




LIONTRUST UK SMALLER COMPANIES FUND

**Manager's Long Final Report and Financial Statements
for the year ended 30 April 2018**



Managed by Anthony Cross, Julian Fosh,
Victoria Stevens and Matthew Tonge in accordance with
The Liontrust Economic Advantage

LIONTRUST FUND PARTNERS LLP

LIONTRUST UK SMALLER COMPANIES FUND

Directory

Authorised Fund Manager ("Manager")

Liontrust Fund Partners LLP
2 Savoy Court
London
WC2R 0EZ

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Administration and Dealing facsimile 0330 123 3720
Email admin@liontrust.co.uk
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Authorised and regulated by the Financial Conduct Authority.

Investment Adviser

Liontrust Investment Partners LLP
2 Savoy Court
London
WC2R 0EZ

Authorised and regulated by the Financial Conduct Authority.

Trustee

State Street Trustees Limited
20 Churchill Place
London
E14 5HJ

Authorised and regulated by the Financial Conduct Authority.

Registrar

DST Financial Services Europe Limited
DST House
St. Nicholas Lane
Basildon
Essex
SS15 5FS

Authorised and regulated by the Financial Conduct Authority.

As of 14 August 2017, DST Financial Services Europe Limited is the trading name of International Financial Data Services (UK) Ltd following the acquisition of the remaining 50% ownership interest.

Independent Auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

LIONTRUST UK SMALLER COMPANIES FUND

Investment Profile

The Fund has been managed by Anthony Cross since 1998 and he was joined by his co-managers Julian Fosh in 2008 and Victoria Stevens and Matt Tonge in 2015. The fund managers use the Economic Advantage investment process to seek to identify companies with a durable competitive advantage that allows the companies to defy industry competition and sustain a higher than average level of profitability for longer than expected. All smaller companies in the Fund must have a minimum 3% directors' equity ownership, which the fund managers believe motivates key employees, helps to secure a company's competitive edge and leads to better corporate performance.

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*Collectively, these comprise the Authorised Fund Manager's Report (from herein referred to as the Manager's Report).

LIONTRUST UK SMALLER COMPANIES FUND

MANAGER'S INVESTMENT REPORT

Investment Objective and Policy

The investment objective of Liontrust UK Smaller Companies Fund is to provide long-term capital growth by investing primarily in smaller UK companies displaying a high degree of Intellectual Capital and employee motivation through equity ownership in their business model.

To achieve this aim, the Fund will invest in a portfolio of UK smaller companies' shares, the majority of which are contained within the FTSE Small Cap, the FTSE Fledgling and the AIM indices. Companies within the Fund that graduate into the FTSE 250 Index will be held until a suitable replacement company is found. The Fund may also invest in transferable securities, money market instruments, warrants, cash and near cash and deposits. The Fund may also invest up to 10% of its property in units or shares in collective investment schemes. The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes.

Liontrust Asset Management PLC

Liontrust Asset Management PLC (Company) is a specialist fund management company with £10.5 billion in assets under management as at 31st March 2018. The Company takes pride in having a distinct culture and approach to running money.

The company launched in 1995 and was listed on the London Stock Exchange in 1999.

- We are an independent business with no corporate parent, our head office is on the Strand in London and we have offices in Luxembourg and Edinburgh.
- We believe in the benefits of active fund management over the long term and all our fund managers are truly active.
- We focus only on those areas of investment in which we have particular expertise. We have eight fund management teams: five that invest in UK, European, Asian and Global equities, a Global Fixed Income team, a Sustainable Investment team and one team that manages Multi-Asset portfolios.
- Our fund managers are independent thinkers and have the courage of their convictions in making investment decisions.
- Our fund managers have the freedom to manage their portfolios according to their own investment processes and market views without being distracted by other day-to-day aspects of running a fund management company.
- Each fund management team applies distinct and rigorous investment processes to the management of funds and portfolios that ensure the way we manage money is predictable and repeatable.
- Staying true to their documented investment processes helps to create an in-built risk control for our fund managers, especially in more challenging environments, by preventing them from buying stocks for the wrong reasons.
- We aim to treat investors, clients, members, employees, suppliers and other stakeholders fairly and with respect. We are committed to the Principles of Treating Customers Fairly (TCF) and they are central to how we conduct business across all our functions.

Liontrust Asset Management PLC is the parent company of Liontrust Investment Partners LLP, Liontrust Fund Partners LLP and Liontrust Investments Limited which are authorised and regulated by the Financial Conduct Authority. All members of the Liontrust Group sell only Liontrust Group products.

Performance of the Fund

In the year to 30 April 2018 an investment in the Fund returned 14.3% (retail class) and 14.6% (primary class). This compares with a return of 6.1% from the FTSE Small Cap ex-Investment Trusts Index, Total Return Index, the benchmark index and a 14.1% return from the IA UK Smaller Companies sector average.

LIONTRUST UK SMALLER COMPANIES FUND

MANAGER'S INVESTMENT REPORT

Since the manager inception date of the Fund, 8 January 1998, an investment in the Fund has risen by 1,160.6% (retail class) and 1,178.1% (primary class) compared to a 286.2% return from the FTSE Small Cap. (excluding investment trusts) Total Return Index and a 638.5% return from the IA UK Smaller Companies sector average.

Source: Financial Express, bid-to-bid basis, total return (net of fees, income reinvested).

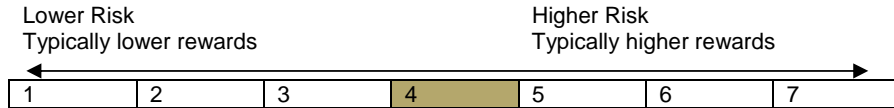
Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise.

LIONTRUST UK SMALLER COMPANIES FUND

MANAGER'S INVESTMENT REPORT

Risk Rating

The Risk disclosures are in accordance with European Securities Markets Authority (ESMA) guidelines and are consistent with the rating disclosed in the Key Investor Information Document (KIID).



- The Synthetic Risk and Reward Indicator (SRRI) is based on historical data and may not be relied upon to gauge the future risk profile of the Fund.
- The SRRI shown is not guaranteed to remain the same and may shift over time.
- The lowest category (1) does not mean 'risk free'.
- The Fund's risk and reward category has been calculated using the methodology set by the European Commission. It is based upon the rate by which the Fund or a representative fund or Index's value has moved up and down in the past.
- The Fund is categorised 4 primarily for its exposure to smaller UK companies.
- The SRRI may not fully take into account the following risks:
 - That a company may fail thus reducing its value within the Fund;
 - Any company which has high overseas earnings may carry a higher currency risk.
- As the Fund is primarily exposed to smaller companies there may be liquidity constraints from time to time. In addition the spread between the price you buy and sell units will reflect the less liquid nature of the underlying holdings.
- The Fund may invest in companies listed on the Alternative Investment Market (AIM) which is primarily for emerging or smaller companies. The rules are less demanding than those of the official List of the London Stock Exchange and therefore companies listed on AIM may carry a greater risk than a company with a full listing.
- The Fund may, under certain circumstances, make use of derivative instruments but it is not intended that their use will materially affect volatility.
- Counterparty Risk: any derivative contract, including FX hedging, may be at risk if the counterparty fails.

LIONTRUST UK SMALLER COMPANIES FUND

MANAGER'S INVESTMENT REPORT

The Market

In the 12 months to 30 April 2018, the FTSE Small Cap ex-Investment Trusts Index returned 6.1%.

