

LLP Registration No. OC351697

**LIONTRUST FUND PARTNERS LLP**

**MEMBERS' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2019**

TUESDAY



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16/07/2019  
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# LIONTRUST FUND PARTNERS LLP

Liontrust Fund Partners LLP is a Limited Liability partnership registered in England.

## **Members:**

Liontrust Investment Funds Limited  
Liontrust Asset Management PLC  
(joined 13 April 2018)  
M Allpress  
S Corbett  
C Galvin  
S Hildrey  
M Keogh  
M Kearney  
I Chimes

## **Designated Members:**

J Ions  
A Morrison

## **Management Committee members:**

J Ions  
A Morrison  
I Chimes  
S Hildrey  
M Kearney  
V Abrol (representing Liontrust Investment Funds Limited and Liontrust Asset Management PLC)

## **Registered Office:**

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:**

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

# LIONTRUST FUND PARTNERS LLP

## MEMBERS' REPORT

The Partnership was incorporated on 22 January 2010 in England and is domiciled in England. The Members present their annual report and the audited financial statements for Liontrust Fund Partners LLP ("the Partnership") for the year ended 31 March 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Partnership is as an Authorised Fund Manager ('AFM') and Authorised Corporate Depository ('ACD'), providing investment management services to professional and retail investors directly, through investment consultants and through collective investment funds. It is regulated by the Financial Conduct Authority ("FCA") and is authorised to carry on investment business. In accordance with the rules of the FCA, the Partnership has published information on its risk management objectives and policies and on its regulatory capital requirements and resources. This information is available on the Group's website [www.liontrust.co.uk](http://www.liontrust.co.uk). The Partnership will continue to offer its services to professional investors.

## BUSINESS REVIEW

The Partnership has seen assets under management rise to over £10.9 billion at 31 March 2019 (2018: £6 billion) with increasing revenue over the year. Management will seek to increase this further via organic growth or acquiring funds. The key performance indicators of the Partnership are in line with those of Liontrust Asset Management PLC and are discussed within the Business review in the Group's annual report and financial statements which does not form part of this report.

The Directors of Liontrust Asset Management PLC manage the Group's (Liontrust Asset Management PLC & its subsidiaries ("the Group")) risks at a group level, rather than at an individual entity level. For this reason the Members believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Partnership business. The principal risks and uncertainties of Liontrust Asset Management PLC, which include those of the Partnership are discussed within the Group's annual report and financial statements which does not form part of this report.

## RESULTS AND DISTRIBUTIONS

The results of the Partnership for the year are set out in detail on page 7. The profit for the financial year was £23,838,000 (2018: £16,356,000). Following its admission to the Partnership in April 2018, the Partnership has made a distribution of £20,000,000 to Liontrust Asset Management PLC (2018: £nil). The Partnership has made no distribution to Liontrust Investment Funds Limited (2018: £20,382,000).

## MEMBERS' PROFIT ALLOCATIONS

Profit allocations have been made to Members in accordance with the amended and restated partnership agreement dated 13 April 2018 ("Partnership Agreement"). The revised agreement has admitted Liontrust Asset Management PLC as an additional corporate member with entitlement to profit allocations.

## POLICY FOR MEMBERS' DRAWINGS

Polices for Members' drawings are governed by the Partnership Agreement.

## RISK MANAGEMENT POLICIES

The Partnership'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 14 to 16.

The Partnership has considered these risks and has managed them through the operation of the Group's internal control systems, which are supported by regular meetings of the Partnership's Members.

# LIONTRUST FUND PARTNERS LLP

## MEMBERS' REPORT (continued)

### MEMBERS

A Morrison and J Ions are Designated Members. The full list of Members of the Partnership is detailed on page 1.

### STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law the members have prepared the partnership financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law as applied to limited liability partnerships the members 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 partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Partnership's members in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership and Group will continue in business.

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

The Management Committee is responsible for performing these duties on behalf of the Members.

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

As so far as the Members are aware, there is no relevant audit information of which the Partnership's independent auditors are unaware. The Members have taken all the steps that they ought to have taken as Members in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

# LIONTRUST FUND PARTNERS LLP

## MEMBERS' REPORT (continued)

### DONATIONS

The Partnership made no charitable or political donations during the year.

