Miton

Genuinely active investing

Miton Group plc

Annual Report and Accounts
For the year ended 31 December 2014

Beyond the credit boom...

Since the mid 1980s the credit boom has increasingly dominated market trends.

- Historically credit booms don't last long as extra inflationary pressures force up interest rates, preventing over-extended leverage. But this credit boom has been global in scale and has persisted for over 25 years.
- Credit booms distort markets. This one has caused market distortions that are unusually deeply ingrained. Indeed they are so well established that most investors treat credit boom trends in the market as the norm.
- But market trends have started changing in recent years. The precipitous fall in commodity prices highlights that the rate of change has now accelerated. Markets are going through a multi-decade turning point.
- During the boom many funds have become aligned with credit market trends such as closely linking portfolio construction with a benchmark index. **Genuinely active investing** is about releasing fund managers from these kinds of constraints so they can generate returns that are less dependent on market appreciation. This is what we do at Miton.

...genuinely active investing will come to the fore

Use your phone's barcode app to go to our website

Go to www.mitongroup.com for more information

2014 Highlights

Business

- In 2014 Miton addressed two constraints to our growth by selling the Liverpool business and by appointing David Jane and his team to manage our multi-asset funds.
- Assets under Management (AUM) fell during the year with the sale of £438m AUM within the Liverpool business, and with the £503m outflows due to the prior poor performance in the multi-asset funds. In addition the announcement of Bill Mott's retirement led to a further £510m reduction in AUM due to the consequential loss of a segregated mandate and two larger redemptions from the Miton Income Fund.
- Elsewhere our strong marketing and the new funds set up by Miton helped bring in £708m of gross inflows.
- Since his appointment in June, David Jane and his team have delivered a major turnaround in the performance of our multi-asset funds (see page 6).
- The Miton Income Fund (formerly the PSigma Income Fund) has also delivered greatly improved performance within the Miton stable (see page 7).

Financial

	2014 £m	2013 £m	%
Assets under Management (AUM)	**2,050**	3,098	–33.8
Average AUM	**2,637**	2,446	+7.8
Net Revenue	**17.2**	15.0	+14.7
Adjusted Profit before tax[(1)]	**5.3**	4.7	+12.8
(Loss)/profit before tax[(2)]	**(5.5)**	0.7	–
Cash generated from operations	**4.2**	5.5	–23.6
Total Cash	**15.2**	11.2	+35.7

	pence	pence	%
Adjusted earnings per share[(3)]	**2.78**	2.82	–1.4
Diluted adjusted earnings per share[(4)]	**2.53**	2.79	–9.3
Basic (loss)/earnings per share	**(3.27)**	0.51	–
Proposed dividend per share	**0.60**	0.54	+11.1

See Financial Review on page 16 for commentary on the above Financial Highlights and on the recent trends in the Group's Key Performance Indicators (KPIs) included above.

Notes:

[(1)] Adjusted Profit is calculated before the deduction of amortisation, exceptionals, taxation and a VAT provision relating to prior years.

[(2)] (Loss)/profit before tax includes exceptional operating expenses of £9.4m which include the loss on sale of Miton Capital Partners Limited of £12.0m, which arises as a result of non-cash write-offs of goodwill and intangible assets as detailed in Note 12 on page 52, and a credit of £3.2m arising from a fair value adjustment for the deferred consideration for the acquisition of PSigma as included in Note 3 on page 45.

[(3)] Adjusted earnings per share excludes charges for amortisation, exceptionals, VAT provision and associated taxation.

[(4)] Diluted adjusted earnings per share involves a dilution of 9.0% largely as a result of an estimate of the Miton Group plc shares which would be issued if all the Growth Share Plan shares with an accrued value at 31 December 2014 had vested and had been exchanged for Miton Group plc ordinary shares at that date. See note 7 on page 48 for further information.

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"We remain committed to growing the business both by capitalising on our existing skill base and by attracting new talent."

Ian Dighé
Executive Chairman

Assets under Management

2014 was a difficult year and the Board consequently took clear decisions in order to facilitate future growth. Miton enters 2015 with a more scalable business ready to increase its AUM and broaden its fund offering.

Historically the Group had experienced significant challenges in developing its Liverpool business, in the main because of its location and cultural fit within the Group. Integrating this business into our now London-centric operations would have resulted in AUM outflows and significant additional costs. Consequently the business was sold on 31 March 2014 to Seneca Investment Managers Limited, a Liverpool based firm, who have used it as a base for their new asset management activities. At the point of sale the AUM was £438m.

In June 2014 we appointed David Jane and his team to manage our multi-asset funds. Prior to that date the funds were underperforming their peer group and suffering falling asset values: their positioning had become unsustainable for many clients. Our priority was to address the performance of these funds whilst maintaining their defensive positioning. David and his team delivered strong absolute performance in the second half of the year. In addition the appointment has allowed the Group to relocate the management and operations of these funds to London, ensuring integration with our marketing and distribution capabilities. In September we completed the acquisition of Darwin Investment Managers Limited (previously owned by David Jane). The PFS Darwin Multi Asset Fund is a top quartile performing fund. Its integration into Miton is important for the further development of our multi-asset capabilities in disciplines that are largely unconstrained in their ability to grow.

At the end of 2013 the Group also made changes to facilitate improvement in the performance of the Miton Income Fund (formerly the PSigma Income Fund). Despite these changes taking the fund up to first quartile in performance terms, the announcement of Bill Mott's retirement in July led to the loss of a £330m segregated mandate and two sizeable redemptions. Equity income funds are a critical part of our offering and with the improved performance this fund addresses a large and popular segment of the funds market.

The Group ended the year in robust operational health. Miton funds, particularly those that had been launched in recent years, attracted gross inflows of £708m, in spite of the considerable level of change. This helped mitigate outflows elsewhere in the Group. We believe that the highly differentiated positioning of our fund strategies has the potential to attract considerable AUM growth in the future.

Miton's position as we enter 2015

Miton is positioned to take greater market share going forward.

- The strategies of our new equity funds have been tailored so they can deliver premium returns even at times of rather lower world growth. We are pleased that many of these funds have already delivered strong returns along with top-of-the-sector risk metrics.

— Following the changes in 2014, our multi-asset funds are now delivering attractive returns and therefore have the opportunity to take greater market share too. Their prospects for AUM growth have been improved further following recent changes to pensions investment legislation.

— All our operations have been consolidated in one London office in contrast to the four offices that we had at the start of 2014.

— We place great emphasis on keeping our clients right up-to-date with the positioning of our funds. Our sales and marketing team is now at full strength so we can fully support a wide range of professional clients on a nationwide basis.

— Previously, the Group's legacy systems were resource intensive and not scalable. We now operate the full functionality of the Bloomberg AIM system so our operations meet high levels of compliance and service.

Results and Dividends

In spite of the AUM outflows in 2014 and the sale of the Liverpool business at the end of the first quarter, our average AUM increased on the previous year. Given our operational gearing, this resulted in our Adjusted Profit before Tax also increasing: rising from £4.7m to £5.3m. We are particularly pleased that the Group generated £4.2m of cash during 2014 and had £15.2m of cash at the year end. Despite our lower AUM starting point in 2015, the Board is proposing to increase the annual dividend by 11% to 0.60p per share (2013: 0.54p) payable on 19 May 2015 to shareholders registered at 10 April 2015. This increase reflects the Board's confidence in the Group's future prospects.

Board

Lord Wade, 82, joined the Board in 2008 and is currently the Deputy Chairman. His extensive business experience and wise counsel have been invaluable to the Board. He has expressed a desire not to stand for re-election at the forthcoming AGM and will retire as a director thereafter. He leaves with our profound gratitude. We wish him well and continued good health.

Jim Davies joined the Board in January 2014 ably assisting the executive in working towards a satisfactory outcome for our Liverpool business. He brings considerable commercial experience to the Board having steadily grown a legal practice from a single office in Liverpool to one of the largest law firms in the UK.

As previously announced, Nicholas Hamilton stepped down from the Board in November with our thanks, after nearly nine years as a non-executive director. In May 2014 Alan Walton joined as a non-executive director and Chairman of the Audit Committee. Alan Walton is a welcome addition to the Board. His vast experience across a broad range of financial services has brought a fresh mind to our deliberations.

Brand

Many long-standing investment trends are becoming increasingly challenged in the current markets. If lower returns are going to become the norm going forward, then investment strategies will need to change to meet these challenges. Miton is well positioned to take advantage of these volatile market conditions. 'Genuinely active investing' means exactly what it says. Our fund managers have greater scope to use their skills to participate fully in those areas that are set to outperform.

Staff

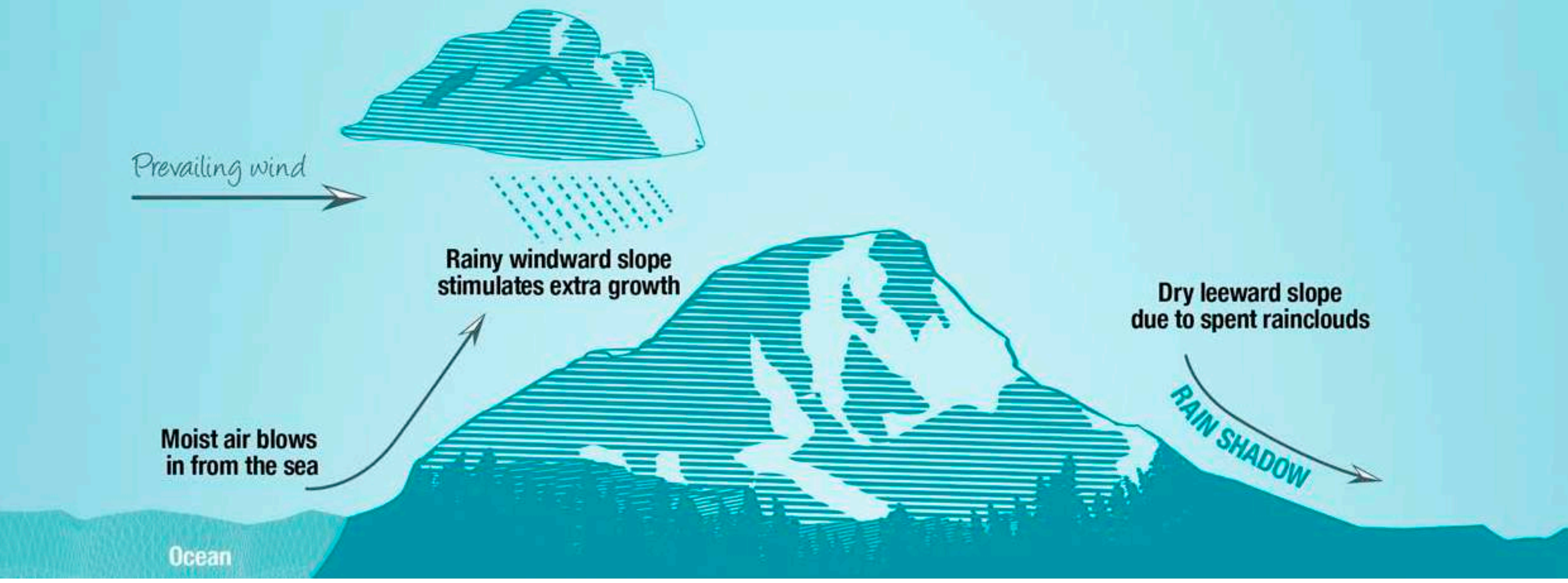
In what has been a year of considerable change, our staff have worked hard and met the challenges presented to them. I am extremely grateful for their efforts.

Outlook

Miton has positioned itself so it can deliver outstanding service for clients, in all areas, including investment performance. Furthermore we have a scalable business with the advantages of operational efficiencies as we grow. We remain committed to growing the business both by capitalising on our existing skill base and by attracting new talent.

Ian Dighé
Executive Chairman
27 March 2015

Unsettled conditions present *opportunities*...



What's causing market trends to become more unsettled?

Many believe low bond yields are incompatible with the magnitude of market appreciation delivered over past decades. So it's getting harder to find investment assets that have the horsepower to deliver attractive returns in future. If funds fail to deliver, investors will become more unsettled with their current portfolio of funds.

Why is this coming to a head now?

The collapse in the oil price implies that growth expectations have fallen back abruptly over recent quarters. The absence of a recovery of world growth has become front-page news.

A good analogy is a rain shadow. The vibrancy of terrestrial life is loosely proportional to the rain blown in from the sea. When there is a range of mountains onshore there's extra vibrancy, as the rain clouds are forced higher into the cooler air. That's good for those on the windward slopes, but adverse for those beyond the watershed. As the spent clouds descend on the leeward slope, conditions are dryer and more austere. It's called a rain shadow.

Rain shadows lie beyond mountain ranges – and 'growth shadows' lie beyond credit booms. That's why market conditions are more unsettled.

What are the potential implications for funds?

Beyond the watershed, world growth could remain limited for quite some time. Mainstream funds might find it much harder to deliver the quantum of return that they have had in the past. The credit boom lasted for over 25 years so the new trend could be with us for decades. And so investors will progressively move their savings to better-positioned funds.

What does all this mean for fund management companies?

With the status quo under pressure, fund management groups are coming under intense pressure to identify the best methods of generating attractive returns in markets where many of the previous trends cease to deliver. As a smaller company we believe we can embrace the new opportunities more quickly.

...so it's time for investment-leadership

Miton's flexibility and thought-leadership means the strategies of our funds are tailored to match the changing investor priorities beyond the credit boom. It's no coincidence that many established and successful fund managers have been moving to smaller groups. Rather it's an acknowledgement that the inflexibility of largeness is becoming a genuine constraint to delivering attractive returns now that world growth has slowed.

At Miton many of our fund strategies have many of the following advantages already built in:

☞ **Widen the opportunity set** – During the years of plentiful growth, the attractions of the smallest quoted stocks have been overshadowed by the sheer quantum of gains made in larger stocks. With lesser growth beyond the watershed, there's more room for the small to become relevant to investors. Indeed some smaller companies have the flexibility to take extra advantage of trend changes to deliver remarkable returns. A wider opportunity set means our fund managers can often participate in many more of the best performing assets.