UK elections proved only a brief distraction for markets, which again looked to central banks to drive the macro narrative. The US Federal Reserve (Fed) raised interest rates in June and December 2017 and again in March 2018 as the US economy continued to strengthen. In the UK, the Bank of England raised interest rates for the first time in a decade in November 2017, reversing the 25 basis point cut seen in the immediate aftermath of the Brexit vote. However, expectations of a second UK rate increase in the first half of 2018 receded following soft inflation and GDP data.

At the start of 2018, there was a sell-off in global stock markets, as US wage data stoked inflationary expectations and saw investors further reprice assets for a world of rising interest rates. Investors also digested intensifying trade tensions between the US and China, with the pair implementing targeted import tariffs. However, April saw an acceptance that the confrontation may well give way to a more pragmatic solution and brought about a rebound for equities.

The Fund

In the 12 months to 30 April 2018, the Liontrust UK Smaller Companies Fund returned 14.6% (institutional, income class) and 14.3% (retail class), significantly outperforming the FTSE Small Cap ex-IT Index and a touch higher than the 14.1% average return in the IA UK smaller companies sector.

The Fund's outperformance versus the benchmark was largely down to strong individual stock performances, particularly during the market sell-off at the turn of the year. In the first four months of 2018 the Fund returned 2.7% (institutional, income class) compared to the FTSE Small Cap ex-Investment Trusts Index return of 0.1%.

The biggest contributors to the Fund's performance were Keywords Studios (+124%), Learning Technologies (+98.1%), Judges Scientific (+62.4%), Robert Walters (+60.3%) and Craneware (+55.6%).

- Keywords Studios, which provides technical services to the video games industry, rose following an interim report, stating that revenue for the six months to 30 June 2017 increased by 50% year-on-year, while adjusted pre-tax profit was up 60%. The company also highlighted that strong cash generation and a new credit facility left it well placed to complete further selective acquisitions. It did just this during the remainder of 2017, taking its total acquisitions for the year to 11.

- Learning Technologies released a string of upbeat earnings statements which led to its share price more than doubling over the 12 month period. In March, the company delivered on a January trading update in which it stated that full-year adjusted operating profit was likely to be materially ahead of expectations. Learning Technologies operates within the fast growing digital learning space and it noted that trading post the year-end was ahead of its expectations. At the end of the review period, it continued its acquisitive expansion with the £107m purchase of HR and recruitment group PeopleFluent. The deal, which should be immediately earnings enhancing, boosts Learning Technologies' presence in the US and lifts its recurring revenues.

- Scientific instruments specialist Judges Scientific saw revenue increase by 25% to £71m in 2017, helped by the most favourable currency trends for exporters that it had experienced since 2009. The majority of growth (17.7%) was organic and the remainder was attributable to a full year contribution from four acquisitions made during 2016 as well as the impact of the Oxford Cryosystems purchase in July 2017. This sales growth helped adjusted operating profit expand by over 50% to £10.9m.

- Recruitment company Robert Walters saw a rise in its share price in October 2017 after stating it expects pre-tax profit for the full-year to be ahead of market expectations. The results themselves showed a "record performance" with operating profit increasing by 54% in constant currency terms. Momentum was carried into the first quarter of 2018 where the company experienced a 17% rise in net fee income.

- Craneware stated that contract renewals for the six months to 31 December 2017 ran at over 100% when measured by US dollar value and also announced a large contract win with a US healthcare network. The company later revealed an 18% year-on-year increase in adjusted EBITDA for the same period and lifted its dividend.

The disappointments this year included System1 Group (-61.5%), IDE Group (-52.4%), Animalcare Group (-50.8%), IDOX (-50.5%) and Quarto Group (-47.8%).

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- Having enjoyed a strong bull run over the course of the previous year, thanks to buoyant trading and a series of forecast upgrades, System1 Group lost momentum. A trading update warned that the financial year to 31 March 2018 had started more slowly than last year, affected by the non-recurrence of large one-off orders, some clients deferring marketing spend and a more competitive end market. Coupled with a larger cost base, thanks to investment in senior hires in the US, System1 expected full year profit before tax to come in around 10-15% lower than the prior year.

- IDE Group shares fell due to persistent disappointments in trading while poor cash flow called into question the robustness of the company's balance sheet. To address these cash flow issues, the cloud and IT managed services provider announced a major cost reduction programme before announcing the surprise resignation of CEO Andy Ross.

- Shares in Animalcare Group peaked in March 2017 but have drifted since the £134m reverse takeover of Belgian Animal Pharmaceutical business Ecuphar during the summer of 2017. The veterinary services company fell sharply in April 2018 following a trading statement which warned that 2018 earnings will be below market expectations due to "a changing sales mix and competitive pressures" squeezing gross margins. Investors paid little heed to management's indication that synergies and cross-selling from recent acquisitions should boost profit margins from 2019 onwards.

- IDOX suffered a heavy sell-off as investors reacted to two profit warnings in as many months. Having flagged the negative impact of contract delays, IDOX caused more concern with the revelation that its review of end-year accounts (for the period to 31 October 2017) had uncovered certain revenue items which should not have been included in FY2017 forecasts. The resolution of this issue was not helped by its CEO taking sudden sick leave, with non-exec director and former-CEO Richard Kellett-Clarke stepping in as interim CEO. The stock has since been sold from the portfolio.

- Illustrated book publishing company Quarto Group disappointed the market after warning that its guidance for 2017 and beyond had been set too high. Additionally, its interim results showed lower than expected publishing performance with group revenue declining 13% year-on-year and a loss of US\$8.7m compared to a loss of US\$1.6m in the same period last year. The Fund was in the process of selling its shares due to management ownership falling below 3%, although unfortunately had not managed to fully exit the position prior to the warning.

Portfolio Activity

There were a number of changes to the Fund's holdings over the 12 month period. The majority of the sales resulted from companies' board equity ownership falling below the 3% threshold level required by the investment process: 1Spatial, GB Group, IDOX, Quarto Group, Sanne Group and Wilmington.

Further to this, two stocks exited the portfolio after being acquired by other companies. Sepura, which had fallen into distress due to contract delays threatening its funding position, left as Hytera Communications completed its 20p/share acquisition of the company. The takeover of Lombard Risk Management by Vermeq in February 2018, at almost a 100% premium to the prevailing price on the day before the deal was announced, also saw the stock exit the Fund.

Omega Diagnostics was also removed following a trading update which included a downgrade and strategic review by new CEO Colin King. Despite possessing intellectual property, and recent positive news on its CD4 test for HIV, the company has struggled to make progress in recent years as the theoretical Economic Advantage it possesses has failed to turn into meaningful financial returns. In addition, due to the lack of growth, the position had become de-minimis in overall fund terms.

The Fund was able to add a number of new stocks during the year. Five of these were added via IPOs: IntegraFin, JTC, Simplybiz, Sumo Group and Tatton Asset Management.

Sumo Group provides a range of services to video game publishers and developers, ranging from visual concept design and pre-production through to marketing and post-release support. As one of the few independent studios in the UK with the scale to provide full turnkey development of a game, it often becomes embedded within successful franchises, becoming 'spiritual owners' of the publisher's intellectual property.

Tatton Asset Management offers regulatory compliance and business consulting services, as well as a whole-of-market mortgage provision to directly authorised financial advisers across the UK. With revenue generated predominantly from subscription and annual fees, the business has high contracted recurring revenue while management still holds a considerable amount of stock.

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MANAGER'S INVESTMENT REPORT

IntegraFin owns the Transact investment wrap platform, giving it a very sticky client base generating annuity style revenue streams. JTC is a Jersey-headquartered fund administrator with assets under administration of around US\$85bn. Simplybiz Group provides a range of support services to a network of financial intermediaries numbering over 10,000 with around £50bn in assets under management.