On behalf of the Members



A Morrison,  
Designated Member

5 July 2019

# LIONTRUST FUND PARTNERS LLP

## *Independent auditors' report to the Members of Liontrust Fund Partners LLP*

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Liontrust Fund Partners LLP's financial statements:

- give a true and fair view of the state of the Partnership's affairs as at 31 March 2019 and of its profit for the year 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 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Members' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2019; the Statement of Comprehensive Income, the Reconciliation of Movements in Members' Interests for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **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 Partnership 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.

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#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Partnership's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Partnership's trade, customers, suppliers and the wider economy.

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#### **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 Members 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 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.

# LIONTRUST FUND PARTNERS LLP

## ***Independent auditors' report to the Members of Liontrust Fund Partners LLP (continued)***

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the Members for the financial statements*

As explained more fully in the Statement of Members' Responsibilities in respect of the Financial Statements set out on page 3, the Members 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 Members 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 Members are responsible for assessing the Partnership'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 Members either intend to liquidate the Partnership 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinion, has been prepared for and only for the Members of the Partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 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.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 as applicable to limited liability partnerships 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 Partnership, or returns adequate for our audit have not been received from branches not visited by us; 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

5 July 2019

# LIONTRUST FUND PARTNERS LLP

## Statement of Comprehensive Income For the year ended 31 March 2019

		Year ended 31-Mar-19	Year ended 31-Mar-18
	Notes	£'000	£'000
Revenue		82,608	55,070
Cost of sales		(39,246)	(21,039)
<b>Gross profit</b>	4	<u>43,362</u>	<u>34,031</u>
Administration expenses	5	(15,053)	(12,606)
<b>Operating profit</b>		<u>28,309</u>	<u>21,425</u>
Finance income		<u>1</u>	<u>1</u>
<b>Profit for the year before Members' remuneration and profit shares</b>		<u>28,310</u>	<u>21,426</u>
Members' remuneration charged as an expense	11	<u>(4,472)</u>	<u>(5,070)</u>
<b>Profit for the financial year</b>		<u>23,838</u>	<u>16,356</u>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u>23,838</u>	<u>16,356</u>

The notes on pages 10 to 21 form an integral part of these financial statements. All operations are continuing.



# LIONTRUST FUND PARTNERS LLP

Balance Sheet  
As at 31 March 2019

		31-Mar-19	31-Mar-18
	Note	£'000	£'000
<b>Assets</b>			
<b>Non current assets</b>			
Intangible assets	8	1,905	2,722
Investment in subsidiary	7	1,484	1,819
<b>Total Non-current assets</b>		<u>3,389</u>	<u>4,541</u>
<b>Current assets</b>			
Financial assets	6	178	53
Trade and other receivables	9	90,286	60,651
Cash and cash equivalents		10,460	7,929
<b>Total Current assets</b>		<u>100,924</u>	<u>68,633</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	(90,339)	(63,191)
<b>Total Current liabilities</b>		<u>(90,339)</u>	<u>(63,191)</u>
<b>Net assets</b>			
		<u>13,974</u>	<u>9,983</u>
<b>Members interests</b>			
Members initial capital		3,051	3,051
Unallocated profit		10,923	6,932
<b>Total equity</b>		<u>13,974</u>	<u>9,983</u>

Approved by the Members on 5 July 2019 and signed on its behalf by



A Morrison, Designated Member

LLP Registration No. OC351697

The notes on pages 10 to 21 form an integral part of these financial statements. All operations are continuing.

# LIONTRUST FUND PARTNERS LLP

## Reconciliation of Movements in Members' Interests

For the year ended 31 March 2019

	<i>Members</i>		<i>Total Members</i>
	<i>Capital</i>	<i>Drawings</i>	<i>interests</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance at 1 April 2018	36,224	(26,241)	9,983
Members' Drawings	-	(4,472)	(4,472)
Profit for the year before Members' remuneration and profit shares	28,310	-	28,310
IFRS 2 Charge allocation	153	-	153
Income allocated	(20,000)	-	(20,000)
Balance at 31 March 2019	<u>44,687</u>	<u>(30,713)</u>	<u>13,974</u>

## Reconciliation of Movements in Members' Interests

For the year ended 31 March 2018

	<i>Members</i>		<i>Total Members</i>
	<i>Capital</i>	<i>Drawings</i>	<i>interests</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance at 1 April 2017	34,791	(21,171)	13,620
Members' Drawings	-	(5,070)	(5,070)
Profit for the year before Members' remuneration and profit shares	21,426	-	21,426
IFRS 2 Charge allocation	389	-	389
Income allocated	(20,382)	-	(20,382)
Balance at 31 March 2018	<u>36,224</u>	<u>(26,241)</u>	<u>9,983</u>

The notes on pages 10 to 21 form an integral part of these financial statements. All operations are continuing.