☞ **Greater attention to the downside risks** – When growth is strong, even those funds that disappoint aren't necessarily too costly for investors. But beyond the watershed, the downside or disappointment can be more severe - or even terminal. At Miton we employ risk-sensitive fund managers since there is a great advantage for investors in anticipating the extra downside risks in growth shadows.

☞ **Tailoring capacity for each strategy** – During buoyant conditions, scale isn't really an impediment to return. Supersized funds fully participate in market gains via the largest stocks. But in tougher conditions when the opportunities are more limited, funds need to be more mindful that returns are likely to be compromised if the fund is excessive in scale.

☞ **A focus on quoted securities that can help deliver productivity improvements** – Prudently managed quoted businesses have extra advantages when capital is scarce, through their superior opportunities to fund productive capital expenditure - and thus their ability to generate a return even at times of slow growth. During the boom the speculative have often had access to plentiful risk capital, but when capital is scarce the more speculative find risk capital is much more limited, and they have less scope to fund productive improvements.

☞ **Investing for the extra gains in recovery assets** – During the credit booms it often makes sense to speculate on those assets with the fastest growth. But in a growth shadow it's better to focus on those with extra productivity potential as they can deliver attractive returns even when world growth is moribund. Over the whole of the last century the recovery of Income and Value stocks delivered higher returns in spite of all sorts of economic extremes

☞ **Unhitching from the artificial constraints of mainstream indices** – When growth is going well benchmark indices often generate attractive returns - as they have during the boom years. But in a growth shadow it pays to narrow portfolios to focus solely on those individual assets that can grow sustainably in spite of the economic

Miton's culture allows top talent to flourish . . .

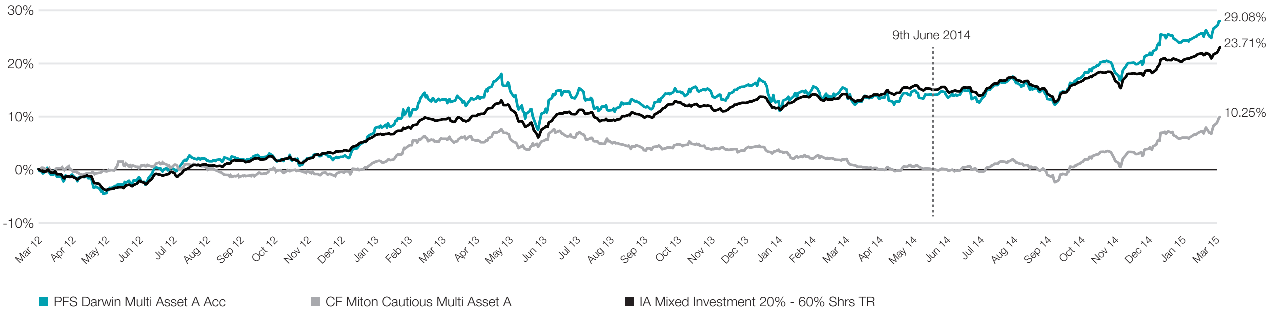
Miton Defensive, Miton Cautious and Darwin Multi-Asset Funds

Before joining Miton, David Jane (first picture to the right) had developed a strong reputation as a leading fund manager when he was Head of Investments at M&G for ten years. He set up Darwin Investment Managers four years ago, and the PFS Darwin Multi-Asset Fund launched at the time has delivered good risk-adjusted returns. Anthony Rayner joined David in May 2012.

On joining Miton they sought to improve the returns on the Miton multi-asset funds, whilst continuing to keep the funds' risk metrics at the lower end of the spectrum. Since the new team were appointed on 9th June, the Miton multi-asset funds have enjoyed greatly improved performance, putting them amongst the best-performing funds in their peer group. Indeed their gains since June have already exceeded the cumulative gains the funds achieved in the prior three years. Even so the risk metrics of the funds continue to be better than many in their peer group.

The graph below shows the reducing trend in performance of the CF Miton Cautious Multi Asset Fund between mid 2013 and mid 2014 then post 9 June 2014 the improvement in performance with the new team in place.

PFS - Darwin Multi Asset A Acc in CF Miton Cautious Multi Asset A Acc vs. IA Mixed Investments 20% - 60% Shares on a Total Return basis
20th March 2012 - 20th March 2015



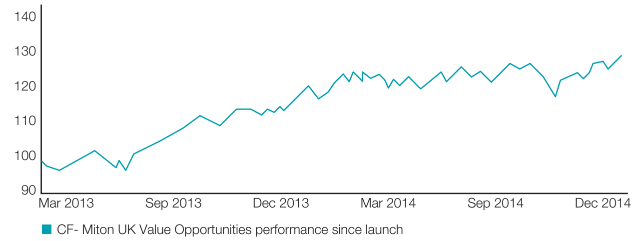
Source: FE Analytics. Basis: Mid to mid, net income reinvested and net of fees in UK Sterling terms.

Miton UK Value Opportunities Fund / Undervalued Assets Fund

Before joining Miton, George Godber and Georgina Hamilton had already demonstrated the quantum of their fund management skills working with another Value fund for nearly five years. On joining Miton they launched a new fund in March 2013 with a strategy that we believed would have a particularly attractive risk/reward ratio for clients.

Since launch the fund has delivered top decile returns, along with risk metrics that are some of the very best in their peer group. With the support of the Miton sales and marketing team this fund's AUM has already reached three times the scale of the team's former fund, in less than two years from launch.

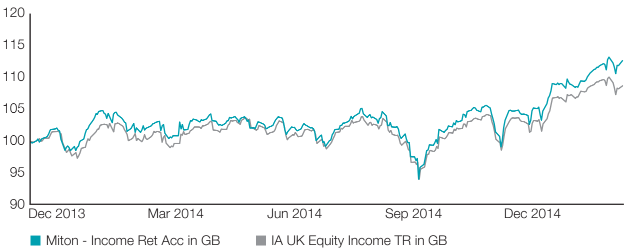
Miton UK Value Opportunities performance since launch



Miton Income Fund (formerly PSigma Income Fund)

The performance of the PSigma Income Fund was below median for the many years prior to acquisition by Miton. We believed that within the Miton culture we could enhance its stock selection process and thereby generate better returns for investors. A number of changes have been made to the way the fund is managed.

Miton Income Fund since 31 December 2013



Eric Moore joined Miton with the acquisition of PSigma Asset Management and in December 2013 was promoted to lead the introduction of the Miton stock selection processes. Gervais Williams works with Eric on the strategy of the fund.

Since the changes were instigated the performance of the Miton Income Fund has moved to the top quartile, a position that contrasts greatly with its previous track record. The risk metrics within the fund have remained better than others.

. . . so we really deliver for our clients

Growing our AUM. . .

Miton has scope to grow the current AUM of £2.1bn considerably. There are currently three groups of funds that collectively will generate our AUM growth.

The **first** group of funds have near-term capacity constraints, so AUM growth from these will be limited.

Strategies/Teams	Prospects for AUM growth	AUM at 31 Dec 2014 £m
UK Multi Cap Income and UK Smaller Companies Gervais Williams Martin Turner	• These funds have already demonstrated the advantages of their strategies. • Substantial organic growth over recent years. • There is scope to grow these funds by about another £300m.	850
UK Value Opportunities George Godber Georgina Hamilton	• UK equity value strategy that has delivered strong performance along with low risk metrics. • Organically grown to £153m since launch in March 2013 plus scaled up further by £58m via the Matterley fund acquisition. • This strategy is likely to be limited at approximately £1.2bn.	211

The **second** group have fewer constraints in scale.

US Opportunities Nick Ford Hugh Grieves	• The US multi-cap strategy is yet to demonstrate its full potential. • Organically grown to £97m since launch in March 2013.	97
UK Equity Income Eric Moore Gervais Williams	• Performance has improved since acquisition. • Stock specific risk diversified via overseas stocks. • Has already demonstrated the advantages of the changes in its stock selection process since they were introduced at the end of 2013.	214
Multi-Asset David Jane Anthony Rayner	• New management team appointed in June 2014 has immediately improved performance. • Funds are starting to attract new AUM inflows. • Further details are outlined on page 6.	537
Funds of Investment Trusts Nick Greenwood	• We are committed to working with our clients to increase the appeal of these strategies.	61

The **third** part of our plan to deliver AUM growth will be setting up new funds managed by our current teams, or new fund management teams that come to us via recruitment from other groups.

- We have recently announced our intention to launch the Miton UK MicroCap Trust plc to be managed by Gervais Williams and Martin Turner in the coming months. This new fund aims to raise around £100m at launch and is expected to be limited to £250m of AUM over time.

  We have plans to launch further new funds later this year.

- In addition we have plenty of scope to take on additional fund managers and their teams.

Overall we have put ourselves in a position to grow AUM considerably in the coming years.

Delivering superb client service…

Our sales and marketing team have moved to full strength since our previous annual report. At Miton we place a very high priority on delivering superb client service, under the leadership of Ian Chimes (formerly responsible for European Sales and Marketing at Credit Suisse) who is highly regarded in the industry. Neil Bridge (formerly Head of Sales at Schroders) is also highly regarded in his leadership of a nationwide sales team. Miton has a team of six who manage our relationships with investors, to understand their needs and update them on the portfolio positioning of our funds, and the advantages they have through being differentiated from our competition.

We believe it is not enough to have outstanding fund managers running successful strategies. It is essential that we are able to provide a high level of client service in all areas if we are to grow AUM substantially.

…means the market is recognising Miton

What Investment adjudged Miton the Best Fund Group in the UK. The panel chose Miton to be the Best Fund Manager of the Year, as well as Best New Launch for a recently set up fund. In addition Investment Week adjudged Miton as the best Specialist Investment Trust Group, along with the Best Income Trust in 2014.

We are greatly encouraged that the market is already recognising and appreciating the distinctive advantages of the Miton fund strategies along with the quality of our fund management skills and our high levels of customer service.

What Investment
UNIT TRUST AWARDS 2014
BEST FUND GROUP
MITON

What Investment
UNIT TRUST AWARDS 2014
BEST NEW LAUNCH
CF MITON UK VALUE OPPORTUNITIES

What Investment
UNIT TRUST AWARDS 2014
FUND MANAGER OF THE YEAR
GERVAIS WILLIAMS

INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS
2014
WINNER
SPECIALIST GROUP OF THE YEAR

INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS
2014
WINNER
UK INCOME

. . . *considerably* in the coming years

Investment in the Community

Miton's culture is about ensuring our talented individuals can excel. We also want to extend this thinking to those outside our company, especially the more vulnerable. Although we are small, if we are purposeful we can make a real difference to a small charity. In 2014 we agreed to sponsor NYAS - the National Youth Advocacy Service (Registered Charity 1012485).

There are currently 68,000 children in care in the UK.

NYAS ensures the voices of children, young people and vulnerable adults are heard at crucial times in their lives, when decisions are being made about them. They provide socio-legal services - essentially information, advice, advocacy and legal representation through a network of dedicated paid workers and volunteers throughout England and Wales.

In the last year the NYAS helpline received 24,500 enquiries and NYAS supported 7,648 children and young people through advocacy.

NYAS faces a continuing funding challenge to maintain this vitally needed service, which is why Miton has made a commitment to work with NYAS.

Miton recently raised over £25,000 at a single event to provide a significant contribution to the funding of the important NYAS Helpline.

To find out more about NYAS visit **www.nyas.net**

nyas

giving a voice to children, young people and vulnerable adults | rhoi llais i blant, pobl ifanc ac oedolion agored i niwed

Business and Financial Review

"Miton is now able to realise the benefits of operational gearing as future increases in AUM will not require the related increase in costs which was the case in the past"

Robert Clarke
Finance Director

Miton Group plc is the AIM listed parent company of a fund management group operating through three FCA regulated companies:

- Miton Asset Management Limited
- Miton Trust Managers Limited
- Darwin Investment Managers Limited

We manage investments within:

- nine open ended funds
- four unit trusts
- three investment trusts

Board of directors

See Directors' Report on page 24.

Senior Executive Group

The day-to-day management of Miton is delegated to the Senior Executive Group which consists of the following senior managers:

Ian Dighé	Executive Chairman
Gervais Williams	Managing Director
David Barron	Director of Investment Trusts and Product Strategy
Roger Bennett	Company Secretary
Ian Chimes	Head of Sales and Marketing
Robert Clarke	Finance Director
Piers Harrison	Head of Operations and Risk Management
Philip Ost	Compliance Officer

The Senior Executive Group meets on a monthly basis.

At the end of 2014 Miton had 52 employees working out of one London office. Our fund managers largely seek value for investors without undue regard for indices and benchmarks. They have the flexibility to invest in companies, funds and asset classes that are better placed to preserve value and see it grow over the medium to longer term.