The Fund also initiated a position in PROACTIS Holdings, a company which provides enterprise grade spend management software to both commercial and public sector. It possess all three economic advantage assets the managers look for: high recurring revenue, intellectual property and a strong distribution network. The managers took the opportunity to invest during a £70m placing of new stock to help fund its acquisition of US competitor Perfect Commerce. The deal catapults the group to a top-six global position in ePurchasing solutions and is expected to lead to considerable synergies between the two businesses.

It also bought into Focusrite, a provider of high tech audio hardware and software used by both hobbyist and professional musicians to capture analogue signals and convert them to digital, as well as create music. Founded in 1985 by ex-Led Zeppelin sound engineer Phil Dudderidge, who remains the largest shareholder, the company floated in 2014 and has enjoyed a strong start to life as a listed company.

Another addition was Hilton Food Group, a business specialising in processing and packing food for supermarkets, with Economic Advantage credentials in the form of a strong distribution network. The main driver for Hilton's business is that there is an increasing focus on the quality and integrity of the supply chain for retailers, particularly in the wake of several recent scandals where the provenance of fresh food has been called into question (such as the 'horsemeat' outcry of 2013).

Outlook

The UK economic outlook remains uncertain with the true impact of Brexit unlikely to be known for some time yet. During periods of market or economic uncertainty, the fund managers believe that it is more important than ever to focus on company fundamentals rather than macroeconomic noise. Successfully predicting macroeconomic events is exceptionally difficult and they adhere to an investment process where this kind of forecasting plays no role.

The Economic Advantage investment process is unashamedly bottom-up. This is not to say that investor sentiment will not have an impact, but over the long term the greatest influence on the type of companies we invest in will be their ability to successfully execute growth plans and compound profits. Looking ahead, the managers expect the economic and corporate landscape to continue to be disrupted by technology, and in this respect they will look to the investment process to both identify investment opportunities and provide barriers against competition.

The Fund's focus on intangible Economic Advantage assets leads it to own companies which, in the team's view, have significant pricing power. In the current environment, pricing power could prove paramount.

Anthony Cross, Julian Fosh, Victoria Stevens & Matthew Tonge

Partners, Liontrust Fund Partners LLP

June 2018

Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise.

LIONTRUST UK SMALLER COMPANIES FUND

Authorised Status

The Fund is an authorised unit trust scheme (“the Scheme”) under Section 243 of the Financial Services and Markets Act 2000 (authorisation orders) and the Financial Conduct Authority’s Collective Investment Schemes Sourcebook and is categorised as a UCITS scheme.

Statement of the Manager’s Responsibilities

in respect of the Report and Financial Statements of the Scheme:

The Financial Conduct Authority’s Collective Investment Scheme Sourcebook (‘the Regulations’) require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Scheme and of its net income/expenses and the net gains/losses on the property of the Scheme for the period. In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with the above requirements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The Manager is responsible for the management of the Scheme in accordance with its Trust Deed, Prospectus and the Regulations, and has taken all reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Trustee’s Responsibilities

The Depositary in its capacity as Trustee of Liontrust UK Smaller Companies Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority’s Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together “the Regulations”), the Trust Deed and Prospectus (together “the Scheme documents”) as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Depositary is responsible for the safekeeping all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Depositary must ensure that:

- the Trust’s cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust’s assets is remitted to the Trust within the usual time limits;
- the Trust’s income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager (“the AFM”) which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

LIONTRUST UK SMALLER COMPANIES FUND

Trustee's Report

to the unitholders of the Liontrust UK Smaller Companies Fund ("the Scheme")

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Trust, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and Scheme documents of the Trust.

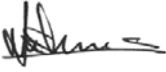
State Street Trustees Limited
20 Churchill Place
London E14 5HJ

7 August 2018

LIONTRUST UK SMALLER COMPANIES FUND

Certification of Financial Statements by Directors of the Manager

We certify that this Manager's Report has been prepared in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook.



John Ions
Chief Executive



Antony Morrison
Partner, Head of Finance

Liontrust Fund Partners LLP

7 August 2018

Independent Auditors' Report to the Unitholders of Liontrust UK Smaller Companies Fund

Report on the audit of the financial statements

Opinion

In our opinion, Liontrust UK Smaller Companies Fund's financial statements:

- give a true and fair view of the financial position of the Trust as at 30 April 2018 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes Sourcebook and the Trust Deed.

We have audited the financial statements, included within the Manager's Long Final Report and Financial Statements (the "Annual Report"), which comprise: balance sheet as at 30 April 2018; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; 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 Trust 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a 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 Manager is 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.

Manager's Report

In our opinion, the information given in the Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 9, the Manager is 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 Manager is 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 Manager is responsible for assessing the Trust'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 Manager either intends to wind up or terminate the Trust, 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 Financial Reporting Council'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 Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes Sourcebook 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

Opinion on matter required by the Collective Investment Schemes Sourcebook

In our opinion we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes Sourcebook exception reporting

Under the Collective Investment Schemes Sourcebook we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
7 August 2018

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Comparative Tables

as at 30 April 2018

	30/04/18 (p)	30/04/17 (p)	30/04/16 (p)
Institutional Accumulation			
Change in net assets per unit			
Opening net asset value per unit	1,218.91	941.86	799.69
Return before operating charges*	195.07	291.68	154.62
Operating charges	(17.84)	(14.63)	(12.45)
Return after operating charges*	177.23	277.05	142.17
Distributions on accumulation units	(3.15)	(1.70)	(2.67)
Retained distributions on accumulation units	3.15	1.70	2.67
Closing net asset value per unit	1,396.14	1,218.91	941.86
*after direct transaction costs of:	0.52	0.89	0.53
Performance			
Return after charges	14.54%	29.42%	17.78%
Other information			
Closing net asset value (£'000)	299,576	179,176	52,012
Closing number of units	21,457,412	14,699,693	5,522,312
Operating charges	1.34%	1.36%	1.37%
Direct transaction costs	0.04%	0.08%	0.06%
Prices			
Highest offer (buying) unit price	1,447.92	1,256.31	980.44
Lowest bid (selling) unit price	1,217.56	872.98	797.10
	30/04/18 (p)	30/04/17 (p)	30/04/16 (p)
Institutional Income			
Change in net assets per unit			
Opening net asset value per unit	1,210.42	936.53	796.80
Return before operating charges*	193.68	289.83	154.57
Operating charges	(17.70)	(14.27)	(12.30)
Return after operating charges*	175.98	275.56	142.27
Distributions on income units	(3.10)	(1.67)	(2.54)
Closing net asset value per unit	1,383.30	1,210.42	936.53
*after direct transaction costs of:	0.52	0.87	0.53
Performance			
Return after charges	14.54%	29.42%	17.86%
Other information			
Closing net asset value (£'000)	442,740	388,337	282,816
Closing number of units	32,006,072	32,082,688	30,198,301
Operating charges	1.34%	1.36%	1.37%
Direct transaction costs	0.04%	0.08%	0.06%
Prices			
Highest offer (buying) unit price	1,437.77	1,249.22	977.52
Lowest bid (selling) unit price	1,210.69	868.06	794.74

LIONTRUST UK SMALLER COMPANIES FUND

Comparative Tables

as at 30 April 2018

	30/04/18 (p)	30/04/17 (p)	30/04/16 (p)
Retail Income			
Change in net assets per unit			
Opening net asset value per unit	1,208.68	936.28	792.91
Return before operating charges*	193.14	289.22	158.12
Operating charges	(20.94)	(16.82)	(14.49)
Return after operating charges*	172.20	272.40	143.63
Distributions on income units	-	-	(0.26)
Closing net asset value per unit	1,380.88	1,208.68	936.28
*after direct transaction costs of:	0.52	0.87	0.53
Performance			
Return after charges	14.25%	29.09%	18.11%
Other information			
Closing net asset value (£'000)	120,298	126,230	113,750
Closing number of units	8,711,707	10,443,605	12,149,163
Operating charges	1.59%	1.61%	1.62%
Direct transaction costs	0.04%	0.08%	0.06%
Prices			
Highest offer (buying) unit price	1,504.71	1,308.02	1,023.66
Lowest bid (selling) unit price	1,207.31	867.44	794.56