# LIONTRUST FUND PARTNERS LLP

## Notes to the Financial Statements

### 1. Accounting policies

#### a) 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 going concern basis under the historical cost convention and in accordance with the Companies Act 2006 as applied to LLPs.

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 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 Members of the Partnership 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 Members 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 2019.

#### *Accounting developments*

The Partnership has adopted the following new standards in the current reporting period:

<u>Standard</u>	<u>Effective date</u>
IFRS 9 Financial Instruments	1 January 2018
IFRS15 Revenue from Contracts with Customers	1 January 2018

#### *IFRS 9 Financial Instruments*

IFRS 9 has replaced the classification and measurement models for financial instruments currently contained in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was endorsed by the EU in November 2016 and is effective for accounting periods beginning on or after 1 January 2018. On adoption of IFRS 9 the Partnership's financial assets have been reclassified as either at amortised cost, fair value through other comprehensive income or fair value through profit or loss ('FVTPL'). The financial asset classification will be determined on the basis of the contractual cash flow characteristics of the instruments and the Partnership's business model for the collection of cash flows arising from its investments.

# LIONTRUST FUND PARTNERS LLP

## Note 1. Accounting policies (continued)

Trade and other receivables and payables principally comprise short-term settlement accounts and accruals, neither of which are held for trading or meet the definition of items that could be carried at fair value. Such instruments will therefore remain at amortised cost.

Under IAS 39 impairment provisioning is historical performance based whereas IFRS 9 brings an expected credit loss model where credit loss provisioning will be required to be based on expected future credit losses. The majority of the Partnership's revenue comes from investment management fees due from the retail investment funds we manage. These fees are paid to the Partnership on a monthly basis. Typically, receivables comprise unpaid sales contracts and cancellations (together, settlement accounts), which are receivables in transit between funds and end clients. These are contractually required to be settled within four days.

There was no material impact in adopting IFRS9.

### *IFRS15 Revenue from Contracts with Customers*

IFRS 15 has replaced the current requirements contained in IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations when it became effective 1 January 2018.

IFRS 15 specifies the requirements that an entity must apply in order to measure and recognise revenue and its related cash flows. The core principle of the standard is that an entity should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer.

The standard introduces a five step model for recognising revenue as follows: Identifying the contract with the customer; identifying the relevant performance obligations of the contract; determining the amount of consideration to be received under the contract; allocating the consideration to the relevant performance obligation; and accounting for the revenue as the performance obligations are satisfied.

In preparation for the implementation of the standard the Partnership carried out a detailed review of its contracts with customers. Following this review there has been no material impact on its results, though some minor changes to disclosures around the payments of rebates and commissions have been implemented.

### *New standards not implemented in the period*

<u>Standard</u>	<u>Effective date</u>
IFRS16 Leases	1 January 2019

### *IFRS16 Leases*

IFRS 16 replaces IAS 17 Leases and is effective for the reporting periods beginning on or after 1 January 2019. The standard provides a single accounting model for leases, requiring lessees to recognise right of use assets and lease liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Partnership does not enter into lease agreements on behalf of the Liontrust Group and therefore the Partnership anticipates that the adoption of IFRS 16 will not have a material impact on its results.

# LIONTRUST FUND PARTNERS LLP

## Note 1. Accounting policies (continued)

### b) 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.

### c) 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 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*

##### Impairment of intangible assets

Details of the impairment policy for intangible assets and their estimated useful lives can be found in note 8 and 11) below.

##### Employee share options

Details of accounting policies relating to employee share options can be found on note 1e) below.

### d) 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 Partnership'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.

### e) Share options

The Partnership (as part of the Group) operates a number of share options schemes for employees and Members. 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. A number of models have been used to calculate the fair value as follows:

#### – Liontrust Deferred Bonus and Variable Allocation Plan ('DBVAP')

No fair value model is used. The fair value is determined on initial cost of shares. Given managements expectation of the vesting level of these options, no additional sensitivity analysis has been performed.