Business and Financial Review continued

Funds flow summary

	Opening AUM 1 January 2014 £m	Inflows £m	Outflows £m	Net flows £m	Other (including market) £m	MCPL sale on 31 March 2014 £m	Closing AUM 31 December 2014 £m
Equity funds and investment trusts	1,287	606	(474)	132	84	(56)	1,447
Multi-asset funds	1,373	102	(605)	(503)	21	(288)	603
Total funds	2,660	708	(1,079)	(371)	105	(344)	2,050
Segregated mandate	438	–	(330)	(330)	(14)	(94)	–
Total	3,098	708	(1,409)	(701)	91	(438)	2,050

Our product range

See summary table below of the Miton product range as at 31 December:

Existing strategies	AUM 2014 £m	AUM 2013 £m	Fund managers	Year of launch
Equity Funds				
CF Miton UK Multi Cap Income	**378**	370	Gervais Williams / Martin Turner	2011
Miton Income*	**214**	351	Eric Moore / Gervais Williams	2007
CF Miton UK Value Opportunities	**153**	48	George Godber / Georgina Hamilton	2013
FP Miton Undervalued Assets	**58**	–	George Godber / Georgina Hamilton	2008
CF Miton UK Smaller Companies	**149**	41	Gervais Williams / Martin Turner	2012
CF Miton US Opportunities	**97**	52	Nick Ford / Hugh Grieves	2013
Miton Global Equity*	**17**	23	Centre Asset Management, New York	2011
Miton American*	**15**	22	Centre Asset Management, New York	2007
	1,081	907		
Multi-Asset Funds				
CF Miton Cautious Multi Asset (1)	**407**	822	David Jane / Anthony Rayner	1997
CF Miton Defensive Multi Asset (2)	**120**	216	David Jane / Anthony Rayner	1996
PFS Darwin Multi Asset*	**48**	–	David Jane / Anthony Rayner	2010
CF Miton Worldwide Opportunities	**17**	19	Nick Greenwood	2003
CF Miton Total Return	**10**	15	David Jane / Anthony Rayner	2006
	602	1,072		
Investment Trusts				
The Diverse Income Trust	**305**	261	Gervais Williams / Martin Turner	2011
Miton Worldwide Growth Investment Trust	**44**	42	Nick Greenwood	2004
The Investment Company	**18**	19	Gervais Williams / Martin Turner	2013
	367	322		
Miton Capital Partners Limited, Liverpool	**–**	451		
Segregated mandates	**–**	346		
	2,050	3,098		

(1) Previously CF Miton Special Situations Portfolio
(2) previously CF Miton Strategic Portfolio

The above table includes nine open-ended investment companies (OEICs) and four unit trusts – the latter marked*.

Review of the year

Our Funds

CF Miton UK Multi Cap Income Fund

In 2013 the fund grew rapidly from £49m to £370m. Therefore we introduced a 1% charge on new inflows towards the end of 2013 to limit the growth of the fund. With the AUM of the fund falling back a little in 2014, the 1% charge on creations is now being waived until the fund reaches capacity again at over £400m AUM.

Miton Income Fund

The mainstream UK Equity Income Fund was acquired with PSigma in July 2013. We introduced some improvements to the stock selection process that have resulted in the performance of the fund moving up from the bottom quartile in the period before the changes, to first quartile in the year after the changes. Even so following the announcement in July of Bill Mott's retirement at the end of the year, the fund suffered two sizeable redemptions. This fund has considerable capacity for AUM growth in a strategy that is popular with investors.

CF Miton UK Value Opportunities Fund

During the year the fund has delivered both top decile performance and sector-leading risk metrics with AUM growing from £48m to £153m. In December 2014 Miton acquired the FP Matterley Undervalued Assets Fund (£57m), previously co-managed by Miton's George Godber, recently renamed the FP Miton Undervalued Assets Fund.

CF Miton UK Smaller Companies Fund

The fund grew rapidly in the first half of the year from £41m to £160m as a result of strong outperformance and a buoyant smaller companies sector. Since then the sector has been out of favour with investors.

CF Miton US Opportunities Fund

In 2014 the US smaller companies sector had one of its worst years relative to the S&P 500. Despite the modest returns over 2014 the fund grew to £97m during the year. This fund could be considerably larger in time.

Miton Global Equity Fund

The fund was acquired with PSigma and is managed by Centre Asset Management in the US. The fund has changed its strategy so that it invests in the blue chips of developed markets and with emerging blue chips from the developing world. This fund has limited AUM growth potential unless performance were to become exceptionally strong.

Miton American Fund

The fund was acquired with PSigma and is managed by Centre Asset Management in the US. It invests in mainstream US companies, which are selected on their ability for growth, interest rate sensitivity or cyclical restructuring opportunities. This fund also has limited AUM growth potential unless performance were to become exceptionally strong.

CF Miton Cautious Multi Asset Fund (formerly CF Miton Special Situations Portfolio)

The fund has been highly defensively positioned since 2007. Although the fund grew substantially during 2008, the fund had begun to suffer increasing outflows in the second quarter of 2014 because its heavy weightings in US dollar assets meant its unit price was declining in sterling terms. David Jane and his team were appointed in June 2014 following the resignation of the previous manager. The fund's performance has greatly improved since June despite retaing a defensive stance. This strategy has the potential to grow substantially to a multiple of the current AUM, with pension reforms adding to potential demand for the fund.

CF Miton Defensive Multi Asset Fund (formerly CF Miton Strategic Portfolio)

The fund has been highly defensively positioned since 2007. Although the fund grew substantially during 2008, the fund began to suffer increasing outflows in the second quarter of 2014 because its heavy weightings in US dollar assets meant its unit price was declining in sterling terms. David Jane and his team were appointed in June 2014 following the resignation of the previous manager. The fund's performance has moved to first quartile since June despite retaining a defensive stance. This strategy has the potential to grow substantially to a multiple of the current AUM, with the pension reforms adding to potential demand for the fund.

Business and Financial Review continued

PFS Darwin Multi-Asset Fund

The fund was launched in 2010 by David Jane and his team prior to joining Miton in June 2014. Fund performance is top quartile over 12 months, and has been generally strong since issue.

CF Miton Worldwide Opportunities Fund

The fund takes advantage of the inefficiencies in the listed share prices of many of the smaller closed-end funds, but also has the scope to hold open-ended investment companies if it is anticipated that the discounts on investment trusts could worsen.

The Diverse Income Trust plc

The interest in the multi-cap income theme was underlined by The Diverse Income Trust plc raising an additional £50m in June via a 'C' Share issue. The board have stated they believe it is unlikely there will be any further 'C' share issues, although the Trust could still authorise smaller tap issues if there was a good investment case at the time.

Miton Worldwide Growth Investment Trust plc

The fund takes advantage of the inefficiencies in the listed share prices of many of the smaller closed-end funds, but also has the scope to hold open-ended investment companies.

The Investment Company plc

This investment trust specialises in generating income and capital growth over the long term through a portfolio of fixed income preference shares, loan stocks, and debentures with its newer holdings in fixed income stocks often coming with conversion rights into smaller quoted companies should their share prices perform well. In addition the fund also has a portfolio of generally higher yielding equities. It is anticipated this fund could grow to perhaps £100m or more in due course.

Acquisitions and disposals

Miton Capital Partners Limited ('MCPL')

The sale of the Liverpool business in March to Seneca Investment Managers Limited, generating net sale proceeds of £4.2m, has allowed us to consolidate our operations in one London office. The loss on disposal of £12m resulted from a £16m write-off relating to the relevant goodwill and intangible assets of the business. (See note 12, page 52).

Darwin Investment Managers Limited

David Jane and his team joined Miton on 9 June 2014. Miton acquired Darwin Investment Managers Limited ('Darwin') on 12 September 2014 for consideration payable of £1.8m. Darwin was established in 2010 and had AUM of £48m on 31 December 2014 (see note 10, page 51).

FP Matterley Undervalued Assets Fund

Miton acquired the investment management contract for the FP Matterley Undervalued Assets Fund from Charles Stanley plc on 5 December 2014 for an estimated consideration of £1.1m. As at 31 December 2014 the Undervalued Assets Fund had AUM of £58m (see note 11, page 52).

Other matters

Fund Manager Retention Scheme

The Fund Manager Retention Scheme or Growth Share Plan (the 'Plan') was launched in January 2014 with the issue of growth shares to six fund managers managing three separate strategies enabling them to share in the growth of the relevant profit and AUM for which they are responsible. After a minimum vesting period of three years, participants may elect to exchange growth shares for ordinary shares in Miton Group plc according to a specific formula. As explained in the Directors' Remuneration Report on page 32, the value of the growth shares in issue can vary considerably over time due to the variability of a number of factors. The estimated value of the growth shares in issue as at 31 December 2014 was £2.66m, which equates to dilution of 7.8%. In relation to the shares in issue at the time, the Plan was approved by shareholders in 2013; the dilution is 8.2%.

Systems

The Bloomberg AIM system was fully implemented across the Group in Q1 2014. We have continued to develop the way we work with the system in our business, implementing additional applications such as OMGEO which improve the level of automation achievable and which have helped us to deliver 'straight-through processing for Miton. This not only increases efficiency and our capacity to grow, but also reduces operational risk.

Building on in-house expertise

Throughout 2014 and early 2015 Miton has continued to build in-house expertise across all areas of the business, most notably through the recruitment of specialist Human Resources, Finance, Operations and Compliance staff, along with three fund management team members with the acquisition of Darwin. The Liverpool and Reading offices were closed and several team members chose to relocate to the London office. Policies and procedures have been strengthened in relation to recruitment, retention and performance review. A strategically linked values and behaviours framework has been created to strengthen culture and performance metrics and to drive reward transparency and consistency. HR software improvements are leading to enhanced reporting and efficiency.

Progress on priorities

- **Clearly and effectively promote the Miton investment philosophy**
  - Page 9 details how our updated approach to communicating with the media results in effective coverage of our funds and fund managers.
  - In 2014 we won several high profile industry awards in a number of categories - see page 9.
- **Develop our fund range so we can more effectively address the needs of investors with funds which are relevant and attractive**
  - Re-launched and re-named our two key multi-asset funds under the leadership of a new fund management team – see page 6 for further details.
  - Planned launch of the Miton UK MicroCap Trust plc in Q2.
- **Deliver attractive risk-adjusted performance over the medium to long term**
  - Miton funds are focused on closely managing risk in terms of variability of performance from both absolute and relative perspectives.
  - The CF Miton UK Value Opportunities Fund has been particularly successful in 2014.
  - Improvements in performance have also been achieved with the multi-asset funds in Q3 and Q4 and in the Miton Income Fund.
- **Upgrade our Group-wide fund management software systems to increase our capacity to manage additional portfolios and AUM**
  - Page 14 details how we have completed the Group-wide implementation of straight-through processing.
- **Continue to attract and recruit talented fund managers and others to deliver on the above objectives and to increase our effectiveness in providing excellent customer service in every aspect of our business**
  - The appointment of David Jane and his team to manage our multi-asset funds is a significant step forward for Miton.
  - New staff have been recruited in a number of support areas including: Sales, Middle Office, Human Resources, Risk Management, Compliance and Finance.
  - This influx of new talent combined with an upgraded governance structure (page 28) has resulted in a step change improvement in the effectiveness of Miton's business operations.
  - We will continue to recruit talented fund managers to launch new funds.
- **To improve our engagement through new media so we can widen our understanding and appreciation of how our funds are positioned as market conditions evolve**
  - The Miton website has been refreshed and updated during the year.

Office Move

In Q4 2013 we began to consolidate four office locations into one London office. With the expiry of our current lease in Moorgate we are moving to Paternoster House, 65 St Paul's Churchyard, London EC4 8AM on 20 April 2015. The additional annual cost in relation to the new office will be approximately £300,000.

Business and Financial Review continued

Financial Review

Income Statement

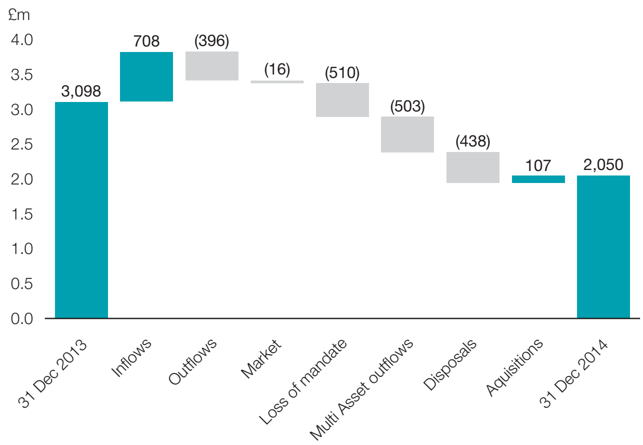
The Financial Highlights summary is on page 1. It sets out the Group's Key Performance Indicators (KPIs). The following section examines the financial performance of the Group during 2014 with reference to those KPIs and other factors.

Assets Under Management

The movements in AUM during 2014 are addressed in the Chairman's Statement on page 2. They include the sale of MCPL (£438m), outflows relating to previously PSigma managed funds (£510m) and multi-asset funds (£503m). However Miton also took in £708m of gross inflows during the year as shown in the chart.

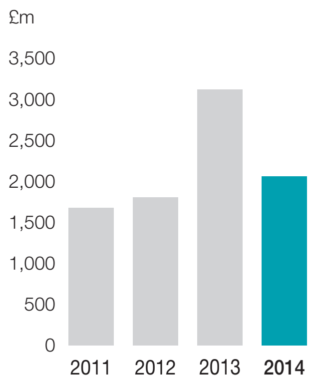
Note: The data source for the charts on pages 16 to 19 is 'Miton'.

AUM changes in 2014

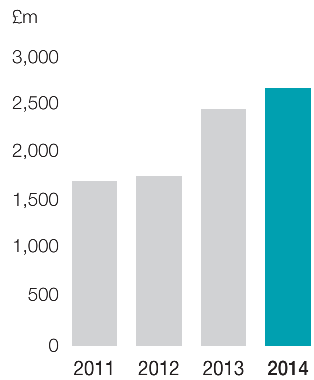


AUM trends over the last four years are shown here. Average AUM in 2014 was 7.8% higher than in 2013.

AUM (closing)



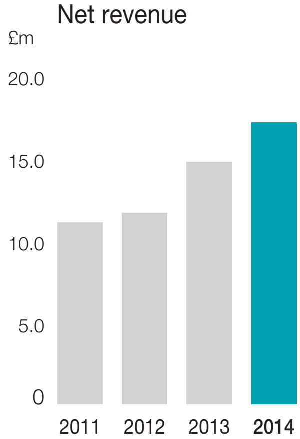
AUM (average)



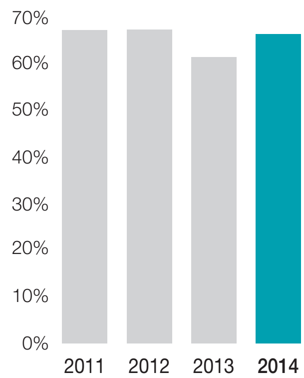
Net Revenue

Net revenue increased by 14.7% in 2014 as the average net revenue margin of 65bp increased from 63bp in 2013. Some of the smaller funds launched in 2013 grew and matured during 2014 and their margin contribution increased.