LIONTRUST UK SMALLER COMPANIES FUND

Portfolio Statement

as at 30 April 2018 (Ordinary shares except where otherwise stated)

	Holdings	Market Value £'000	Percentage of total net assets %
EQUITIES (93.09%*)		801,107	92.87
BASIC MATERIALS (0.26%*)		6,136	0.71
<i>James Cropper</i>	444,630	6,136	0.71
CONSUMER GOODS (0.00%*)		23,419	2.72
<i>Focusrite</i>	2,701,856	12,293	1.43
Hilton Food	90,229	785	0.09
<i>Sumo</i>	8,546,108	10,341	1.20
CONSUMER SERVICES (9.97%*)		67,850	7.86
<i>Cello Health</i>	10,277,787	12,333	1.43
<i>GlobalData</i>	2,571,844	14,917	1.73
<i>Next Fifteen Communications</i>	2,975,375	13,419	1.55
<i>System1</i>	826,103	2,561	0.30
<i>YouGov</i>	6,394,713	24,620	2.85
FINANCIALS (14.28%*)		124,430	14.42
<i>Arbuthnot Banking</i>	735,942	10,524	1.22
<i>Brooks Macdonald</i>	999,083	18,483	2.14
Charles Stanley	4,244,349	14,431	1.67
<i>Curtis Banks</i>	5,250,439	15,751	1.83
IntegraFin	1,062,757	2,965	0.34
JTC	3,225,681	9,774	1.13
<i>Mattioli Woods</i>	2,411,280	19,773	2.29
<i>Mortgage Advice Bureau</i>	3,658,771	22,758	2.64
<i>Tatton Asset Management</i>	4,616,424	9,971	1.16
HEALTHCARE (6.35%*)		51,493	5.97
<i>Animalcare</i>	3,676,356	7,169	0.83
Bioquell	2,211,375	6,523	0.76
<i>CareTech</i>	3,823,190	15,713	1.82
<i>Eco Animal Health</i>	2,066,219	11,695	1.36
Medica	8,777,662	10,393	1.20
INDUSTRIALS (28.80%*)		258,845	30.01
<i>AB Dynamics</i>	758,954	7,210	0.84
Castings	1,676,540	6,723	0.78
Clipper Logistics	4,242,864	19,051	2.21
<i>Cohort</i>	2,256,239	7,784	0.90
<i>Empresaria</i>	2,687,768	2,150	0.25
<i>FW Thorpe</i>	5,537,090	16,611	1.93
<i>Gateley</i>	9,191,272	14,339	1.66
<i>Judges Scientific</i>	603,173	15,441	1.79
<i>Keywords Studios</i>	792,157	14,211	1.65
<i>Learning Technologies</i>	18,390,632	19,494	2.26
<i>Murgitroyd</i>	875,986	5,081	0.59
PayPoint	1,937,964	16,647	1.93
<i>Pressure Technologies</i>	1,776,619	2,878	0.33
Renishaw	449,049	21,069	2.44
Robert Walters	3,366,100	24,303	2.82
RWS	5,292,181	19,846	2.30

LIONTRUST UK SMALLER COMPANIES FUND

Portfolio Statement

as at 30 April 2018 (Ordinary shares except where otherwise stated)

	Holdings	Market Value £'000	Percentage of total net assets %
<i>Simplybiz</i>	5,995,491	9,473	1.10
<i>Smart Metering Systems</i>	1,900,510	15,033	1.74
<i>Trifast</i>	7,377,275	19,919	2.31
<i>World Careers Network</i>	753,404	1,582	0.18
OIL & GAS (0.56%*)		3,583	0.42
<i>Plexus</i>	6,825,442	3,583	0.42
TECHNOLOGY (30.21%*)		240,556	27.89
<i>accesso Technology</i>	673,031	14,538	1.68
<i>Bango</i>	5,115,672	8,441	0.98
<i>Bond International Software***</i>	3,301,972	-	-
<i>Concurrent Technologies</i>	7,013,138	5,681	0.66
<i>Craneware</i>	1,654,035	30,104	3.49
<i>dotdigital</i>	23,157,906	20,147	2.34
<i>First Derivatives</i>	343,066	12,899	1.50
<i>Ide</i>	17,037,470	2,385	0.28
<i>Ideagen</i>	14,479,620	15,638	1.81
<i>IMImobile</i>	6,072,039	16,880	1.96
<i>Instem</i>	1,461,462	4,501	0.52
<i>Intercede</i>	2,353,275	659	0.08
<i>iomart</i>	5,930,291	23,128	2.68
<i>K3 Business Technology</i>	4,181,971	7,109	0.82
<i>Kainos</i>	4,381,468	16,431	1.90
<i>Netcall</i>	13,618,582	7,899	0.92
<i>Pennant International</i>	3,224,485	2,676	0.31
<i>PROACTIS</i>	6,814,590	7,360	0.85
<i>Quartix</i>	2,586,222	9,569	1.11
<i>Quixant</i>	3,663,729	15,021	1.74
<i>StatPro</i>	4,076,812	6,931	0.80
<i>Tracsis</i>	2,128,704	12,559	1.46
TELECOMMUNICATIONS (2.66%*)		24,795	2.87
<i>Gamma Communications</i>	3,387,305	24,795	2.87
IRELAND (4.71%*)		40,752	4.72
MONEY MARKET FUNDS (4.71%*)		40,752	4.72
SSgA Cash Management Fund**		40,752	4.72
Portfolio of investments		841,859	97.59
Net other assets		20,755	2.41
Total net assets		862,614	100.00

All securities are approved securities traded on eligible securities markets, as defined by the Collective Investment Scheme sourcebook, except those stocks in italics which are listed on the Alternative Investment Market.

* Comparative figures shown in brackets relate to 30 April 2017.

** In order to maintain appropriate levels of interest received on any large cash balances held by the Fund, cash balances are reviewed on a daily basis and any excess cash is transferred into the SSgA Cash Management Fund. The units in the SSgA Cash Management Fund are readily transferable back into cash at any time as required for the operation of the Fund.

***Delisted securities.

LIONTRUST UK SMALLER COMPANIES FUND

Securities Financing Transactions

as at 30 April 2018

GLOBAL DATA

Proportion of securities and commodities on loan	£'000	%
Total lendable assets excluding cash and cash equivalents:	808,028	
Securities and commodities on loan	23,121	2.86%

Assets engaged in SFTs and total return swaps	£'000	%
Fund assets under management (AUM)	876,538	
Absolute value of assets engaged in:		
Securities lending	23,121	2.64%

CONCENTRATION DATA

Top 10 Collateral Issuers

Name and value of collateral and commodities received	£'000
Republic of France	4,112
Federal Republic of Germany	2,534
Universal Health Services	2,304
EQT	1,771
Kingdom of Netherlands	1,549
Yum! Brands	1,118
Kingdom of Belgium	1,104
Government of United Kingdom	1,020
Facebook	976
Cash Collateral	845

Top 10 Counterparties

Name and value of outstanding transactions	£'000
Securities lending	
UBS	11,898
Citigroup Global Markets	4,590
JP Morgan Securities	1,856
Goldman Sachs International	1,612
HSBC Bank	1,236
Merrill Lynch International	1,172
Deutsche Bank	657
Societe Generale	52
Credit Suisse Securities (Europe)	48

