months and one year	Over one year
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Payables	39,532	-	-
As at 31 December 2018	within 3 months	Between 3 months and one year	Over one year
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Payables	27,594	-	-

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

d) Capital risk management

The Company is regulated by the Financial Conduct Authority. The Pillar 1 minimum capital requirement for the Company is £4,185,000 (2018: £4,236,000).

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern whilst it retains its permissions to perform regulated activities. Once all regulated activity has ceased, and the Financial Conduct Authority has granted permission for it to be removed from the register, then the Company will be liquidated and capital returned to shareholders following its wind up.

4 REVENUE

The Company's primary source of revenue is investment management fees. Management fees are based on an agreed percentage of the assets under management. Initial charges and commissions include fees based on a set percentage of certain flows into our funds, and profits earned on dealing.

5 ADMINISTRATIVE EXPENSES

During the period the Company incurred operating and administrative expenses totalling £23,328,000 (2018: £18,475,000). The average number of employees in the period was 44 (2018: 65 employees). Following the completion of the acquisition of the Company by LAM 27 employees were transferred to another Group entity on 1 December 2019.

	Period Ended 31-Mar-20 £'000	Year ended 31-Dec-18 £'000
Staff costs		
- Salaries	6,562	6,220
- NI contributions	1,805	1,357
- Pension contributions	565	661
- Other staff costs	854	287
Share incentivisation expense	2,318	1,347
Other administration expenses	11,224	8,603
	23,328	18,475

LIONTRUST INVESTMENT MANAGEMENT LIMITED

6 DIRECTORS' EMOLUMENTS

	Period Ended 31-Mar-20 £'000	Year ended 31-Dec-18 £'000
Remuneration for qualifying services	1,548	2,079
Pension contributions	15	20
Compensation for loss of office	388	-
	<u>1,951</u>	<u>2,099</u>

Four Directors in the period were entitled to receive pension contributions (2018: 4). Four Directors exercised options in the period (2018: 4).

Remuneration disclosed above includes £1,100,000 (2018: £1,279,000) to the highest paid Director. Pension contributions of £NIL (2018: £NIL) were made in respect of this Director and this Director has exercised 404,657 options during the period (2018: 37,161).

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 OPERATING LOSS

	<i>Period ended</i>	<i>Year ended</i>
	31-Mar-20	31-Dec-18
	<i>£'000</i>	<i>£'000</i>
The following items have been included in arriving at the operating loss:		
Services provided by the Company's auditors:		
Fees payable to the Company's auditors for the audit of the Company's financial statements for the period	85	38
Audit related assurance services	34	77
All other consulting services	-	17

Audit related assurance services include the provision of services in relation to a FCA CASS reasonable assurance opinion. The Company did not pay any other fees to the auditors during the period.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAXATION CHARGE / (CREDIT)

	<i>Period Ended</i>	<i>Year ended</i>
	31-Mar-20	31-Dec-18
	<i>£'000</i>	<i>£'000</i>
(a) Analysis of charge in the period/year		
Current tax:		
UK corporation tax at 19% (2018: 20%)	-	(71)
Adjustments in respect of prior periods	-	7
Total current tax	-	(64)
Deferred tax	57	15
Total tax charge / (credit) for the period	57	(49)
(b) Factors affecting current tax		
(Loss)/profit on ordinary activities at UK corporation tax rate of 19% (2018: 20%)	(984)	(173)
Effects of:		
Expenses not deductible for tax purposes	1	6
Group relief	178	-
Current tax losses not available for relief	485	-
Tax relief on share options	-	(151)
Share based payment charge	356	57
ESOT contribution	-	199
Under / (over) provision in prior years	-	7
Deferred tax not recognised	57	-
Other tax adjustments	(36)	6
Total Taxation	57	(49)

Factors affecting future taxation changes

The Company has not recognised cumulative deferred tax assets of £57,000 arising as a result of trading losses and short-term timing differences. Following the acquisition of the Company by LAM on 1 October 2019 these cumulative losses will be unable to be utilised, as such, any deferred tax asset has not been recognised.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 FIXED ASSETS

Following the acquisition of the Company, management reviewed all fixed assets as acquired and subsequently fully impaired all depreciating assets.