Net revenue



Net revenue margin



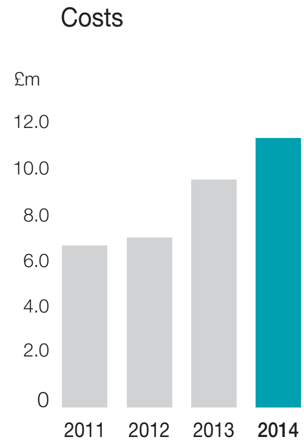
Costs

Administrative expenses (excluding share based payments) increased by 18% compared with 2013 and the chart shows the increase in the cost base over the last three years. This investment has facilitated a transformation of the Group in all areas. Miton is now able to realise the benefits of operational gearing as future growth in AUM will not require the related increase in costs which was the case in the past.

Over the last two years Miton has:

- acquired PSigma and absorbed people and roles into the Miton business
- centralised the Group in our Moorgate office from four other locations
- established a new multi-asset fund management team
- recruited new positions to improve fund management, sales, operations, finance, HR, compliance and risk management
- upgraded existing roles throughout the Group
- introduced a new governance structure
- implemented straight-through-processing
- acquired Darwin and the Matterley fund

Changes begun in 2013 have continued to have an incremental cost impact in 2014 due to the effect of a full 12 months of additional costs or savings. We have seen reduced costs due to the sale of Liverpool and the closure of the Reading business with some increases as a result of upgrading throughout the business.

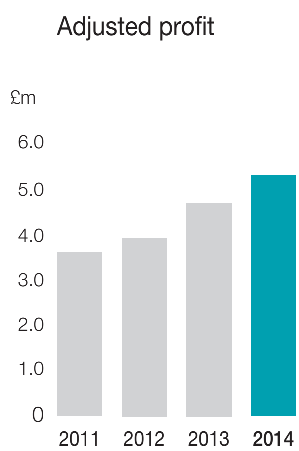


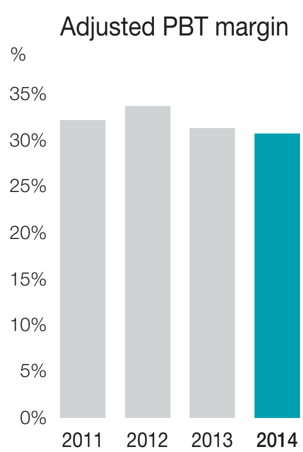
Adjusted Profit before Tax

	2014 £m	2013 £m	%
Net revenue	**17.2**	15.0	+14.7%
Administrative expenses	**(11.3)**	(9.6)	+17.7%
Share based payments	**(0.9)**	(0.7)	+28.6%
Interest	**0.1**	–	
Add back: VAT*	**0.2**	–	
Adjusted Profit before Tax	**5.3**	4.7	+12.8%

*provision relating to prior years

The Adjusted Profit margin has reduced as the cost base has grown. Now that many change projects have been completed, the profit margin should increase with future AUM growth and a stable cost base.



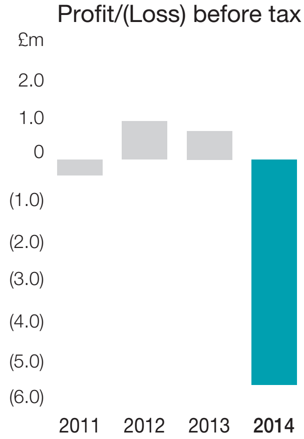


Business and Financial Review continued

Loss before tax

Net loss before tax of £5.5m (2013: profit before tax of £0.7m) arises as a result of the exceptional costs of £9.4m which relate to:

- the loss on sale of MCPL of £12.0m including a write-off of goodwill and intangibles of £16m
- a write-back of £3.2m of deferred consideration on the acquisition of PSigma
- one-off costs of £0.3m relating to the implementation of the Growth Share Plan
- acquisition costs of £0.3m relating to Darwin and the Matterley fund



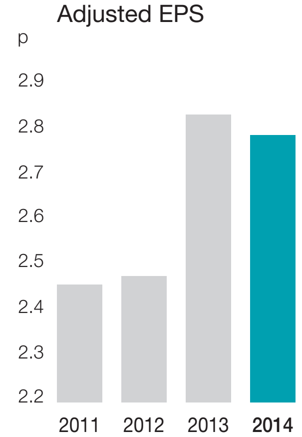
Taxation

The taxation credit of £0.7m (2013: nil) largely results from a deferred tax credit of £1.6m relating to the write-off of £8.4m of intangibles on the sale of MCPL.

Earnings per share

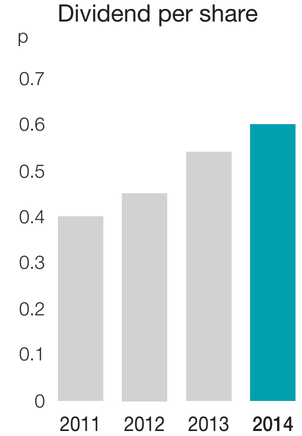
The Adjusted earnings per share of 2.78p shows a decrease of 1.4% on 2.82p in 2013 as a result of the 5.5% increase in the weighted average number of shares and a 4.3% increase in the Adjusted Profit after tax. Diluted Adjusted earnings per share of 2.53p (2013: 2.79p) shows a dilution of 9.0% (2013: 1.1%) largely as a result of an estimate of the Miton Group plc ordinary shares which would be issued if all the Growth Share Plan shares with accrued value at 31 December 2014 had vested and had been exchanged into Miton Group plc ordinary shares at that date. There are also dilution elements arising from the Management Equity Incentive (MEI) and the Management Incentive Plan (MIP) where the exercise prices are below the average share price during the year of 38.9p (2013: 36.0p).

Basic loss per share was 3.27p (2013: earnings per share 0.51p) due to significant exceptional costs in 2014.



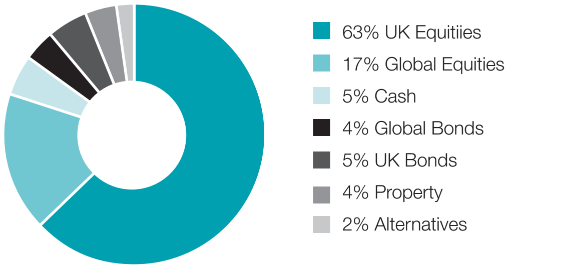
Dividend

The Board is proposing to increase the annual dividend by 11% to 0.60p per share (2013: 0.54p) payable on 19 May 2015 to shareholders registered at 1 April 2015. This increase reflects the Board's confidence in the Group's future prospects. Since 2011 the dividend has increased steadily as seen from the following chart:

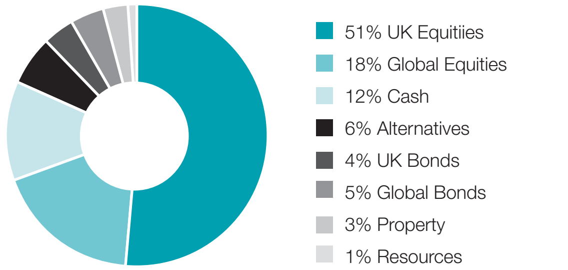


Analysis of Assets under Management

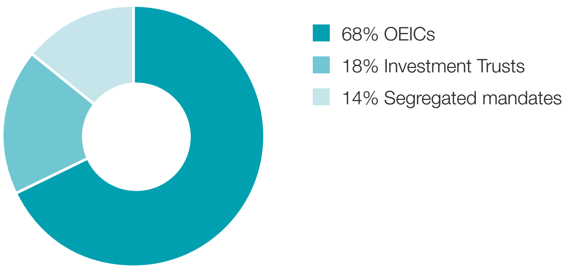
2014 AUM by asset class



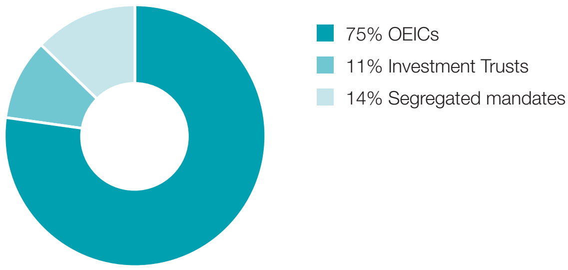
2013 AUM by asset class



2014 AUM by type of client



2013 AUM by type of client



Goodwill and Intangible Assets

Goodwill and Intangible assets have been reduced as a result of the sale of MCPL with a £16m write-off of the relevant goodwill and intangible assets of the business (see note 12, page 52). An addition to goodwill arose as a result of the acquisition of Darwin Investment Managers Limited (£1.7m) and to intangible assets as a result of the acquisition of the FP Matterley Undervalued Assets Fund (£1.1m).

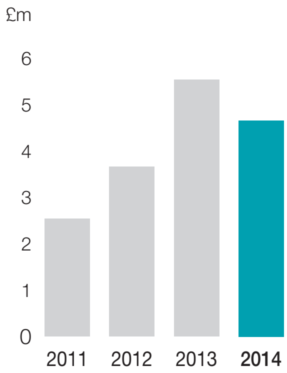
Cash

The cash generated from operations in 2013 was assisted by a decrease in working capital over the year. Otherwise the underlying trend in recent years is one of increasing cashflow.

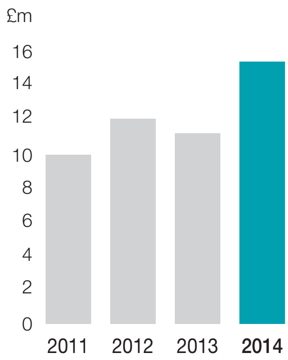
With the exception of 2013, when an additional £2m was spent on acquisitions compared with 2014, the trend in recent years is one of increasing year end cash balances.

Total cash stood at £15.2m at 31 December 2014. After making allowance for regulatory capital and other allocations free cash was £8.2m.

Cash generated from Operations



Total Cash at 31 December



Business and Financial Review continued

Principal risks and uncertainties

The Group faces a range of risks originating both externally to the Group and from within the fund management business. The Corporate Governance Statement on page 27 details the Group's approach to internal control and risk management including the Board's responsibilities, the Board's attitude to risk, the role of the Audit Committee and the oversight of the Risk Management Committee. Further details are also provided with regard to the relevant procedures adopted within the Group and the processes used by the Board to review and monitor the effectiveness of our internal controls and risk management activities.

The Risk Management Committee is responsible for identifying, evaluating and managing business risks faced by the Group whilst the Operations Committee is responsible for identifying, evaluating and managing operational risk faced by the Group. Both Committees report to the Senior Executive Group. The principal risks are listed below, together with relevant mitigating factors where appropriate.

Market risk

Market risk arises in relation to the investments held by funds managed by the Group and the revenue generated from the management charge on the value of those assets. Funds managed by the Group are invested in a wide range of asset classes under different investment mandates including multi-asset, equity and portfolios of collective investment schemes. Consequently market risk is mitigated to the extent that asset classes are likely to behave differently in times of higher volatility which affords some protection to the Group's Assets Under Management and revenues.

Operational risk

Operational risk is the risk of loss arising from a failure in internal systems, procedures or in outsourced functions. Three fundamental elements of our operational structure are people, information technology and outsourced services. We rely on all our staff for the day-to-day running of the business and seek to attract and retain the best qualified individuals.

The Group is an equal opportunities employer and actively encourages employee involvement at all levels, both through regular employee briefings and by direct access to managers and the directors. Equity share incentives are provided to help retain and incentivise senior employees and directors.

Key priorities for our technology and systems are to maintain operational performance and reliability. The various outsourced services are monitored on an ongoing basis and reviewed at regular intervals both internally and through meetings with the relevant organisations. Comprehensive business continuity planning is in place to ensure the ongoing operation of key business functions in the event of normal systems being interrupted. These arrangements are tested at least annually.

Regulatory risk

The Group operates in a complex and dynamic regulatory environment. Risks also arise from legal and regulatory obligations. The failure to interpret correctly law or changes in the law may materially and adversely impact the Group. We may also be subject to regulatory sanction or loss of reputation from failure to comply with regulations. The management of legal and regulatory risk is the responsibility of senior management, supported by the governance, compliance and risk teams.

The governance and compliance teams are responsible for tracking legal and regulatory developments to ensure that the Group is well prepared for changes. As well as developing policies, delivering training and performing monitoring checks, they also provide advice to ensure we remain compliant with legal and regulatory requirements.

Statutory risk

Statutory risk arises from non-adherence to relevant regulations and legislation and any changes as they occur. The Companies Act, the Financial Conduct Authority Handbook and the Rules of the Alternative Investment Market of the London Stock Exchange on which we are listed, are especially relevant. We pay particular attention to comply with all relevant investment, taxation and operational regulatory laws and rules including various reporting requirements. Specific controls, reporting procedures and review processes have been established to prevent, detect and address any non-compliance.

Credit risk

The Group is subject to credit risk arising as a result of counterparty exposure in the Group's receivable balances from fund management clients and in relation to the cash balances placed with financial institutions. We monitor closely the creditworthiness of all relevant counterparties both directly and through third-party reports. We have a diversification policy of allocating significant cash deposits between at least two suitable institutions.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or can only do so at a significantly increased cost. The Group's objective in managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities as they fall due, under both normal and adverse conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's policy is to maintain free cash balances in excess of its regulatory capital requirements.

Approved by the Board on 27 March 2015

Roger Bennett
Company Secretary

Board of Directors

Executive Directors serving during 2014:

Ian Dighé, 59

Current role: Executive Chairman since 2011.

Past roles

Director of Manchester & Exchange Investment Bank, McLeod Russell Holdings plc and Head of Corporate Finance at Singer & Friedlander Ltd. In 2000 he led the management buyout of Singer & Friedlander Corporate Finance, which laid the foundation of the Bridgewell Group plc, where he remained as Deputy Chairman until its sale in 2007. He formed Matterley in late 2007, a fund management business whose interests were acquired by Charles Stanley Group plc in September 2009.

Brings to the Board

In excess of 25 years of market experience in the financial services industry and public markets. Drive and vision required to build businesses.

Other commitments

Non-executive director of Strategic Equity Capital plc and a director of various private companies and charitable trusts.