LIONTRUST UK SMALLER COMPANIES FUND

Securities Financing Transactions

as at 30 April 2018

AGGREGATE TRANSACTION DATA

Type, Quality and Currency of Collateral		Currencies	£'000
Type	Quality		
Securities lending			
Equity	Traded on recognised exchange	Sterling	1,068
Equity	Traded on recognised exchange	Australian dollar	738
Equity	Traded on recognised exchange	Austrian Schilling	6
Equity	Traded on recognised exchange	Canadian dollar	48
Equity	Traded on recognised exchange	Chinese yuan	27
Equity	Traded on recognised exchange	Danish krone	33
Equity	Traded on recognised exchange	Euro	1,148
Equity	Traded on recognised exchange	Hong Kong dollar	24
Equity	Traded on recognised exchange	Japanese yen	227
Equity	Traded on recognised exchange	New Zealand dollar	102
Equity	Traded on recognised exchange	Norwegian krone	136
Equity	Traded on recognised exchange	Singapore dollar	3
Equity	Traded on recognised exchange	Swedish krona	8
Equity	Traded on recognised exchange	Swiss franc	738
Equity	Traded on recognised exchange	US dollar	8,398
Bonds	Investment Grade	Sterling	1,020
Bonds	Investment Grade	Australian dollar	117
Bonds	Investment Grade	Canadian dollar	182
Bonds	Investment Grade	Euro	9,354
Bonds	Investment Grade	Swedish krona	10
Bonds	Investment Grade	US dollar	605
Cash	Cash Collateral	Euro	411
Cash	Cash Collateral	US dollar	434
Total collateral held			24,837

Maturity Tenor of Collateral (remaining period to maturity)

Type	Less than	One day to	One week	One to	Three	Above one	Open	Total
	one day	one week	to one	three	months to	year	maturity	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Securities lending	845	-	120	134	1,395	9,640	12,703	24,837
	845	-	120	134	1,395	9,640	12,703	24,837

Counterparty details

Type	Countries of counterparty establishment	Settlement and clearing	£'000
Securities lending	Switzerland	Bi-lateral	1,313
Securities lending	United Kingdom	Bi-lateral	852
Securities lending	France	Tri-party	56
Securities lending	Germany	Tri-party	694
Securities lending	Switzerland	Tri-party	11,492
Securities lending	United Kingdom	Tri-party	10,430
Total collateral held			24,837

LIONTRUST UK SMALLER COMPANIES FUND

Securities Financing Transactions

as at 30 April 2018

Maturity Tenor of SFTs and Total Return Swaps (remaining period to maturity)

Type	Less than one day	One day to one week	One week to one month	One to three months	Three months to one year	Above one year	Open transactions	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Securities lending	-	-	-	-	-	-	23,121	23,121
	-	-	-	-	-	-	23,121	23,121

RE-USE OF COLLATERAL

The Fund does not engage in re-use of collateral.

SAFEKEEPING OF COLLATERAL RECEIVED

Names and value of custodians safekeeping collateral	£'000
Bank of New York	18,761
JP Morgan	2,645
State Street	2,165
Crest	1,266

Number of custodians safekeeping collateral 4

SAFEKEEPING OF COLLATERAL GRANTED

The Fund does not borrow stock from counterparties; therefore, no collateral has been granted.

RETURN AND COST

	Collective Investment Undertaking	Manager of Collective Investment Undertaking	Third Parties (e.g. lending agent)	Total
	£'000	£'000	£'000	£'000
Securities lending				
Gross return	63	7	23	93
% of total gross return	68.00%	7.00%	25.00%	
Cost*	-	-	-	

*All direct costs from securities lending are borne by lending agent.

LIONTRUST UK SMALLER COMPANIES FUND

Statement of Total Return

for the year ended 30 April 2018

	Notes	01/05/17 to 30/04/18		01/05/16 to 30/04/17	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	4		100,113		142,272
Revenue	5	12,348		8,219	
Expenses	6	(10,837)		(7,708)	
Interest payable and similar charges		-		-	
Net revenue before taxation		1,511		511	
Taxation	7	(22)		(30)	
Net revenue after taxation			1,489		481
Total return before distribution			101,602		142,753
Distribution	8		(1,568)		(636)
Change in net assets attributable to unitholders from investment activities			100,034		142,117

Statement of Change in Net Assets Attributable to Unitholders

for the year ended 30 April 2018

	01/05/17 to 30/04/18		01/05/16 to 30/04/17	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		693,743		448,578
Amounts receivable on issue of units	194,811		229,823	
Amounts payable on cancellation of units	(128,598)		(129,509)	
		66,213		100,314
Dilution adjustment		1,948		2,484
Change in net assets attributable to unitholders from investment activities		100,034		142,117
Retained distributions on Accumulation units		676		250
Closing net assets attributable to unitholders		862,614		693,743

LIONTRUST UK SMALLER COMPANIES FUND

Balance Sheet

as at 30 April 2018

	Notes	30/04/2018 £'000	30/04/2017 £'000
Assets			
Fixed assets			
Investments		841,859	678,512
Current assets			
Debtors	9	5,682	3,054
Cash and bank balances	10	18,067	13,630
Total assets		<u>865,608</u>	<u>695,196</u>
Liabilities			
Distribution payable on income units		992	535
Other creditors	11	2,002	918
Total liabilities		<u>2,994</u>	<u>1,453</u>
Net assets attributable to unitholders		<u>862,614</u>	<u>693,743</u>

LIONTRUST UK SMALLER COMPANIES FUND

Notes to the Financial Statements

1. Accounting and distribution policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in compliance with the Financial Conduct Authority's Collective Investments Schemes Sourcebook. They have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 (The Financial Reporting Standard Applicable in the UK and Republic of Ireland "FRS 102"), Trust Deed and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association in May 2014 ('the 2014 SORP'). The financial statements are prepared on the going concern basis.

(b) Recognition of revenue

- (i) UK dividends classified as franked investment income are shown net of attributable tax credits when the securities are quoted ex-dividend.
- (ii) Special dividends are treated as income or capital according to the nature of the event giving rise to the payment.
- (iii) Bank interest is recognised on an accruals basis.
- (iv) Overseas revenue that is received after the deduction of withholding tax is shown gross of taxation.
- (v) Stock lending revenue is recognised on an accruals basis.
- (vi) Nominal interest on interest-bearing securities is recognised on an accruals basis.

(c) Expenses

The safe custody fees, transaction charges and wire charges are deducted from capital. All other expenses are charged against income. All expenses are accounted for on an accruals basis.

(d) Distribution

Income produced by the Fund's investments accumulates during each accounting period. If at the end of the accounting period income exceeds expenses, the net income of the Fund is available to be distributed to unitholders. The Manager will seek to distribute this income in a manner that will maximise the total returns to holders of the majority of units.

(e) Basis of valuation of investments

All investments have been valued at 12 midday, on 30 April 2018. Listed investments have been valued at bid-market value, net of any accrued income.

Unquoted, delisted and suspended investments are valued based on the Manager's opinion of fair value, the intention of which is to estimate market value.

(f) Taxation

Provision is made for taxation at current rates on the excess of investment income over expenses, with relief taken for overseas taxation where appropriate.

(g) Deferred taxation

Deferred tax is provided for in respect of all timing differences that have originated but not reversed by the Balance Sheet date. Deferred tax is not recognised on permanent differences.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

(h) Foreign exchange

All transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates applicable at the end of the accounting period at the appropriate valuation point.

(i) Equalisation

Equalisation is the accrued income included in the price of units purchased during the distribution period (Group 2 Units) which is refunded as a part of a unitholder's first distribution, so as to provide the same distribution for all units of the same type. As a repayment of capital it is not liable to Income Tax and should be deducted from the cost of units for Capital Gains Tax purposes.