Period to 31 March 2020

	<i>Leasehold Improvements</i>	<i>Motor vehicles</i>	<i>Fixtures and fittings</i>	<i>Computer equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost					
At 1 January 2019	2,108	78	602	1,920	4,708
Additions	-	-	-	8	8
Disposals	-	(78)	-	-	(78)
At 31 March 2020	2,108	-	602	1,928	4,638
Accumulated depreciation/impairment					
At 1 January 2019	1,974	-	562	1,752	4,288
Depreciation for the period	66	53	2	73	194
Impairment for the period	68	-	25	103	196
Disposals	-	(53)	-	-	(53)
At 31 March 2020	2,108	-	589	1,928	4,625
Net Book Value					
At 31 March 2020	-	-	13	-	13
At 31 December 2018	134	78	40	168	420

Year to 31 December 2018

	<i>Leasehold Improvements</i>	<i>Motor vehicles</i>	<i>Fixtures and fittings</i>	<i>Computer equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost					
At 1 January 2018	2,056	-	599	1,847	4,502
Additions	52	78	3	73	206
At 31 December 2018	2,108	78	602	1,920	4,708
Accumulated depreciation					
At 1 January 2018	1,885	-	559	1,678	4,122
Charge for the year	89	-	3	74	166
At 31 December 2018	1,974	-	562	1,752	4,288
Net Book Value					
At 31 December 2018	134	78	40	168	420

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 INVESTMENTS

Assets held at fair value through profit and loss:

The Company holds financial assets that have been categorized within one of three levels using a fair value hierarchy that reflects the significance of the inputs into measuring the fair value. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at the Balance Sheet date all assets are categorised as Level 1.

The Company's assets held at fair value through profit and loss represent shares in the ICVCs held in the dealing account and are valued at bid price. There was a gain on the fair value adjustments during the period of £76,000 (2018: loss of £26,000).

31-Mar-20

*Assets held at fair
value through profit
and loss
£'000*

ICVCs

-

31-Dec-18

*Assets held at fair
value through profit
and loss
£'000*

ICVCs

357

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 TRADE AND OTHER RECEIVABLES

	31-Mar-20	31-Dec-18
	£'000	£'000
Trade receivables		As restated
- Fees receivable	1,570	2,115
- Share sales and cancellations	37,265	24,006
Prepayments and other debtors	836	1,162
	<u>39,671</u>	<u>27,283</u>

All financial assets listed above are non-interest bearing and due within 1 year. The carrying amount of these non-interest bearing trade and other receivables approximates their fair value. No trade receivables are past their due date.

The prior year comparative balance has been restated to reflect the gross assets receivable from Share sales and cancellations (£24,006,000) arising from dealing in the Company's funds. In prior years only the net position of Share sales and repurchases had been presented.

12 TRADE AND OTHER PAYABLES

	31-Mar-20	31-Dec-18
	£'000	£'000
Trade payables		As restated
- Share repurchases and cancellations	36,919	24,025
- Other amounts payable	2,253	3,331
Other taxation and social security	9	238
Amounts due to Group entities	351	-
	<u>39,532</u>	<u>27,594</u>

All financial liabilities listed above are non-interest bearing and due within 1 year. The carrying amount of these non-interest bearing trade and other payables approximates their fair value. Amounts due to Company entities are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The prior year comparative balance has been restated to reflect the gross assets receivable from Share sales and cancellations (£24,006,000) and liabilities from Share repurchases and cancellations (£24,025,000) arising from dealing in the Company's funds. In prior years only the net position of Share sales and repurchases had been presented.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 SHARE BASED PAYMENTS

The Company operated three share option schemes as follows:

(i) Enterprise Management Incentives ("EMI") Scheme. Options were granted to all employees under this scheme, at market value, with a minimum vesting period of five years. No new options have been granted under this scheme since 2010, when the Company ceased to qualify under the EMI rules.

(ii) Unapproved Scheme. Options were granted to employees under this scheme, at market value, with a minimum vesting period of five years.

During the period the exercise price of 870,000 Unapproved scheme options which were originally issued with a strike price of £12 were modified to amend the strike price of the options to £1. No other modifications to the terms and conditions of the options were made. The incremental fair value ("FV") granted was measured using a Black-Scholes model (see below). The incremental FV awarded as a result of the modification was:

Option issued	Incremental FV
Before 2015	£1.00
2015	£1.04
2016	£1.07
2017	£1.12
2018	£1.15

(iii) Equity Participation Plan ("EPP"). Introduced in 2011, with initial grants made in 2012, this scheme was utilised to reward key senior executives as part of their performance-related remuneration. The awards are in the form of nil-priced options to acquire ordinary shares in the Company, with a minimum vesting period of three years.

LAM acquisition

As a result of the acquisition of the Company by LAM on 1 October 2019 all non-vested options vested due to the change in control of the Company. At completion of the acquisition 542,140 options were exercised and 1,484,903 were cancelled under a contractual arrangement with LAM whereby the option holders received the same number of LAM shares that they would have received had they exercised their option in return for their consent to cancel the option agreement.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

EMI scheme	Number	Weighted Average Exercise price (£)
Number of options outstanding at 1 January 2019	11,000	13.64
Forfeited in the period	(11,000)	13.64
	<hr/>	
Number of options outstanding at 31 March 2020	-	-
Number of options exercisable at 31 March 2020	-	-

All outstanding EMI scheme options had a strike price of £12 and were out of the money and were forfeit for NIL consideration in the period.