Gervais Williams, 56

Current role: Managing Director since 2011 and Fund Manager of the Diverse Income Trust plc, CF Miton UK Multi Cap Income Fund, CF Miton UK Smaller Companies Fund and The Investment Company plc.

Past roles

Five years with Throgmorton Investment Management (later part of the Framlington Group), three years with Thornton Investment Management (part of Dresdner Bank) and 17 years with Gartmore Group Ltd, where he was Head of UK Small Companies investing in UK smaller companies and Irish equities.

Brings to the Board

Gervais has been an equity portfolio manager since 1985. He won Investor of the Year as awarded by Grant Thornton at their Quoted Company Awards in both 2009 and 2010. He has sat on two DTI Committees in the quoted small cap sector. He has published 'Slow Finance' and 'The Future is Small' setting out his investment philosophy for the post credit boom world. The Diverse Income Trust plc won the Best New Issue Award at the AIC Awards dinner in December 2013. He won Fund Manager of the Year at the What Investment Unit Trust Awards 2014 .

Other commitments

A member of the AIM Advisory Council, a director of the Investment Association and the Board of the Quoted Companies Alliance.

Robert Clarke, 57

Current role: Finance Director since 2011.

Past roles

In the fund management sector Robert was Chief Executive of Witan Investment Trust plc and previously with Majedie Investments plc for 12 years, initially as Finance Director before becoming Chief Executive. He has also held Finance Director roles with Hoare Govett Securities Ltd and Alwen Hough Johnson Ltd.

Brings to the Board

Strong financial and operational experience gained through senior roles in the financial services sector over 30 years. Robert holds a Masters in Finance degree from London Business School and is a member of the Institute of Chartered Accountants in England and Wales.

David Barron, 55

Current role: Director of Investment Trusts and Product Strategy since 2013.

Past roles

Has over 30 years of experience in the City, of which 20 have been focused on asset management. Was previously at JP Morgan Asset Management where he became Managing Director and Head of the Investment Trust business, the largest in the UK. Before joining Fleming Investment Management in 1995, David worked in corporate finance at Hambros Bank and Merrill Lynch & Co.

Brings to the Board

In depth experience of working with the Boards of Investment Trusts and their shareholders. Managing a market leading asset management business. He has been a director of the trade body representing Investment Trusts, the AIC, for ten years. He is a member of the Institute of Chartered Accountants of Scotland.

Other commitments

Senior Independent director and Chairman of the Audit Committee of Artemis Alpha Trust plc and Member of the Council of Lancaster University.

Executive Director resignations during 2014:

Martin Gray

Graham Hooper

Non-Executive Directors serving during 2014:

Lord Wade of Chorlton, 82

Current role: Deputy Chairman since 2008 and Chairman of the Nomination Committee.

Past roles

Knighted in 1982 for his services to the North West of England and made a life Peer in 1990. Sold most of his farming and cheese making interests, the focus of his early career and was formerly joint treasurer of the Conservative Party.

Brings to the Board

Wealth of commercial experience extending over 60 years.

Other commitments

He is a member of the House of Lords Science and Technology Select Committee.

Katrina Hart, 40

Current role: Non-Executive Director since 2011 and Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Past roles

Following six years working in corporate finance with ING Barings and Hawkpoint Partners, Katrina moved into equity research with HSBC, covering the general financials sector. Latterly, she headed up the team at Bridgewell Group plc and Canaccord Genuity, consistently achieving a top three ranking in the annual Thomson Extel and FT Starmine independent surveys.

Brings to the Board

Katrina spent 14 years in the City advising, analysing and commentating on a broad range of businesses operating in the fund and asset management sectors. Accumulated an in-depth understanding of the dynamics and operational drivers of the fund management industry.

Other commitments

Non-Executive Director of Polar Capital Global Financials Trust plc.

Jim Davies DL OBE, 68

Current role: Appointed on 24 January 2014 as a Non-Executive Director and appointed Senior Independent Director following the AGM in May 2014 and a member of the Audit and Remuneration Committees.

Past roles

Was Managing Partner of law firm DWF LLP which he co-founded in 1977. DWF LLP has subsequently grown to be a national practice of 12 offices employing over 2,700 people. Awarded OBE in this year's New Year's Honours List

Brings to the Board

Outstanding business development and management skills.

Other commitments

Director of a number of private companies and Deputy Lieutenant of Merseyside.

Alan Walton, 58

Current role: Appointed on 14 May 2014 as a Non-Executive Director. Alan is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Past roles

Broad experience from a career in professional services at Deloitte, primarily working in the financial sector, as well as management experience as a partner at Deloitte.

Brings to the Board

Brings an understanding of the key issues to be addressed by the board as regards strategy and financial reporting. Alan is a fellow of the Institute of Chartered Accountants in England and Wales.

Non-Executive Director resignation during 2014:

Nicholas Hamilton

Company Secretary during 2014

Roger Bennett, 52

Current role: Company Secretary since 2007 and responsible for Governance and Compliance Oversight.

Past roles

Qualified as Chartered Accountant with Spicer & Oppenheim. Group Financial Controller of Octavian Group Ltd, a Lloyd's of London underwriting agency. Was Finance Director of Christows Limited, a regulated stockbroker and private client investment and fund management business, from 1995 to 2001. In 2002, he was a founder member and Finance Director of the company that became Miton Group plc.

Brings to the Board

Broad based financial services experience gained through working at the client, intermediary and product provider levels.

Directors' Report

The directors present their Report and the audited accounts of Miton Group plc (Registered Number 5160210) for the year ended 31 December 2014.

Introduction

The Directors' Report includes the Corporate Governance Statement (pages 26 to 29) and the Directors' Remuneration Report (pages 30 to 33). A review of the Group's business, including the Chairman's Statement, is contained within the Strategic Report (pages 1 to 21) and should be read in conjunction with the Directors' Report.

Principal activities and review of business

The Group is a fund manager and is listed on the London Stock Exchange's AIM market.

Results and dividends

The loss for the year was £4,827,000 (2013: profit of £708,000) as set out in the Consolidated Statement of Comprehensive Income on page 36. The directors recommend the payment of a final dividend of 0.60p (2013: 0.54p) per share payable on 19 May 2015 to shareholders on the share register as at 10 April 2015.

Directors' interests

The directors' beneficial interests in the Company's ordinary share capital are as follows:

	31 December 2014	31 December 2013
Ian Dighé	**989,091**	909,091
David Barron	**280,000**	–
Robert Clarke	**261,011**	261,011
Gervais Williams	**8,791,743**	8,787,879
Jim Davies (appointed 24 January 2014)	**205,278**	205,278
Alan Walton (appointed 14 May 2014)	**–**	–
Katrina Hart	**80,416**	80,416
Lord Wade	**1,001,386**	891,386

The total number of shares held by directors, excluding equity incentives, is 6.80% of the Company's issued ordinary share capital. Details of the directors' options to subscribe for shares in the Company are disclosed in the Directors' Remuneration Report.

Substantial interests

As at 18 March 2015, the Company had received notification of the following substantial interests in the Company's ordinary share capital:

Shareholder	Ordinary 0.1p shares	%
MAM Funds plc Employee Benefit Trust*	19,080,572	11.16
Ruffer LLP	15,115,255	8.84
AXA Framlington	13,992,413	8.19
Gervais Williams (Director)	9,090,957	5.32
River & Mercantile Asset Management	9,099,600	5.32
Black Rock Investment Management	7,829,980	4.58
Fiske & Co	6,792,781	3.97
SFM UK Management	6,158,572	3.60
Goodbody	5,757,464	3.36

* MAM Funds plc Employee Benefit Trust is the Miton Group plc Employee Benefit Trust.

Qualifying third party indemnity provisions

There are no qualifying third party indemnity provisions which would require disclosure under Section 236 of the Companies Act 2006.

Auditors

A resolution will be proposed at the Annual General Meeting for shareholders to reappoint Ernst & Young LLP as Auditors of the Company.

Disclosure of information to Group's Auditors

So far as each person who was a Director at the date of approving the Directors' Report is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing their report, of which the Auditors are unaware. Having made enquiries of fellow Directors and the Group's Auditors, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information. This confirmation is given and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

At the Annual General Meeting to be held on 14 May 2015, the directors will seek shareholder approval for the resolutions referred to below. The directors believe that the passing of the proposed resolutions are in the best interests of the Company and its shareholders as a whole and recommend that shareholders give them support by voting in favour of the resolutions, as they intend to do themselves in respect of their own beneficial holdings.

Re-election of Directors

Robert Clarke has been a director since re-election at the 2012 Annual General Meeting. In accordance with the Company's Articles of Association and best practice, he will be retiring as a director at the meeting and offering himself for re-election. Alan Walton has been appointed as a director during the period since the 2014 Annual General Meeting and in accordance with the Company's Articles of Association and best practice, he will be retiring as a director at the meeting and offering himself for re-election. The biographies of the directors offering themselves for re-election are set out on pages 22 and 23 of the Annual Report. Lord Wade is not due to retire by rotation this year but has advised the Board that he is intending to step down as a director on 1 June 2015.

Other business will be as follows:

- The receipt and adoption of the annual report and accounts.
- The reappointment of Ernst & Young LLP as Auditors.
- Authority for the directors to agree the Auditors' remuneration.
- Authority for the directors to pay a dividend of 0.60p per Ordinary 0.1p share in the Company.
- Authority for the directors to allot ordinary shares up to an aggregate nominal amount of £56,968, being approximately one-third of the issued ordinary share capital of the Company, without having to obtain prior approval from shareholders on each occasion.
- Authority for the directors to allot ordinary shares up to an aggregate nominal amount of £56,968, being approximately one-third of the issued ordinary share capital of the Company, via a validly declared rights issue.
- Authority for the directors to make market purchases of the Company's shares up to an aggregate nominal amount of £8,546, being approximately 5% of the issued ordinary share capital of the Company.
- Authority to allot shares for cash as if pre-emption rights did not exist for shareholders under Section 570 of the Companies Act 2006. The general disapplication in respect of equity securities being issued for cash otherwise than to existing shareholders in proportion to their existing shareholdings is limited to a nominal value of £8,546, being equal to 5% of the total issued ordinary share capital, without first being required to offer such shares to existing shareholders and the disapplication will last until 14 August 2016.
- Approval of the Directors' Remuneration Report set out on pages 30 to 33. No entitlement of any director to remuneration is conditional on the resolution being passed.

By order of the Board

Roger Bennett
Company Secretary
27 March 2015

Corporate Governance Statement

Compliance with the UK Corporate Governance Code

Being AIM listed, the Group is exempt from the provisions of the UK Corporate Governance Code (the 'Code') but has chosen to operate in accordance with the Quoted Companies Alliance Governance Code for small and midsized companies as issued in 2013.

Board composition

At the end of the year the Board comprised four executive directors and four independent non-executive directors as set out on pages 22 and 23. From his appointment on 15 February 2011 Ian Dighé has chaired the Board in his capacity as Executive Chairman and acted as Chief Executive.

Jim Davies joined the Group as a non-executive director on 24 January 2014 replacing Nicholas Hamilton as Senior Independent Director, who retired on 11 November 2014. Alan Walton joined the Board as a non-executive director on 14 May 2014 and took over the responsibility of Chairman of the Audit Committee from Nicholas Hamilton from that date.

Graham Hooper and Martin Gray stood down as Executive Directors on 31 January 2014 and 9 June 2014 respectively. As previously stated, Lord Wade will be standing down as a director on 1 June 2015.

The composition of the Audit, Remuneration and Nomination Committees is set out below.

Board responsibilities and operation

The Board meets at least six times a year. The Board deals with all aspects of the Company's affairs including setting and monitoring strategy, reviewing performance, ensuring adequate financial resources are in place and reporting to shareholders. The Board reserves these and other specific matters for its own discretion. Operational decisions are delegated to the executive directors and the senior management team meeting as the Senior Executive Group. Members of the Board are supplied in a timely manner with information in a form and of a quality to enable them to make informed decisions. The Company's directors are required to stand for re-election every three years.

New directors are provided with all relevant information regarding the Group's operations, are given the opportunity to meet with key executives prior to appointment and offered formal training if required. Directors are generally provided with training on specific technical issues as appropriate.

Board and Committee attendance

The following table summarises the attendance of directors at Board meetings during the year. Minutes are circulated as soon as possible after the meetings.

	Scheduled Board	Remuneration Committee	Audit Committee	Nomination Committee
Ian Dighé	6/6	–	–	–
Gervais Wiliams	6/6	–	–	–
David Barron	5/6	–	–	–
Robert Clarke	6/6	–	–	–
Martin Gray	2/3	–	–	–
Graham Hooper	1/1	–	–	–
Jim Davies	5/5	2/2	3/3	1/1
Nicholas Hamilton	5/5	2/2	2/2	1/1
Katrina Hart	6/6	2/2	3/3	1/1
Lord Wade	5/6	1/1	1/1	1/1
Alan Walton	4/4	1/1	1/1	–

Audit Committee

The Audit Committee has been chaired by Alan Walton since Nicholas Hamilton resigned as Chairman in May 2014 and its membership comprises the non-executive directors: Katrina Hart and Jim Davies. The Committee has adopted formal terms of reference which are published on the Group's website. The Committee meets not less than three times a year to plan and review the scope and findings of the Auditors' work, the interim and annual reports prior to their publication, the confirmation and application of the Group's accounting policies and any changes to financial reporting requirements. The Committee is also responsible for recommending the appointment, reappointment or removal of the external Auditors.

The Audit Committee also plays an important part in regularly considering the Group's risk profile and any significant matters arising from the Risk Committee. It regularly reviews the Group's systems of internal control which are described below.

The Group's Auditors may provide non-audit services, primarily in the area of taxation advice. Each assignment is reviewed and costed in isolation and the directors do not therefore believe the Auditors' independence is compromised.

Remuneration Committee

The Group's Remuneration Committee is chaired by Katrina Hart and comprises the non-executive directors: Alan Walton and Jim Davies. The executive directors makes recommendations to the full Board on the Company's framework of executive remuneration and associated cost. The Board itself determines the remuneration of the non-executive directors. Further details of the Company's policies on remuneration and service contracts are given in the Directors' Remuneration Report on pages 30 to 33. The terms of reference of the Remuneration Committee are published on the Group's website.