LIONTRUST UK SMALLER COMPANIES FUND

Notes to the Financial Statements

2. Risk management policies

In accordance with the investment objectives and policies the Fund can hold certain financial instruments. These comprise:

- equity shares;
- cash and short-term debtors and creditors that arise directly from its operations;
- units in SSgA Cash Management Fund;
- derivatives*; and
- unitholders' funds which represent investors' monies which are invested on their behalf.

* No derivatives were held in the current year.

In accordance with the requirements of the rules in the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Fund is not permitted to trade in other financial instruments. The Fund's use of financial instruments during the year satisfies these regulatory requirements.

The main risks arising from the Fund's financial instruments are market price risk, interest rate risk, foreign currency risk, liquidity risk and credit and counterparty risk. The Manager's policies for managing these risks are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate and during the prior year.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Manager reviews the portfolio in order to consider the asset allocation implications and to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the Fund's investment objective. An individual fund manager has responsibility for monitoring the existing portfolio, in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk reward profile.

Furthermore, because a significant proportion of the companies in which the Fund invests is traded on the Alternative Investment Market (AIM) their liquidity cannot be guaranteed. The nature of the AIM investments is such that prices can be volatile and realisations may not achieve current book value, especially when such sales represent a significant proportion of the company's market capital. Nevertheless, on the ground that the investments are not intended for immediate realisation, bid market price is regarded as the most objective and appropriate method of valuation.

The Fund is exposed to market price risk as the assets and liabilities of the Fund are listed on stock exchanges and their prices are subject to movements both up or down that would result in an appreciation or depreciation in the fair value of that asset. As at 30 April 2018, had the prices increased by 1% the resulting change in the value of the Net Asset Value would have been an increase of 0.99%.

Interest rate risk

Interest receivable on bank deposits and short-term deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The interest rates earned on sterling deposits are earned at a rate linked to LIBOR.

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. The floating rate financial assets and liabilities comprise sterling denominated bank balances and overdrafts that bear interest based on LIBOR.

The floating rate financial assets and liabilities comprise bank balances and overdrafts that bear interest based on LIBOR (sterling denominated).

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

The majority of the fund's financial assets and liabilities are non-interest bearing and any excess cash and cash equivalents are invested at short term market interest rates. As a result, the fund is not subject to significant amounts of risk due to fluctuations in the prevailing level of market interest rates. Therefore, no interest rate sensitivity analysis has been prepared for these.

Foreign currency risk

The Manager has identified three principle areas where foreign currency risk could impact the Fund;

- Movements in exchange rates affect the value of investments;
- Movements in exchange rates affect short-term timing differences; and,
- Movements in exchange rates affect the income received.

The Fund may receive income in currencies other than sterling and the sterling values of this income can be affected by movements in exchange rates. The Fund converts all receipts of income into sterling on or near the date of receipt; it does not, however, hedge or otherwise seek to avoid exchange rate risk on income accrued but not received.

However, in line with the Fund's objectives of investing primarily in the UK and Ireland, the Fund is expected to have only minimal foreign currency exposures.

LIONTRUST UK SMALLER COMPANIES FUND

Notes to the Financial Statements

Liquidity risk

The Fund's assets mainly comprise securities that can be readily sold. The main liability of the Fund is the redemption of any units that investors wish to sell.

In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.

Credit and counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Fund has fulfilled its responsibilities.

The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. This list is reviewed annually.

3. Unit classes

The Trust has three unit classes in issue.

The total net asset value, net asset value per unit and number of units in issue for each class are given in the Comparative Tables on pages 14 to 15.

Reconciliation of the unit movement in the year:

	30/04/17	01/05/17 to 30/04/18		30/04/18
	Opening units in issue	Creations	Cancellations	Units converted Closing units in issue
Institutional Accumulation	14,699,693	7,290,796	(536,244)	3,167 21,457,412
Institutional Income	32,082,688	7,468,473	(8,497,992)	952,903 32,006,072
Retail Income	10,443,605	131,078	(904,248)	(958,728) 8,711,707
Total	57,225,986	14,890,347	(9,938,484)	(2,658) 62,175,191

4. Net capital gains

	01/05/17 to 30/04/18 £'000	01/05/16 to 30/04/17 £'000
Non-derivative securities	100,118	142,275
Currency (losses)/gains	(1)	2
Transaction charges	(4)	(5)
Net capital gains	100,113	142,272

5. Revenue

	01/05/17 to 30/04/18 £'000	01/05/16 to 30/04/17 £'000
Overseas taxable revenue*	(3)	-
Overseas non-taxable revenue	146	449
UK dividends	12,048	7,614
Distributions from Regulated Collective Investment Schemes:		
Offshore investment revenue**	90	72
Bank interest	4	2
Stocklending income	63	82
	12,348	8,219

*Overseas taxable revenue includes currency gains or losses arising from repatriation of foreign dividends therefore may be negative.

**This is revenue received from investment in the SSgA Cash Management Fund.

LIONTRUST UK SMALLER COMPANIES FUND

Notes to the Financial Statements

6. Expenses

	01/05/17 to 30/04/18 £'000	01/05/16 to 30/04/17 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
Manager's periodic charge	10,200	7,106
Registration fees	383	379
	<u>10,583</u>	<u>7,485</u>
Payable to the Trustee, associates of the Trustee and agents of either of them:		
Safe custody fees	45	49
Trustee's fees	99	105
Wire charges	1	2
	<u>145</u>	<u>156</u>
Other expenses		
Administration fee	63	27
Audit fee	11	12
Printing fee	5	2
Other expenses	30	26
	<u>109</u>	<u>67</u>
Total expenses	<u>10,837</u>	<u>7,708</u>

Ad valorem, performance management fees, publishing fees and out of pocket expenses are now combined as "Other expenses" which were listed separately in the notes to the prior year accounts as at 30 April 2017.

LIONTRUST UK SMALLER COMPANIES FUND

Notes to the Financial Statements

7. Taxation

	01/05/17 to 30/04/18 £'000	01/05/16 to 30/04/17 £'000
(i) Analysis of charge for the year:		
Irrecoverable overseas tax	22	30
(ii) Factors affecting current tax charge for the year:		
The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for authorised unit trusts of 20% (2017: 20%). The differences are explained below:		
Net revenue before taxation	1,511	511
Corporation tax at 20%	302	102
Effects of:		
UK dividends*	(2,409)	(1,523)
Other non-taxable income	(29)	(90)
Movement in excess management expenses	2,136	1,511
Irrecoverable overseas tax	22	30
	(280)	(72)
Total tax charge for the year (see note 7(i))	22	30

* As an authorised Unit Trust, these items are not subject to corporation tax.

Authorised Unit Trusts are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

(iii) Deferred tax

At the year end, there is a potential deferred tax asset of £9,552,340 (30/04/17: £7,416,080) in relation to excess management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year or the prior year.

8. Distributions

This takes account of income received on the creation of units and income deducted on the cancellation of units, and comprises:

	01/05/17 to 30/04/18 £'000	01/05/16 to 30/04/17 £'000
Final	1,668	785
Amounts deducted on cancellation of units	166	177
Amounts received on issue of units	(266)	(326)
Net distribution for the year	1,568	636
Reconciliation of net revenue after taxation to:		
Net revenue after taxation	1,489	481
Fees paid from capital	46	51
Add: Income brought forward from previous year	1	1
Movement in net income as a result of conversions	16	6
Revenue deficit payable from capital	20	98
Less: Income carried forward	(4)	(1)
Net distribution for the year	1,568	636

Details of the distribution per unit are set out in the table on page 31.