EPP scheme	Number	Weighted Average Exercise price (£)
Number of options outstanding at 1 January 2019	300,750	Nil
Granted in the period	38,137	Nil
Exercised in the period	(332,295)	Nil
Forfeited in the period	(6,592)	Nil
	<hr/>	
Number of options outstanding at 31 March 2020	-	Nil
Number of options exercisable at 31 March 2020	-	Nil

Unapproved scheme	Number	Weighted Average Exercise price (£)
Number of options outstanding at 1 January 2019	1,226,600	9.36
Granted in the year	531,500	1.00
Exercised in the year	(1,720,600)	1.00
Forfeited in the year	(37,500)	12.00
	<hr/>	
Number of options outstanding at 31 March 2020	-	-
Number of options exercisable at 31 March 2020	-	-

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Unapproved scheme share options granted in the year, the weighted average of the FV of the options is £1.17 (2018: £NIL). For the EPP share options granted in the year, the weighted average FV of the options is £2.00 (2018: £1.70). The fair value of the options was measured using the Black-Scholes options valuation model. The inputs to that model were as follows:

Share price	£2.00
Exercise price (Unapproved/EPP)	£1/£nil
Expected volatility	39%
Expected option life (Unapproved/EPP)	5/3 years
Dividend yield	0%
Risk free rate	0.75%

The risk-free rate is estimated based on the Bank of England base rate in the period.

Expected share price volatility is based on similar listed fund managers.

Likelihood of options vesting based on historic staff turnover:

EMI and Unapproved schemes	60%
EPP scheme	90%

The Company transfers the fair value of share options that have been exercised during the year out of the Share Option Reserve into Retained Earnings, as shown in the Statement of Changes in Equity.

£5.277 million (2018: £1.041m) has been transferred to Retained Earnings in the period in respect of share options which were either exercised or forfeited.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 ORDINARY SHARES

	31-Mar-20 £'000	31-Dec-18 £'000
Authorised		
Equity		
7,535,245 Ordinary Shares of £0.01 each (2018: 7,535,245)	<u>75</u>	<u>75</u>
Allotted, issued and fully paid		
Equity		
7,535,245 Ordinary Shares of £0.01 each (2018: 7,535,245)	<u>75</u>	<u>75</u>

15 DISCLOSURE EXEMPTIONS

The Company has taken advantage of the exemptions available under FRS 101, 'Reduced disclosure framework', and has therefore not included a Cash Flow Statement as required under IAS 7, 'Cash Flow Statement' or Related Party Transactions as required under IAS 24, 'Related Parties'. The results of the company are included within the consolidated financial statements of the ultimate parent, LAM, which can be obtained from the Group's Broker Services Department at Liontrust Asset Management PLC, 2 Savoy Court, London, WC2R 0EZ.

16 INTERESTS IN STRUCTURED ENTITIES

IFRS 12 requires certain disclosures in respect of interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The Company has assessed whether the funds it manages are structured entities and concluded that funds managed by the Company are structured entities unless substantive removal or liquidation rights exist.

The Company has interests in these funds through the receipt of management and other fees and, in certain funds, through ownership of fund units. The Company's investments in these funds are subject to the terms and conditions of the respective fund's offering documentation and are susceptible to market price risk. The investments are included in financial assets at fair value through profit or loss in the balance sheet.

LIONTRUST INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Where the Company has no equity holding in a fund it manages, the investment risk is borne by the external investors and therefore the Company's maximum exposure to loss relates to future fees and any uncollected fees at the balance sheet date.

Where the Company does have an equity holding, the maximum exposure to loss constitutes the future and uncollected management fees plus the fair value of the Company's investment in that fund.

	<i>Number of funds</i>	<i>Net AuM of funds £'m</i>	<i>Financial assets at FVTPL £'000</i>	<i>Fees received during the period/year £'000</i>	<i>Fees receivable £'000</i>
As at 31-Mar-2020	19	1,870	-	28,152	1,570
As at 31-Dec-2018	20	2,546	357	28,793	2,139

17 PARENT UNDERTAKING

The Company's immediate parent undertaking, ultimate controlling party, and smallest and largest Company to prepare consolidated financial statements is LAM.

Copies of LAM's consolidated financial statements may be obtained from 2 Savoy Court, London, WC2R 0EZ.

18 POST BALANCE SHEET DATE EVENTS

There were no post balance sheet events.