Nomination Committee

For director appointments a Nomination Committee, chaired by Lord Wade of Chorlton and comprising the non-executive directors, is formed to make recommendations to the Board. Once a shortlist has been established by the Committee, the Board meets candidates to assess their suitability.

Risk Management and Internal Control

The directors acknowledge that they are responsible for the Group's system of internal control and for reviewing its effectiveness. This review process is regularly updated and reviewed by the full Board. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

In accordance with industry practice and guidance on internal control, the Group set up the Risk Management and Operations Committees to identify, evaluate and manage the significant risks faced by the Group. The Committee members have the required level of seniority and experience for the adequate assessment of risks.

The Group's operational risk management processes and internal control procedures include the following:

- **Management structure:** Authority to operate the business is delegated to the executive directors acting through the Senior Executive Group, which reports to the Board as a whole. The appointment of executives to the most senior positions within the Group requires the approval of the Board. Functional, operating and financial reporting standards are established across the Group as a whole to establish common authorisation levels, control procedures and Group accounting policies.
- **New regulations and guidelines:** These are noted and incorporated within the Group's overall compliance procedures.
- **Identification and evaluation of business risks:** The major financial, commercial, legal, regulatory and operating risks within the Group are identified through reporting procedures. The Senior Executive Group evaluates these risks to ensure that they are being effectively managed and appropriately mitigated. Its findings are regularly reported to and reviewed by the Board.
- **Information and financial reporting system:** The Group's comprehensive planning and financial reporting procedures include detailed operational budgets for the year ahead and a three-year rolling forecast. The Board reviews and approves these budgets and plans on an annual basis. Performance is monitored against these plans and relevant action is taken through the monthly reporting of key performance indicators and updated forecasts for the year.
- **Investment performance:** The Group's only activity is fund management and the Board reviews performance against appropriate risk related parameters for all funds managed by the Group.
- **Capital project appraisal:** For capital expenditure beyond items included within the annual budgets, detailed written proposals are submitted to the Board. Reviews are carried out during the capital project to monitor expenditure and any cost overruns are investigated.
- **Compliance with regulations:** The Compliance department undertakes reviews and makes recommendations to the Board with regard to controls in the course of its duties to assess and monitor compliance with regulations set by the Group's regulators.

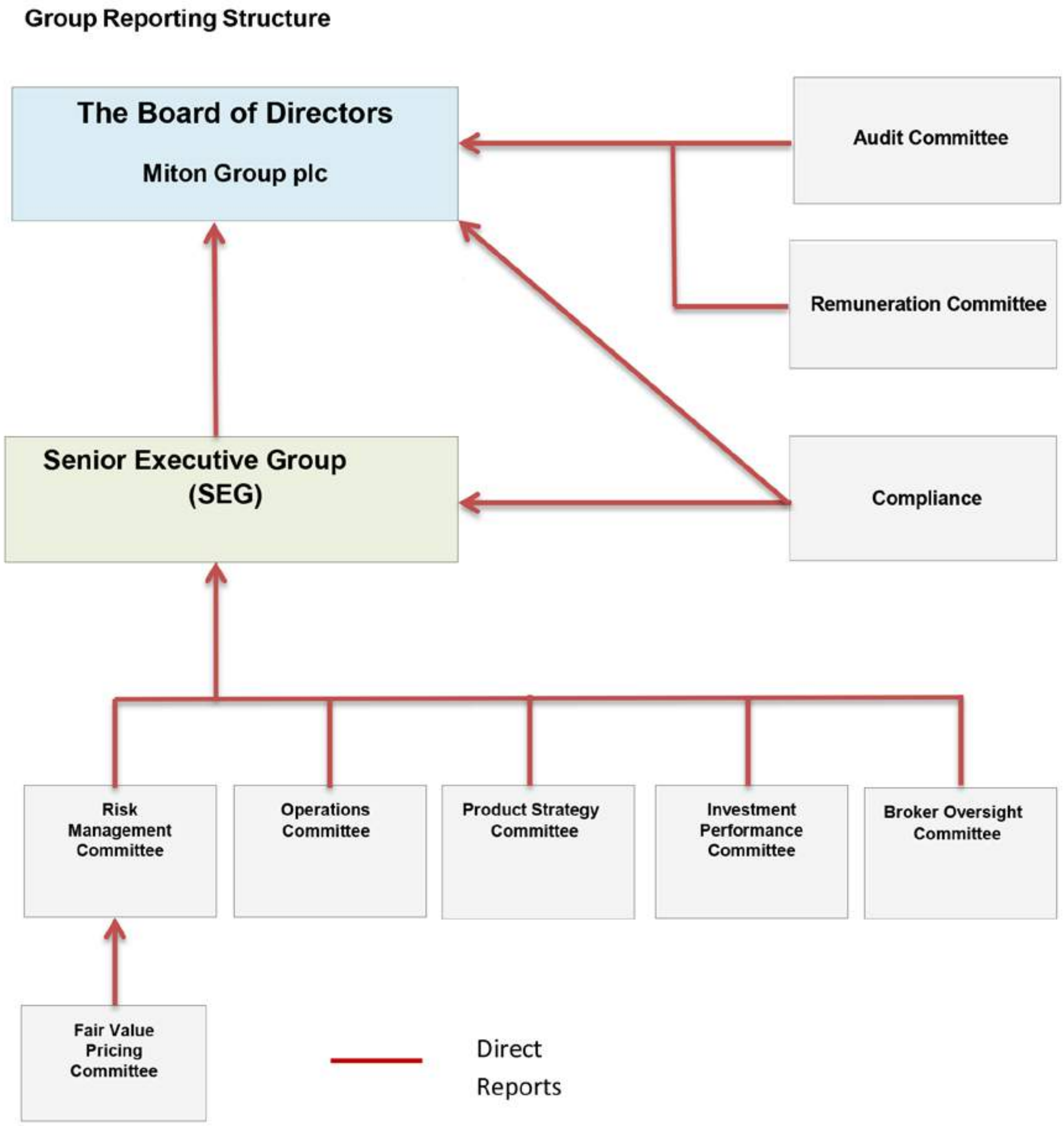
The key processes used by the Board to review the effectiveness of the systems of internal control include the following:

- Review by the Audit Committee of the Group's systems of internal control;
- Review of the Group's risk assessment and Internal Capital Adequacy Assessment Process (ICAAP) report;
- Review of detailed management information, which is prepared on a monthly basis by the Senior Executive Group;
- The Chairman holds regular meetings with all key operating department heads and the executive directors to discuss operational issues;
- A compliance monitoring team undertakes reviews of detailed control processes on a regular basis and reports to the Board on the outcome of such reviews; and
- Insurance is important in mitigating risks across the Group. The Board is informed of insurance renewal terms and any outstanding claims.

Enhancements to the risk governance framework in 2014

In January 2014 the Board approved changes to the roles and responsibilities arising from an enhanced corporate governance structure. The changes were implemented during the year. These changes included the creation of new reporting committees for the Group. A summary of the new reporting structure is detailed on page 28.

Corporate Governance Statement continued



Executive decisions for the Group are undertaken by the Board. In addition, as the ultimate reporting authority for the business, the Board has responsibility for oversight of all aspects of risk and retains ultimate responsibility for implementing the control environment for the Group.

The **Senior Executive Group ('SEG')** is responsible for managing the business operations and risk profile of the Group. The SEG oversees projects and other change initiatives within the Group to ensure effective execution of the Group's strategy considering the overall risk to the business of the project and change programme.

Other governance functions with risk management responsibilities include:

The **Risk Management Committee** is responsible for monitoring the risks associated with the Group's funds. The Committee seeks to advise and report to the SEG and escalate to the Board if required that risks are being effectively managed and the business is compliant with relevant regulations. This requires regular reporting and effective communication channels.

Other governance functions with risk management responsibilities include:

The **Remuneration Committee** is responsible for ensuring the remuneration policies do not bring about dysfunctional returns and considers matters and issues such as compliance, prevention of loss (as well as securing profit) and long-term performance when setting the methodology for calculating bonus payments. For further details see the Remuneration Committee section above and the Directors' Remuneration Report on pages 30 to 33.

The **Audit Committee** is responsible for ensuring that the financial statements presented by the Group to its shareholders conform with all legal requirements and that the Group's systems of financial and internal controls are adequate and kept under review. For further details see the Audit Committee section above.

The **Operations Committee** is responsible for:

- overseeing and resolving issues relating to all aspects of the Group's operations, by providing a forum for monthly communication between senior managers;
- approving and monitoring small-scale projects of an operational nature;
- ensuring that Treating Customers Fairly (TCF) is embedded across the Group's business operations;
- ensuring the business is fully compliant at all times with the FCA regulations and requirements;
- ensuring organisation-wide co-ordination, prioritisation and dissemination of risk management to obtain maximum risk mitigation from available resources.

The **Product Strategy Committee** is responsible for ensuring the Group's product offering remains competitive and keeps pace with customer demands and requirements. The Committee will manage and oversee proposed product launches, new business areas, product positioning, capacity management and closures to ensure effective execution and management of any associated business risks.

The **Investment Performance Committee ('IPC')** is responsible for ensuring that the performance of the Group's products is in line with expectation and remains fit for purpose. The Committee carries out a rolling review of all investment funds managed by the Group. In deliberating on the performance of the funds the IPC will take into account feedback from the sales and marketing teams.

The **Fair Value Pricing Committee** is responsible for ensuring that the assets and liabilities within the mandates managed by the Group are being valued fairly and accurately on a consistent basis.

Compliance is overseen by the Compliance Officer who independently monitors and evaluates the controls within the risk function and report findings to the Board. The Compliance Officer has direct access to all members of the Board and members of the Senior Executive Group.

Dialogue with shareholders

The directors are available to enter into dialogue with shareholders to develop an understanding of their views. Meetings are held with major shareholders after the announcement of both the full year and half year results and at other appropriate times during the year. The non-executive directors are informed of any significant issues raised. Shareholders have the opportunity to attend and vote at the Annual General Meeting, during which the Board is available to discuss issues affecting the Group.

Board evaluation

The Board's evaluation process has been further strengthened in the period covered by this report. The Board completed an appraisal of the performance of executive directors during the year. The output from the review process has been considered by the Board. Actions have been taken to develop the Board's effectiveness and to ensure that the Board has the correct balance of skills and experience.

Going concern

The Business Review sets out the Group's business activities, financial position and factors likely to affect its future development, performance and position. Additionally, it lays out the Group's objectives, policies and processes for managing the relevant key risks.

The Group has sufficient financial resources and contracts with a number of customers and suppliers such that the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Preparation of accounts

The directors are responsible for preparing the Group's accounts for presentation to shareholders. Details of the responsibilities of the directors are set out within their statement on page 34.

Internal Audit

The Group has a strongly developed system of internal control. In addition, four subsidiaries are regulated by the FCA and, as a result, are subject to an ongoing monitoring process carried out by the Group's Compliance department and Risk Management Committee. Accordingly, the directors do not believe that there is currently a need for an Internal Audit function over and above the existing compliance regime. This position will continue to be reviewed at least annually.

By order of the Board

Ian Dighé
Executive Chairman
27 March 2015

Directors' Remuneration Report

Committee constitution

The members of the Remuneration Committee at the year end were Katrina Hart (Chairman), Alan Walton and Jim Davies. Both Nicholas Hamilton and Lord Wade served on the Committee for part of the year. Each member of the Committee is a non-executive director who exercises independent judgement and has no conflict of interest. The Committee reviews matters of remuneration policy for executive directors of the Company and other senior staff.

Remuneration policy

Miton Group plc seeks to recruit, motivate and retain suitable directors and senior executives. To achieve this, the Remuneration Committee aims to provide a competitive package of incentives and rewards. The objective is to align personal reward with enhanced shareholder value over both the short and long term. Remuneration includes basic salary and discretionary bonus, together with equity incentive plans, such as the Management Equity Incentive ('MEI'), Management Incentive Plan ('MIP') and the Growth Share Plan ('GSP').

The Group pays into separate defined contribution money purchase pension schemes for executive directors, to which they may also contribute via salary sacrifice. Other benefits offered to executive directors include the provision of life insurance and healthcare benefits.

Remuneration for non-executive directors is determined by the Board after comparison with industry standards and peers.

Share schemes and bonuses

The Group adopts a policy of granting share scheme awards to directors and managers to encourage equity participation and align interests with those of shareholders. Awards are granted on a discretionary basis.

The Remuneration Committee reviewed the bonus structure operating throughout the Group for the 2014 financial year and was satisfied the prevailing arrangements delivered sufficient incentive to senior managers, whilst balancing the requirements of shareholders and other stakeholders. The Committee has borne in mind the following key principles to ensure that as far as possible remuneration and incentive arrangements:

- are in keeping with evolving best practice on executive pay;
- are transparent and fit for disclosure;
- are meaningfully linked to the key drivers of value in the business;
- help to limit the Company's fixed cost base thereby de-risking earnings;
- do not encourage excessive risk taking;
- focus on longer term, consistent performance; and
- reflect the macroeconomic environment and Miton's performance in relation to that of its peer group.

All staff are appraised against pre-agreed performance criteria relevant to their role. The outcome of the appraisal process determines the allocation of an annual bonus pot calculated as approximately 15% of Adjusted Profit before tax and bonus.

Management Equity Incentive ('MEI')

No MEI awards were made to directors or other employees during 2014.

Graham Hooper, a director who resigned during the year, was entitled to exercise his award over 4,372,524 shares in the Company as part of his involvement with the MEI. Following 5 October 2014 his right to any shares under the scheme fell away.