# LIONTRUST FUND PARTNERS LLP

## Note 1. Accounting policies (continued)

### – Liontrust Long Term Incentive Plan ('LTIP') with performance conditions attached

A Monte Carlo simulation model is used to value the award with the following assumptions having been made:

The fair values spread over the vesting period which is 5 years with an exercise price of nil;

The options are expected to be exercised at the point they become exercisable;

The risk-free interest rate has been based on the implied yield of zero-coupon government bonds (UK strips) with a remaining term equal to the expected term.

The expected volatility is 37% with a fair value of one share being £2.93

No expected dividends have been factored into the model and no leavers have been factored into the model. Given managements expectation of the vesting level of these options, no additional sensitivity analysis has been performed.

### - Liontrust Members Reward Plan ('LMRP') with performance conditions attached

A Monte Carlo simulation model is used to value the award with the following assumptions having been made:

The fair value is spread over the vesting period which is 5 years with an exercise price of nil;

The awards are expected to be exercised at the point they become exercisable;

The risk-free interest rate has been based on the implied yield of zero-coupon government bonds (UK strips) with a remaining term equal to the expected term.

The expected volatility is 37% with a fair value of one share being £3.14

No expected dividends have been factored into the model and no leavers have been factored into the model. Given managements expectation of the vesting level of these options, no additional sensitivity analysis has been performed.

## f) Income and expenses

Income and expenses are accounted for on an accruals basis when they become receivable or payable. The Partnership'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 Partnership'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' box profits are calculated as the difference between the cost of purchasing redeemed units at cancellation prices and reselling them at creation prices. Such box profits are recognised when the related transaction occurs.

Performance fees are recognised when the fee amount can be estimated reliably and it is highly probable that it will not be subject to significant reversal.

## g) Financial assets

The Partnership 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 units held in the Partnership's collective investment schemes as part of a 'manager's box.

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 Partnership's receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

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

# LIONTRUST FUND PARTNERS LLP

## Note 1. Accounting policies (continued)

### h) Trade and other receivables

Trade and other receivables include prepayments as well as amounts the Partnership 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 Partnership pays cash in advance for services. As the service is provided, the prepayment is reduced and the operating expense recognised in the income statement.

### i) Trade and other payables

Trade and other payables (excluding deferred income) represent amounts the Partnership 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.

### j) Members' capital

Amounts subscribed or otherwise contributed by Members, for example Members' capital, are classed as equity if the Partnership has an unconditional right to refuse payment to Members. If the Partnership does not have such an unconditional right, such amounts are classified as liabilities.

### k) Members' drawings

Members' participation rights are the rights of a Member against the Partnership that arise under the Members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits).

Members' participation rights in the earnings or assets of the Partnership are analysed between those that are, from the Partnership's perspective, either a financial liability or equity. A Member's participation rights result in a liability unless the right to any payment is discretionary on the part of the Partnership.

Where profit are automatically divided as they arise, so the Partnership does not have an unconditional right to refuse payment, the amounts arising that are due to Members are in the nature of liabilities. They are therefore treated as an expense in the Statement of Comprehensive Income. To the extent that they remain unpaid at the period end, they are shown as liabilities in the Balance Sheet.

### l) Intangible assets

The costs of acquiring intangible assets such as fund management contracts are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The assets are held at cost less accumulated amortisation. The assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount which is assessed on the basis of the AuM of the underlying funds acquired.

The fund management contracts relating to the Assets acquired from Argonaut Capital Partners LLP are recorded initially at fair value and recorded in the consolidated financial statements as an intangible asset, they are then amortised over their useful lives on a straight-line basis over 5 years.

## 2. Segmental reporting

The Partnership operates only in one business segment - being investment management and one geographical segment – being the United Kingdom.

# LIONTRUST FUND PARTNERS LLP

## Note 3. Financial risk management (continued)

### 3. Financial risk management

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

#### a) Market risk

##### i) *Cashflow interest risk*

Interest rate risk is the risk that the Partnership 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 Partnership holds cash on deposit. The interest on these balances is based on floating rates and fixed rates. The Partnership 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 £187,000 (2018: £112,000) increase in interest receivable. The weighted average effective interest rate on cash is 0.0% (2018: 0.1%).

##### ii) *Price risk*

The Partnership is exposed to equity securities price risk because of investments it holds and which are Units in UK Authorised unit trusts, classified on the Balance Sheet as current financial assets held as available-for-sale.