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Notes to the Financial Statements

9. Debtors

	30/04/18	30/04/17
	£'000	£'000
Accrued revenue	1,528	799
Sales awaiting settlement	-	188
Amounts receivable on creation of units	4,154	2,067
	<u>5,682</u>	<u>3,054</u>

10. Cash and bank balances

	30/04/18	30/04/17
	£'000	£'000
Cash at bank	18,067	13,630

11. Other creditors

	30/04/18	30/04/17
	£'000	£'000
Accrued expenses	1,022	778
Purchases awaiting settlement	904	140
Amounts payable on cancellation of units	76	-
	<u>2,002</u>	<u>918</u>

12. Capital commitments and contingent liabilities

On 30 April 2018, the Fund had no capital commitments (30/04/17: £nil) and no contingent liabilities (30/04/17: £nil).

13. Securities on loan

The aggregate value of securities on loan at 30 April 2018 is £23,120,923 (30/04/17: £8,187,879). The identities of these counterparties are listed in the counterparties table below. Securities on loan are included in the portfolio statement and no account is taken of any collateral held. The aggregate value of collateral held at 30 April 2018 is £24,837,211 (30/04/17: £8,623,561). This collateral is listed in the collateral held table below.

The gross earnings and fees paid for the year are £93,217 (30/04/17: £130,353) and £29,829 (30/04/17: £48,231).

	30/04/18	30/04/17
	£'000	£'000
Counterparties		
Citigroup Global Markets	4,590	-
Credit Suisse Securities (Europe)	48	31
Deutsche Bank	657	13
Goldman Sachs International	1,612	5,000
HSBC Bank	1,236	211
ING Bank	-	84
JP Morgan Securities	1,856	1,237
Merrill Lynch	1,172	80
Societe Generale	52	-
UBS	11,898	1,532
Total securities on loan	<u>23,121</u>	<u>8,188</u>
	30/04/18	30/04/17
	£'000	£'000
Collateral held		
Bonds	11,288	4,787
Equities	12,704	1,574
Cash	845	2,263
Total collateral held	<u>24,837</u>	<u>8,624</u>

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Notes to the Financial Statements

14. Related parties

The Manager, Liontrust Fund Partners LLP is a related party and is regarded as a controlling party by virtue of having the ability to act in respect of operation of the Fund.

By virtue of the Regulations governing authorised unit trusts, the Manager is party to every transaction in respect of units of the Fund, which are summarised in the Statement of Change in Net Assets Attributable to Unitholders.

The charges made by the Manager during the year are disclosed in note 6 on page 26. At 30 April 2018, £901,970 was due to the Manager (30/04/17: £678,861). This amount is included under 'Accrued expenses' in note 11.

During the year the Manager received creation monies of £195,077,104 (30/04/17: £230,149,524) and paid cancellation monies of £128,764,422 (30/04/17: £129,685,849). At 30 April 2018, there were creation monies due from the Manager of £4,154,074 (30/04/17: £2,067,348). There were cancellation monies due to the Manager of £76,216 at 30 April 2018 (30/04/17: £nil).

15. Risk disclosures

The policies applied in the management of financial instruments are set out in note 2 on page 24.

Interest rate risk

The Fund receives revenue from holdings in equities. The cashflow from these investments may fluctuate depending upon the particular decisions made by each company. Given that the Fund's objective is to seek capital growth, these cashflows are considered to be of secondary importance and are not actively managed.

Foreign currency risk

The Fund's financial assets and liabilities are all denominated in sterling. As a result, the Fund does not have any exposure to currency movements.

Maturity profile of financial liabilities

All financial liabilities of the Fund at the year end are due to settle in one year or less, or on demand.

Short-term debtors and creditors

Other short-term debtors and creditors have been excluded from disclosures of financial instruments.

Fair value of financial assets and liabilities

Securities held by the Fund are valued at bid-price. The difference between this value and the fair value of the securities is immaterial. There is also no material difference between the value of other financial assets and liabilities of the Fund included in the balance sheet and their fair value.

Securities are valued at bid and offer prices for calculating the cancellation and creation prices at the Fund's daily valuation point.

16. Purchases, sales and transaction costs

	Purchases		Sales	
	01/05/17 to 30/04/18 £'000	01/05/16 to 30/04/17 £'000	01/05/17 to 30/04/18 £'000	01/05/16 to 30/04/17 £'000
Equities	142,945	159,541	87,601	82,649
Commissions				
Equities	123	175	(85)	(73)
Taxes				
Equities	100	205	-	-
Total transaction costs	223	380	(85)	(73)
Total net trades including transaction costs	143,168	159,921	87,516	82,576

LIONTRUST UK SMALLER COMPANIES FUND

Notes to the Financial Statements

Total transaction cost expressed as a percentage of asset type cost.

	Purchases		Sales	
	01/05/17 to 30/04/18 %	01/05/16 to 30/04/17 %	01/05/17 to 30/04/18 %	01/05/16 to 30/04/17 %
Commissions				
Equities	0.09	0.11	0.10	0.09
Taxes				
Equities	0.07	0.13	-	-

Total transaction cost expressed as a percentage of average net asset value.

	01/05/17 to 30/04/18 %	01/05/16 to 30/04/17 %
Commissions	0.03	0.04
Taxes	0.01	0.04
Total costs	0.04	0.08

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 2.73% (30/04/17: 2.59%).

17. Post balance sheet events

There are no post balance sheet events which have a bearing on the interpretation of the financial statements (30/04/17: none).

18. Fair value

Valuation technique	30/04/18		30/04/17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	841,859	-	678,512	-
Level 2	-	-	-	-
Level 3	-	-	-	-
Total fair value	841,859	-	678,512	-

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability. The only level 3 holding is the delisted security, Bond International Software, which has nil value.

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Distribution Tables

for the year ended 30 April 2018:

Group 1: Units purchased prior to 1 May 2017

Group 2: Units purchased between 1 May 2017 and 30 April 2018

		Net revenue	Equalisation	Distributions payable 30/06/18	Distributions paid 30/06/17
		Pence per unit	Pence per unit	Pence per unit	Pence per unit
Institutional Accumulation					
Group 1:	Final	3.15	-	3.15	1.70
Group 2:	Final	1.29	1.86	3.15	1.70
		Net revenue	Equalisation	Distributions payable 30/06/18	Distributions paid 30/06/17
		Pence per unit	Pence per unit	Pence per unit	Pence per unit
Institutional Income					
Group 1:	Final	3.10	-	3.10	1.67
Group 2:	Final	1.20	1.90	3.10	1.67
		Net revenue	Equalisation	Distributions payable 30/06/18	Distributions paid 30/06/17
		Pence per unit	Pence per unit	Pence per unit	Pence per unit
Retail Income					
Group 1:	Final	-	-	-	-
Group 2:	Final	-	-	-	-

LIONTRUST UK SMALLER COMPANIES FUND

Additional Information

Trust Deed: The Fund was established by a Trust Deed made between the Manager and the Trustee dated 1 May 1990.

Prospectus: Copies of the Fund's Prospectus are available free of charge from the Manager upon request, and from our website, www.liontrust.co.uk.

Unit type: The Fund issues accumulation and income units. Investors can elect at any time to have any income either paid out or automatically reinvested to purchase units at no initial charge.

Pricing and dealing: A buying price (the price at which you have bought the units in the Fund and being the higher) and a selling price (the price at which you can sell the units back to the Manager and being the lower) are always quoted for the Fund. The buying price includes the Manager's initial charge.