		Management Equity Incentive	
	Exercise price	**2014 Awards over 0.1p ordinary shares**	2013 Awards over 0.1p ordinary shares
Ian Dighe	33p	**2,186,262**	2,186,262
	50p	**2,186,262**	2,186,262
Gervais Williams	33p	**2,186,262**	2,186,262
	50p	**2,186,262**	2,186,262
Robert Clarke	33p	**1,000,000**	1,000,000
	50p	**1,000,000**	1,000,000
David Barron	50.325p	**750,000**	750,000
	51.1875p	**1,250,000**	1,250,000

Management Incentive Plan ('MIP')

The MIP is designed to incentivise executive directors and senior managers of the business. The aggregate of all MIP awards in issue must not exceed options over 10.2m 0.1p ordinary shares. During 2014, awards were made over 510,000 (2013: 750,000) options to subscribe for 0.1p ordinary shares. Of these awards, no options (2013: Nil) were allocated to executive directors in the year.

Options under the MIP held by executive directors at the end of the period were as detailed below:

		Management Incentive Plan	
	Exercise price	**2014 Options over 0.1p ordinary shares**	2013 Options over 0.1p ordinary shares
Martin Gray	25p	**–**	1,000,000

Directors' interests in options

No director has options to subscribe for ordinary shares other than the MIP and MEI awards detailed above.

Growth Share Plan

At a General Meeting on 15 November 2013 shareholders approved the introduction of the Miton Group plc Growth Share Plan (the 'Plan') as a retention and incentive plan for fund managers. The Plan allows successful participants to share in the growth of the relevant profit and Assets Under Management for which they are responsible. The mechanism by which this is achieved is through the issue of growth shares issued by Miton Group Service Company Limited, a wholly owned subsidiary of the Company. Participants may realise a proportion of the value of the growth shares after a minimum vesting period of three years by transferring them to the Company in exchange for ordinary shares in the Company. For the first awards made in 2014 the minimum vesting period for a proportion of the awards will be 2 years 9 months. The value of a growth share will be calculated according to a specific formula based on the growth in the profit and AUM of the relevant Fund Management Unit ('FMU') from the date of issue until the date of conversion. Details were set out in a circular to shareholders dated 22 October 2013, which is available from the shareholder communications section of the Group's website.

1. The Plan is a long-term retention and incentive arrangement. Participants may not normally realise any value from the Plan until a minimum of four years after the allocation of growth shares (taking into account a 12 month lock-in period) and up to a maximum of 15 years. For the first awards in 2014 the period will be a minimum of 3 years 9 months.

2. Participants will only receive any benefit from the Plan once the AuM and profit for which they are responsible have grown in value. Furthermore, an exchange of growth shares into ordinary shares can only take place once the relevant FMU has become profitable.

3. The Plan should not involve cash payments to participants.

4. The issue of shares under the Plan is limited to 20% of the Company's issued share capital, calculated as at the date of approval of the Plan.

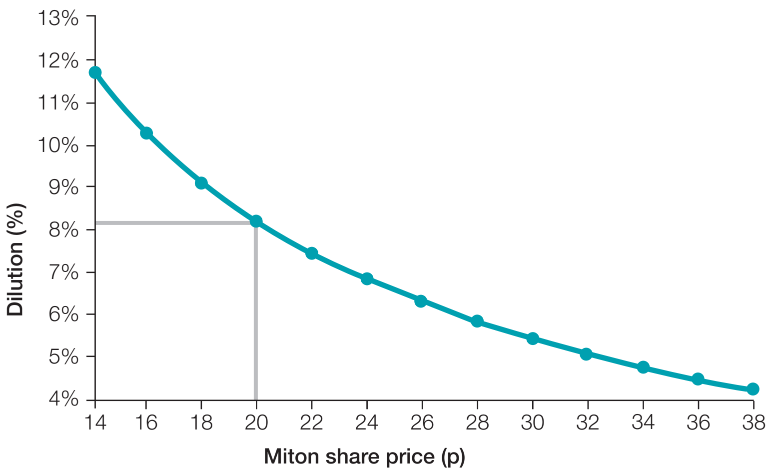
As at 31 December 2014 the total accrued value of the growth shares issued in January 2014 calculated according to the Plan rules was £2.7m. This equates to 8.2% of the Miton Group plc ordinary shares in issue at the date of the approval of the Plan in 2013 and 7.8% of the shares in issue at 31 December 2014.

Directors' Remuneration Report continued

The graph below shows how the dilution percentage (based on the number of ordinary shares in issue in 2013) will vary according to the Miton Group plc ordinary share price. It highlights the share price of 20p as at 31 December 2014 and the relevant dilution of 8.2%.

Share price (p)	Dilution	Shares (m)
14	11.7%	19.0
16	10.2%	16.6
18	9.1%	14.8
20	8.2%	13.3
22	7.5%	12.1
24	6.8%	11.1
26	6.3%	10.2
28	5.9%	9.5
30	5.5%	8.9
32	5.1%	8.3
34	4.8%	7.8
36	4.6%	7.4
38	4.3%	7.0
100	1.5%	2.7

Dilution versus share price



The earliest date on which a proportion of the value of the growth shares could be realised by participants within the Plan is September 2017. The awards to each participant are split into three elements: one third of the growth shares may vest after three years (if profitability within the relevant FMU has been achieved), one third may vest after four years and one third may vest after five years.

At vesting or on a later date of conversion of growth shares into ordinary shares, the valuation of the growth shares will depend on a number of parameters including:

- the level of assets under management in the specific FMU
- the level of profitability of the specific FMU
- the share price of Miton Group plc ordinary shares and
- the valuation multiples of Miton Group plc as defined in the Rules.

Therefore from year to year there could be significant variability in the accrued valuation of the growth shares.

Out of the total accrued value of £2.7m, Gervais Williams, has an interest of £1.1m.

External directorships

Executive directors may not accept external directorships without the prior approval of the Board. Group policy is that additional remuneration which arises as part of an executive's duties within the Group, for example, from an in-house or client fund, would be repayable to the Company. Remuneration accruing to an approved non-executive directorship which arises from outside the Group is for the executive's account.

Emoluments by individual director

The remuneration of the directors during the year was as follows:

	Fees and salary £000	Bonus £000	Pension and benefits £000	Compensation for loss of office £000	**2014 Total £000**	2013 Total £000
Executive directors						
Ian Dighé	155	37	17	–	**209**	194
Gervais Williams	155	33	18	–	**206**	197
Graham Hooper (resigned 24 January 2014)	42	–	4	194	**240**	165
Robert Clarke	155	21	18	–	**194**	188
Martin Gray (resigned on 9 June 2014)	90	–	12	90	**192**	265
David Barron	155	29	18	–	**202**	66
Non-executive directors						
Lord Wade	36	–	–	–	**36**	35
Alan Walton (appointed 14 May 2014)	27	–	–	–	**27**	–
Jim Davies (appointed 24 January 2014)	41	–	–	–	**41**	–
Nicholas Hamilton (resigned 11 November 2014)	38	–	–	–	**38**	42
Katrina Hart	43	–	–	–	**43**	40
Total	937	120	87	284	**1,428**	1,192

Service contracts

The service contracts and letters of appointment of the directors as at 31 December 2014 include the following terms:

	Date of current contract	Notice period (months)
Executive directors		
Gervais Williams	1 March 2011	12
Ian Dighé	15 February 2011	12
Robert Clarke	5 December 2011	12
David Barron	3 September 2013	6
Non-executive directors		
Alan Walton (appointed 14 May 2014)	14 May 2014	3
Lord Wade of Chorlton	7 March 2008	3
Katrina Hart	23 February 2011	3
Jim Davies (appointed 24 January 2014)	24 January 2014	3

Katrina Hart
Chairman, Remuneration Committee
27 March 2015

Statement of Directors' Responsibilities in relation to the Group Financial Statements

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law, the directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions of the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable.

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

Independent Auditors' Report to the members of Miton Group plc

We have audited the financial statements of Miton Group plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Miton Group plc for the year ended 31 December 2014.

Amarjit Singh
(Senior statutory auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor – London
27 March 2015

Notes:

1. The maintenance and integrity of the Miton Group plc website (www.mitongroup.com) is the responsibility of the directors. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Revenue		**26,952**	27,999
Fees and commission expenses		**(9,732)**	(13,040)
Net revenue		**17,220**	14,959
Administration expenses		**(11,297)**	(9,594)
Share-based payment charge	23	**(905)**	(683)
Amortisation of intangible assets	8	**(1,218)**	(2,974)
Exceptional operating expenses	3(c)	**(9,364)**	(1,051)
Operating (loss)/profit	3(a)	**(5,564)**	657
Finance revenue		**58**	44
(Loss)/profit for the year before taxation		**(5,506)**	701
Taxation	6	**679**	7
(Loss)/profit for the year after taxation and (loss) / profit for the year attributable to equity holders of the parent		**(4,827)**	708
		pence	pence
Basic (loss)/earnings per share	7(a)	**(3.27)**	0.51

No other comprehensive income was recognised during 2014 or 2013, therefore the (loss)/profit for the year is also the total comprehensive income.

The notes on pages 40 to 62 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Share Capital £000	Share Premium £000	Employee Benefit Trust £000	Treasury Shares £000	Capital Redemption Reserve £000	Creditors Reserve £000	Retained Earnings £000	Total £000
At 1 January 2013	148	24,594	(4,694)	–	11,562	–	24,678	56,288
Profit for the year	–	–	–	–	–	–	708	708
Purchase of Employee Benefit Trust shares	–	–	(1,600)	–	–	–	–	(1,600)
Shares issued on placing	7	2,308	–	–	–	–	–	2,315
Shares issued on acquisition of PSigma Asset Management Holdings	5	1,495	–	–	–	–	–	1,500
Shares issued on exercise of options	4	1,325	–	–	–	–	(1,059)	270
Share-based payment charge	–	–	–	–	–	–	683	683
Deferred tax direct to equity	–	–	–	–	–	–	565	565
Set up of Creditors Reserve	–	–	–	–	–	3,799	(3,799)	–
Capital reduction	–	(29,722)	–	–	(11,562)	–	41,284	–
Dividend	–	–	–	–	–	–	(596)	(596)
At 1 January 2014	**164**	**–**	**(6,294)**	**–**	**–**	**3,799**	**62,464**	**60,133**
Loss for the year	–	–	–	–	–	–	(4,827)	(4,827)
Shares issued re. the acquisition of PSigma Asset Management Holdings	3	1,254	–	–	–	–	–	1,257
Shares issued on acquisition of Darwin Investment Managers	2	700	–	–	–	–	–	702
Purchase of Treasury shares	–	—	–	(26)	–		–	(26)
Shares issued on exercise of options	2	707	–	–	–	–	(377)	332
Share-based payment charge	–	–	–	–	–	–	905	905
Deferred tax direct to equity	–	–	–	–	–	–	(953)	(953)
Release from Creditors Reserve	–	–	–	–	–	(742)	742	–
Dividend	–	–	–	–	–	–	(783)	(783)
At 31 December 2014	**171**	**2,661**	**(6,294)**	**(26)**	**–**	**3,057**	**57,171**	**56,740**

The notes on pages 40 to 62 form part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Goodwill	8	**41,070**	46,996
Intangible assets	8	**1,575**	10,111
Property and equipment	14	**216**	253
		42,861	57,360
Current assets			
Trade and other receivables	16	**2,871**	3,646
Deferred tax asset	6(e)	**109**	–
Cash and cash equivalents	17	**15,192**	11,211
		18,172	14,857
Total assets		**61,033**	72,217
Current liabilities			
Trade and other payables	18	**3,690**	6,832
Provisions	19	**260**	518
		3,950	7,350
Non-current liabilities			
Other payables	9	**-**	3,750
Deferred tax liability	6(e)	**343**	984
		343	4,734
Total liabilities		**4,293**	12,084
Net assets		**56,740**	60,133
Equity			
Share capital	21	**171**	164
Share premium		**2,661**	–
Employee Benefit Trust	21(a)	**(6,294)**	(6,294)
Treasury shares	21(b)	**(26)**	–
Creditors reserve	24	**3,057**	3,799
Retained earnings		**57,171**	62,464
Total equity shareholders' funds		**56,740**	60,133

Ian Dighé
Executive Chairman
27 March 2015

The notes on pages 40 to 62 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Operating activities			
(Loss)/profit for the year after taxation		**(4,827)**	708
Adjustments to reconcile (loss)/profit to net cash flow from operating activities:			
Tax on continuing operations	6(a)	**(679)**	(7)
Net finance revenue		**(58)**	(44)
Depreciation	14	**99**	74
Loss on disposal of fixed assets		**10**	–
Amortisation of intangible assets	8	**1,218**	2,974
Share-based payment	23(a)	**905**	683
Loss on disposal of Miton Capital Partners Limited	12	**11,990**	–
Change in fair value of deferred contingent consideration payable		**(3,410)**	–
(Increase)/decrease in trade and other receivables		**(83)**	1,696
Decrease in trade and other payables		**(737)**	(915)
(Decrease)/increase in provisions	19	**(258)**	288
Cash generated from operations		**4,170**	5,457
Income tax paid		**(1,245)**	(1,131)
Net cash flow from operating activities		**2,925**	4,326
Investing activities:			
Interest received		**58**	44
Purchase of property and equipment	14	**(72)**	(233)
Acquisition of PSigma Asset Management Holdings Limited	9	**(1,672)**	(5,250)
Acquisition of Darwin Investment Managers Limited	10	**(645)**	–
Consideration received on disposal of Miton Capital Partners Limited		**4,614**	–
Purchase of Matterley management contract	11	**(750)**	–
Purchase of intangible assets		**–**	(17)
Net cash flow from investing activities		**1,533**	(5,456)
Financing activities:			
Purchase of Treasury shares and Employee Benefit Trust shares		**(26)**	(1,600)
Proceeds from shares issued		**332**	2,586
Dividend paid	22	**(783)**	(596)
Net cash flow from financing activities		**(477)**	390
Increase/(decrease) in cash and cash equivalents		**3,981**	(740)
Cash and cash equivalents at the beginning of the year		**11,211**	11,951
Cash and cash equivalents at the end of the year	17	**15,192**	11,211

The notes on pages 40 to 62 form part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Miton Group plc and its subsidiaries (the 'Group') for the year ended 31 December 2014 were authorised for issue by the Board of directors on 27 March 2015 and the balance sheet was signed on the Board's behalf by Ian Dighé. Miton Group plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2014.