The UK Authorised unit trusts units are held in the 'manager's box' are to ease the calculation of daily creations and cancellations of units and shares. These box positions are not held to create speculative proprietary positions but are managed in accordance with specified criteria and authorisation limits. At the end of each day's business the manager's box for each fund is reviewed. If there is a negative box position then units are created to bring the box level positive. Three control levels of the manager's box exist for each fund and each level is required to be signed off by progressively more senior staff. There are clearly defined maximum limits, over which manager's box levels cannot exceed.

The units and shares in the 'manager's box' are accounted for on a trade date basis. These units are valued on a bid price basis and held at fair value through profit and loss. There is also an indirect exposure to market risk for box profits, due to the impact of market movements on the underlying funds.

#### b) Credit risk

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

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



# LIONTRUST FUND PARTNERS LLP

## Note 3. Financial risk management (continued)

For receivables the Partnership takes into account the credit quality of the client and credit positions are monitored. The Partnership has two main types of receivables; management fees and settlement due from investors in its funds. For management fee receivables, the Partnership 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 Partnership 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 year there have been no losses due to non-payment of receivables and the Partnership does not expect any losses from the credit counterparties as held at the Balance Sheet date.

<b>Maximum exposure to credit risk</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<i>£'000</i>	<i>£'000</i>
Cash and cash equivalents	10,460	7,929
Trade and other receivables	90,286	60,651

### c) Liquidity risk

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

The Partnership has analysed its financial liabilities into maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

<b>As at 31 March 2019</b>	<b>within 3 months</b>	<b>Between 3 months and one year</b>	<b>Over one year</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Payables	90,339	-	-
<b>As at 31 March 2018</b>	<b>within 3 months</b>	<b>Between 3 months and one year</b>	<b>Over one year</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Payables	63,191	-	-

### d) Capital risk management

The Partnership's objectives when managing capital are to safeguard the Partnership's ability to continue as a going concern in order to provide returns for Members and benefits for other stakeholders and to maintain an optimal capital structure and to reduce the cost of capital.

The Partnership is regulated by the Financial Conduct Authority. The Pillar 1 minimum capital requirement for the Partnership is £2,006,000 (2018: £1,380,000).

# LIONTRUST FUND PARTNERS LLP

## 4. Gross Profit

The Partnership's primary source of revenue is investment management fees. Management fees are based on an agreed percentage of the assets under management.

The Partnership adopted IFRS 15 'Revenue from Contracts with Customers' for the financial year ended 31 March 2019. The adoption of the standard has not resulted in any changes in the way the Partnership accounts for revenue or cost of sales. (The 2018 information has been presented in the same format for comparative purposes)

	Year Ended 31 March 2019 £'000	Year Ended 31 March 2018 £'000
Revenue	82,579	55,070
Performance fee revenue	29	-
Total revenue	82,608	55,070
Cost of sales	(39,246)	(21,039)
Gross profit	43,362	34,031

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

Revenue from earnings includes: Investment management fees on unit trusts and open-ended investment companies sub-funds; performance fees on unit trusts and open-ended investment companies sub-funds; fixed administration fees on unit trusts and open-ended investment companies sub-funds; net value of sales and repurchases of units in unit trusts and shares in open-ended investment companies (net of discounts); net value of liquidations and creations of units in unit trusts and shares in open-ended investment companies sub-funds; box profits on unit trusts; and foreign currency gains and losses.

The cost of sales includes: operating expenses including (but not limited to) keeping a record of investor holdings, paying income, sending annual and interim reports, valuing fund assets and calculating prices, maintaining fund accounting records, depositary and trustee oversight and auditors; rebates paid on investment management fees; sales commission paid or payable; and external investment advisory fees paid or payable.

## 5. Administration expenses

	Year Ended 31-Mar-19 £'000	Year ended 31-Mar-18 £'000
Staff costs	5,109	4,397
Share incentivisation expense	595	392
Other administration expenses	9,349	7,817
	<b>15,053</b>	<b>12,606</b>

The Partnership has been charged by other group entities during the year for staffing costs. These costs relate to work done by employees and Members of group entities. The Partnership had no employees during the year (2018: no employees).

# LIONTRUST FUND PARTNERS LLP

## 6. Financial assets

Assets held at fair value through profit and loss:

The Partnership 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 Partnership'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. The gain on the fair value adjustments during the year was £nil (2018: gain of £1,000).