Dealing in all unit trusts operated by Liontrust Fund Partners LLP may be carried out between 09.00 and 17.00 hours on any business day. Professional investors and advisers may buy and sell units over the telephone; private investors are required to instruct the Manager in writing for initial purchases, but can deal over the telephone thereafter. Prices are quoted on a 'forward' basis. This means that all deals are based on a price that is calculated at the next valuation point (which is 12.00 hours on each business day) following receipt of instructions. Instructions received before 12.00 hours will be priced at 12.00 hours that day, whilst those deals taken later in the day will receive the next dealing price which is fixed at 12.00 hours on the following business day.

In the case of large deals of £15,000 and over, the Manager has the discretion to quote a special price within limits laid down under the Regulations.

The minimum initial lump sum investment in the Fund is £1,000, the minimum additional investment is £1,000 and the amount you may sell back to the Manager at any one time is £500, providing you maintain a balance of £2,500. At its absolute discretion, the Manager may accept a lower minimum amount for the purchase and sale of units.

A contract note in respect of any purchase will be issued the day following the dealing date. Unit certificates will not be issued. Instructions to sell your units may be required to be given by telephone and then confirmed in writing to Liontrust Customer Services Team, PO Box 11061, Chelmsford CM99 2YA. A contract note confirming the instruction to sell will be issued the day following the dealing day. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent directly to you or your bank/building society, if proof of ownership of the account has been received by us, in four business days. Liontrust does not make or accept payments to or from third parties unauthorised by the Financial Conduct Authority.

Management charges, spreads and yields: The initial charge and annual management fees per unit class are detailed below. The difference between the bid and the offer prices is currently 6% which includes the initial charge.

				Included within the OCF is the Annual Management Charge**	
Initial Charge	%	Ongoing charges figure*	%	Charge**	%
Institutional Accumulation	Nil	Institutional Accumulation	1.34	Institutional Accumulation	1.25
Institutional Income	Nil	Institutional Income	1.34	Institutional Income	1.25
Retail Income	5.00	Retail Income	1.59	Retail Income	1.50

*The OCF covers all aspects of operating a fund during the course of its financial year. These include the annual charge for managing the Fund, administration and independent oversight functions, such as trustee, custody, legal and audit fees. The OCF excludes portfolio transaction costs except for an entry/exit charge paid by the Fund when buying or selling units in another fund.

** These are the annual costs of running and managing the Fund.

The net estimated yields on the classes are shown below, these are calculated and published daily.

Yield	%		%
Institutional Accumulation	0.09	Institutional Income	0.09
Retail Income	0.00		

Certain other expenses are met by the Fund, all of which are detailed in the Prospectus.

Commission: Commission is payable to authorised intermediaries on purchases of units in the Fund at a rate of up to 3%. A discount is available when switching between Liontrust's range of unit trusts.

Publication of prices: The price of units in the Fund is quoted on our website, www.liontrust.co.uk, other industry websites such as www.trustnet.com, and the website of the Investment Association (the industry trade body), www.investmentassociation.org. Daily and historic Fund prices are available from our Dealing and Administration team on 0330 123 3822.

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Additional Information

Capital Gains Tax: As an authorised unit trust, the Fund is exempt from UK Capital Gains Tax. An individual's first £11,700 of net gains on disposals in the 2018-2019 tax year are exempt from tax (2017-2018: £11,300).

Income Tax: UK tax resident individuals are now entitled to a new tax-free dividend allowance in place of the dividend tax credit. Consequently, all income from dividend distributions is now regarded as gross income.

UK resident individuals who are not liable to tax are not able to reclaim the tax credits from the HM Revenue and Customs. In the case of UK resident individuals who are liable to starting or basic rate tax only, the tax credit will match his or her liability on the distribution and there will be no further tax to pay and no right to claim repayments from the HM Revenue and Customs. In the case of a higher rate tax payer, the tax credit will be set against, but not fully match, his or her tax liability on the distribution. Such people will have an additional tax liability to pay.

Corporate Unitholders: Ordinary dividends distributed by the Fund to corporate unitholders will be treated as part-franked investment income and part unfranked investment income, in the corporate unitholders' hands. The precise split will be calculated by the Manager and will be detailed on the distribution vouchers accompanying the distribution.

For unitholders chargeable to UK corporation tax, income allocations representing the UK dividends received by the Fund will not be subject to corporation tax in the unitholders' hands. Income allocations representing other types of income received by the Fund will be taxable as if they were annual payments received after the deduction of tax at the rate of 20 per cent of the gross distribution.

Remuneration: Following the implementation of UCITS V in the UK on 18 March 2016, all authorised UCITS Managers are required to comply with the UCITS V Remuneration Code from the start of their next accounting year. Under the UCITS V Directive (2014/91/EU), the Manager is required to disclose information relating to the remuneration paid to its staff for the financial year. The table below provides an overview of the following:

- Aggregate total remuneration paid by the Manager to its staff (employees and members)
- Aggregate total remuneration paid by Liontrust Asset Management PLC to all UCITS code staff

	Headcount	Total Remuneration £000
Manager UK Staff ¹	41	7,967
of which		
Fixed remuneration	41	3,915
Variable remuneration	41	4,052
UCITS Aggregate Remuneration Code Staff ²	8	2,872
of which		
Senior Management	2	1,901
Other control functions:		
Other code staff/risk takers	6	971

¹ The Manager's staff are members of Liontrust Fund Partners LLP or Group staff who are employed by Liontrust Asset Management PLC but have their costs apportioned to the Manager

² UCITS Aggregate Remuneration Code Staff applies only in respect of the provision of services to UCITS funds rather than their total remuneration in the year. For senior management and control function staff, remuneration is apportioned on the basis of assets under management for UCITS funds versus the total Group assets under management. For portfolio management staff remuneration is apportioned directly to this fund.

Remuneration is made up of fixed pay (i.e. salary and benefits such as pension contributions) and variable pay (annual performance based or linked directly to investment management revenues). Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long term interests of the Manager and the Liontrust Asset Management PLC Group. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices. The Manager provides long-term incentives which are designed to link reward with long-term success and recognise the responsibility participants have in driving future success and delivering value. Long-term incentive awards are conditional on the satisfaction of corporate performance measures. The structure of remuneration packages is such that the fixed element is sufficiently large to enable a flexible incentive policy to be operated.

Staff are eligible for an annual incentive based on their individual performance, and depending on their role, the performance of their business unit and/or the group. These incentives are managed within a strict risk framework, and the Directors of Liontrust Asset Management PLC retain ultimate discretion to reduce annual incentive outcomes where appropriate.

The Manager actively manages risks associated with delivering and measuring performance. All our activities are carefully managed within our risk appetite, and individual incentive outcomes are reviewed and may be reduced in light of any associated risk management issues.

LIONTRUST UK SMALLER COMPANIES FUND

Additional Information

The Liontrust Group operates a Remuneration Committee (the "Committee"). The Committee reports to the Board. The Committee reviews risk and compliance issues in relation to the vesting of deferred awards for all employees and members. Compliance is monitored throughout the vesting period by the Committee.

These remuneration policies apply also to other entities in the Liontrust group to which investment management of Funds has been delegated, and those delegates are subject to contractual arrangements to ensure that policies which are regarded as equivalent are applied.

The Board adopts, and reviews annually, the general principles of the applicable remuneration policies, and the implementation of the remuneration policies is, at least annually, subject to central and independent internal review by the Committee for compliance with policies and procedures.

Important information: It is important to remember that the price of units, and the income from them, can fall as well as rise and is not guaranteed and that investors may not get back the amount originally invested. Past performance is not a guide to future performance. The issue of units may be subject to an initial charge and this is likely to have an impact on the realisable value of your investment, particularly in the short term. You should always regard unit trust investment as long term.



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Liontrust Fund Partners LLP is authorised and regulated by the Financial Conduct Authority.