	31-Mar-19		Total
	<i>Assets held at fair value through profit and loss</i>	<i>Assets held as available for sale</i>	
	£'000	£'000	£'000
<b>UK Authorised unit trusts</b>	178	-	178

	31-Mar-18		
	<i>Assets held at fair value through profit and loss</i>	<i>Assets held as available for sale</i>	
	£'000	£'000	£'000
<b>UK Authorised unit trusts</b>	53	-	53

## 7. Investment in subsidiary

The Partnership's investment in subsidiary undertakings represents interests in the ordinary shares, capital of Liontrust LLP's Members Reward Partnership.

	As at 31-Mar-19 £'000	As at 31-Mar-18 £'000
Balance at 1 April	1,819	1,194
Additions/(reductions) during the year	(335)	625
<b>Balance as at 31 March</b>	<b>1,484</b>	<b>1,819</b>

# LIONTRUST FUND PARTNERS LLP

## 8. Intangible assets

Year to 31 March 2019

Description	Carrying value £'000	Remaining amortisation period
Investment management contracts acquired from Argonaut*	1,905	4 Years
		<i>Investment management contracts</i>
		<i>£'000</i>
<b>Cost</b>		
At 1 April 2018		4,083
Additions		-
At 31 March 2019		<u>4,083</u>
<b>Accumulated amortisation and impairment</b>		
At 1 April 2018		1,361
Amortisation charge for the year		817
At 31 March 2019		<u>2,178</u>
<b>Net Book Value</b>		
At 31 March 2019		<u>1,905</u>
At 31 March 2018		<u>2,722</u>

## 9. Trade and other receivables

	As at 31-Mar-19 £'000	As at 31-Mar-18 £'000
Trade receivables		
- Fees receivable	7,319	4,166
- Unit trust sales and cancellations	81,389	55,549
Prepayments and accrued income	1,578	936
	<u>90,286</u>	<u>60,651</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.

# LIONTRUST FUND PARTNERS LLP

## 10. Trade and other payables

	As at 31-Mar-19 £'000	As at 31-Mar-18 £'000
Trade payables		
- Unit trust repurchases and cancellations	80,926	54,537
Accruals and deferred income	6,325	4,767
Amounts due to group undertakings	3,088	3,887
	<b>90,339</b>	<b>63,191</b>

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 group entities are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## 11. Members' drawings

	Year Ended 31-Mar-19 £'000	Year Ended 31-Mar-18 £'000
Aggregate drawings	4,472	5,070
	<b>4,472</b>	<b>5,070</b>

The drawings of the highest paid Member for the year amounted to £671,000 (2018: £1,016,000). The capital contribution of the highest paid member was £nil (2018: £nil). The average number of Members during the year was: 8 (2018: 9).

## 12. Operating profit

	Year ended 31-Mar-19 £'000	Year ended 31-Mar-18 £'000
The following items have been included in arriving at operating profit:		
Staff costs	5,109	4,397
Services provided by the Partnership's auditors: (inclusive of VAT)		
Fees payable to the Partnership's auditors for the audit of the Partnership's financial statements for the year	55	27
Audit related assurance services	248	116

The Partnership has been charged by other group entities during the year for staffing costs. These costs relate to work done by employees and Members of group entities. There were no employees during the year (2018: no employees)

# LIONTRUST FUND PARTNERS LLP

## 13. Contingent assets and liabilities

Contingent assets at 31 March 2019 amounts to £Nil (2018: £Nil)

Contingent liabilities at 31 March 2019 amounts to £Nil (2018: £Nil)

## 14. Disclosure exemptions

The Partnership 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 Partnership are included within the consolidated financial statements of the ultimate parent, Liontrust Asset Management PLC, which can be obtained from the Group's Broker Services Department at Liontrust Asset Management PLC, 2 Savoy Court, London, WC2R 0EZ.

## 15. Parent undertakings

The immediate parent undertaking is Liontrust Investment Funds Limited.

The ultimate parent undertaking and controlling party is Liontrust Asset Management PLC, a Company incorporated in England.

Liontrust Asset Management PLC is the parent undertaking of the largest and the smallest group of undertakings to consolidate these financial statements at 31 March 2019. The consolidated financial statements are available from 2 Savoy Court, London, WC2R 0EZ.

## 16. Post balance sheet date event

There were no post balance sheet date events.