2. Accounting policies

Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in these financial statements. The financial performance of the Group and its liquidity position are reflected in these financial statements.

The Group has considerable financial resources and ongoing investment management contracts. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in Sterling and all values rounded to the nearest thousand pounds (£000).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2014, and are consistent with those of the previous financial year.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Miton Group plc and its subsidiaries as at 31 December.

IFRS 10 Consolidated Financial Statements has been adopted for the first time this year. The Group is preparing consolidated financial statements for the subsidiaries it controls. The adoption of IFRS 10 has not led to any change in the entities included in the consolidated financial statements. All intra-Group balances and transactions, income and expenses, and profits and losses from intra-Group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition when the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group has control. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement.

Functional currency

The functional and presentation currency of Miton Group plc and its subsidiaries is the pound Sterling (£) except for Miton (Hong Kong) Limited, whose functional and presentation currency is the Hong Kong dollar.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, is stated net of value added tax and is earned within the United Kingdom and Hong Kong. Fund management revenue represents management and advisory fees for the provision of fund management and investment management services.

Commission receivable is recognised in the Consolidated Statement of Comprehensive Income when the services are performed. Portfolio and other management advisory and service fees are recognised in line with applicable service contracts evenly over the period in which the service is provided. Performance fees are recognised on the date of entitlement in accordance with the management contract.

2. Accounting policies continued

Segmental reporting

The Group has one revenue stream, fund management fees, which are derived almost entirely from Europe. The Group has one cash-generating unit.

Interest income

Interest income represents bank interest receivable on the Group's cash balances and is recognised on an effective interest rate basis.

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Where the recoverable amount is less than its carrying amount, an impairment loss is recognised in the Statement of Comprehensive Income. The carrying amount of goodwill is taken into account when determining the gain or loss on disposal.

Intangible assets

Intangible assets acquired separately are recorded at cost and those identified in a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

- Intangible assets arising on acquisition — 5 to 8 years (previously 8 to 10 years)
- Acquired software — 3 to 4 years

Intangible assets are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable, and at least annually.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is calculated to write off the cost of the asset over its estimated useful life to its residual value on a straight-line basis as follows:

- Leasehold improvements — lower of life of lease or 4 years
- Furniture and equipment — 3 to 5 years

Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

2. Accounting policies continued

Financial assets

The Group classifies its financial assets at initial recognition in the following categories:

(i) Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full.

(ii) Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions for restructuring costs are recognised when the Group has a detailed formal plan which has been notified to affected parties.

Pension schemes

The Group maintains a number of contracted-out money purchase schemes and contributions are charged to the Consolidated Statement of Comprehensive Income in the year in which they are due.

Income taxes

Tax on profit or loss for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income except where it relates to an item recognised directly in equity, in which case the related tax is recognised in the Consolidated Statement of Changes in Equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustments in respect of prior years. Deferred tax is provided using the balance sheet liability method. It is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes with the following exceptions:

- Where the deferred tax liability arises from the initial recognition of goodwill;
- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases. Rentals payable by the lessee are charged in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

2. Accounting policies continued

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the balance sheet date and differences are taken to the Consolidated Statement of Comprehensive Income.

The assets and liabilities of foreign operations are translated into Sterling at the exchange rate ruling at the balance sheet date. Income and expenses are translated at average exchange rates for the year. The resulting exchange differences are recognised in the Consolidated Statement of Comprehensive Income.

Exceptional items

The Group presents as exceptional items on the face of the Consolidated Statement of Comprehensive Income those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year so as to facilitate comparison with prior years and to assess better trends in financial performance.

Share-based payment

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the directors' best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, that will, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the Consolidated Statement of Comprehensive Income, with a corresponding entry in equity.

Where the terms of equity-settled awards are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the Consolidated Statement of Comprehensive Income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Consolidated Statement of Comprehensive Income.

The Group has taken advantage of the exemption in IFRS 1 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost or fair value through profit and loss. The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities can include trade and other payables, bank overdrafts, loans and borrowings, contingent consideration and derivative financial instruments.

Subsequent measurement

For subsequent reporting years, all financial liabilities are stated at amortised cost, except for deferred contingent consideration and derivative financial instruments, which are measured at fair value through profit and loss.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

2. Accounting policies continued

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Consolidated Statement of Comprehensive Income. Any costs or fees incurred are recognised as part of the gain or loss in the extinguishment of the original liability.

Standards effective this year

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities came into effect for accounting periods beginning on or after 1 January 2014. The adoption of IFRS 10 had no impact on the entities consolidated within the Group. None of these standards have had a significant impact on the Group's financial statements but certain disclosures have been updated.

Standards issued but not yet effective

The International Accounting Standards Board ('IASB') and IFRS Interpretations Committee ('IFRIC') have issued the following standards and interpretations with an effective date after the date of these financial statements:

		Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2017

The directors do not anticipate that the adoption of the above standards will have a material impact on the Group's financial statements in the period of initial application except with respect to disclosure. The Group intends to adopt the standards in the reporting period when they become effective.

Judgements and key sources of estimation and uncertainty

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, the directors have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for goodwill and intangible assets at each reporting date. Goodwill is tested for impairment at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Group's impairment test for goodwill and intangible assets with indefinite useful lives is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the projections for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash-generating unit, including a sensitivity analysis, are further explained in note 13.

(ii) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. The directors are also required to use judgement in determining the most appropriate inputs to the valuation model, including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in note 23.

3. Group operating (loss)/profit

(a) Operating (loss)/profit is stated after charging:

	Notes	2014 £000	2013 £000
Auditors' remuneration	3(b)	**327**	175
Staff costs	5	**7,078**	6,664
Operating lease rentals – land and buildings		**400**	136
Depreciation	14	**99**	74
Loss on disposal	14	**10**	–
Amortisation	8	**1,218**	2,974
Exceptional operating expenses	3(c)	**9,364**	1,051

(b) Auditors' remuneration

The remuneration of the auditors is analysed as follows:

		2014 £000	2013 £000
Audit of the consolidated financial statements		**70**	65
Audit of Company's subsidiaries pursuant to legislation		**70**	60
		140	125
Other fees to auditors	— tax compliance services	**25**	25
	— tax advisory services	**97**	–
	— other assurance services	**65**	25
		327	175

(c) Exceptional operating expenses/(income)

	2014 £000	2013 £000
Loss on disposal of Miton Capital Partners Limited (note 12)	**11,990**	–
Movement in fair value of deferred contingent consideration	**(3,210)**	–
Growth Share Plan implementation costs	**309**	–
Acquisition costs	**275**	619
Group restructuring costs	**–**	432
	9,364	1,051

Movement in fair value of deferred contingent consideration includes a charge of £430,000 arising from renegotiating the terms of the settlement of Tranche 1 of the deferred contingent consideration and a credit of £3,750,000 arising from a fair value adjustment for Tranche 2 of the deferred contingent consideration for PSigma (note 9).

Acquisition costs includes additional contractual payments due in respect of the acquisition of PSigma and costs relating to the acquisition of Darwin Investment Managers Limited ('Darwin'). Acquisition costs in 2013 related wholly to the acquisition of PSigma.

Restructuring costs in 2013 represented £402,000 of redundancy costs and £30,000 of dilapidation costs relating to the Reading office.

4. Directors' emoluments

	2014 £000	2013 £000
Aggregate emoluments	**1,428**	1,192

Directors are able to participate in the Group's money purchase pension schemes on a salary sacrifice basis. Full details of directors' emoluments are given within the Directors' Remuneration Report.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

5. Staff numbers and costs

The average number of employees in the Group during the year, including executive directors, was as follows:

	2014 No.	2013 No.
Fund management	16	14
Central services	39	37
	55	51

The aggregate payroll costs were as follows:

	2014 £000	2013 £000
Basic salaries	4,312	4,339
Performance related cash payments	729	828
Share-based payment charge	905	683
	5,946	5,850
Social security	785	524
Pensions	347	290
	7,078	6,664

6. Taxation

(a) Tax on ordinary activities

	2014 £000	2013 £000
Tax credited in the Consolidated Statement of Comprehensive Income		
Current income tax		
UK corporation tax	791	869
Tax under-provided in previous years	129	40
Total current income tax charge	920	909
Deferred tax		
Origination and reversal of temporary differences	(1,599)	(703)
Impact of changes in tax laws and rates	–	(213)
Total deferred tax credit	(1,599)	(916)
Income tax credit reported in the Consolidated Statement of Comprehensive Income	(679)	(7)

	2014 £000	2013 £000
Tax relating to items charged to equity		
Share-based payment	953	565

6. Taxation continued

(b) Reconciliation of the total income tax credit

The income tax credit in the Consolidated Statement of Comprehensive Income for the year is lower than the weighted average standard rate of corporation tax in the UK. The difference is reconciled below:

	2014 £000	2013 £000
(Loss)/profit before taxation	**(5,506)**	701
(Loss)/profit multiplied by the weighted average standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	**(1,184)**	163
Expenses not deductible for tax purposes	**141**	889
Accelerated capital allowances	**2**	(183)
Tax under provided in prior years	**129**	40
Utilisation of brought forward losses	**14**	–
Movement in temporary differences	**220**	(703)
Income not subject to tax	**(1)**	–
Change in tax laws and rates	**–**	(213)
Total tax credit (note 6(a))	**(679)**	(7)
Income tax credit reported in the Consolidated Statement of Comprehensive Income	**(679)**	(7)

(c) Unrecognised tax losses

In 2013 the Group had unrecognised deferred tax assets in respect of losses amounting to £239,000 that were available for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets had not been recognised in respect of these losses as they were not available to be used to offset taxable profits elsewhere in the Group, and they had arisen in companies that were dormant. In 2014, the Group placed these companies into liquidation.

(d) Temporary differences

The Group has issued a number of share options to employees which had not been exercised at the balance sheet date as disclosed in note 23. If these options were to be exercised in the future should the market value of the Group's shares exceed the option price, the difference between the market value and the option price would represent a statutory corporation tax deduction in the tax computation of the Group in the year of exercise.

(e) Deferred tax

The deferred tax asset included in the balance sheet is as follows:

	2014 £000	2013 £000
Deferred tax asset		
Share-based payment	**17**	–
Trading losses	**92**	–
	109	–

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

6. Taxation continued

The deferred tax liability included in the Consolidated Balance Sheet is as follows:

	2014 £000	2013 £000
Deferred tax liability		
Fair value of intangible assets on acquisition	315	2,066
Accelerated capital allowances	28	35
Share-based payment	–	(1,117)
	343	984

The deferred tax movement included in the Consolidated Statement of Comprehensive Income is as follows:

	2014 £000	2013 £000
Amortisation and impairment of acquired intangible assets	(1,972)	(689)
Impact of changes in tax laws and rates	–	(213)
Accelerated capital allowances	(7)	41
Utilisation of brought forward losses	14	–
Movement in temporary differences	220	–
Share-based payments	146	(55)
	(1,599)	(916)

7. Earnings per share

Basic earnings per share is calculated by dividing the (loss)/profit for the year attributable to ordinary equity shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

In calculating diluted earnings per share, IAS 33 Earnings Per Share requires that the (loss)/profit is divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of any potential dilutive ordinary shares that would be issued on their conversion to ordinary shares during the year.

(a) Reported earnings per share

Reported basic loss per share has been calculated as follows:

	2014			2013		
	Loss £000	Shares No.	Basic loss per share pence	Profit £000	Shares No.	Basic earnings per share pence
Net (loss)/profit attributable to ordinary equity shareholders of the parent company for basic loss	(4,827)			708		
Basic	(4,827)	147,701,855	(3.27)	708	139,968,720	0.51

No diluted earnings per share is disclosed for 2014 as the Company reported a loss in the year. No diluted 2013 figure is disclosed as it is not materially different to the reported earnings per share for that year.

7. Earnings per share continued

(b) Adjusted earnings per share

Adjusted earnings per share is based on Adjusted Profit after tax, where Adjusted Profit is stated after charging interest and share-based payments but before amortisation, exceptional items and items relating to previous years.

Adjusted Profit for calculating adjusted earnings per share:

	2014 £000	2013 £000
(Loss)/profit before taxation for the year	**(5,506)**	701
Add back:		
Exceptional operating expenses	**9,364**	1,051
Amortisation	**1,218**	2,974
VAT provision relating to prior years	**185**	–
Adjusted Profit before tax	**5,261**	4,726
Taxation:		
Tax credit in the Consolidated Statement of Comprehensive Income	**679**	7
Tax effect of adjustments	**(1,829)**	(791)
Adjusted Profit after tax for the calculation of Adjusted earnings per share	**4,111**	3,942

Adjusted earnings per share was as follows using the number of shares calculated at note 7(a):

	2014 pence	2013 pence
Adjusted earnings per share	**2.78**	2.82

Diluted Adjusted earnings per share was as follows:

	2014 pence	2013 pence
Diluted Adjusted earnings per share	**2.53**	2.79

The above dilution arises largely as a result of the requirement to include an estimate of the Miton Group plc shares which would be issued if all the Growth Share Plan shares with an accrued value at 31 December 2014, which will not fully vest until 2018, had vested and had been exchanged into Miton Group plc ordinary shares at that date.

Diluted adjusted earnings per share has been calculated as follows:

	2014			2013		
	Adjusted Profit £000	**Diluted Shares No.**	**Diluted Adjusted earnings per share pence**	Adjusted Profit £000	Diluted Shares No.	Diluted Adjusted earnings per share pence
Adjusted profit after tax for the calculation of Adjusted earnings per share for diluted Adjusted earnings	**4,111**			3,942		
Diluted Adjusted	**4,111**	**162,307,233**	**2.53**	3,942	141,374,553	2.79

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for the year ended 31 December 2014

8. Intangible assets

	Intangible assets arising on acquisition £000	Acquired software £000	Sub-total £000	Goodwill £000	Total £000
Cost					
At 1 January 2013	33,183	142	33,325	94,462	127,787
Additions	–	17	17	12,452	12,469
At 31 December 2013	33,183	159	33,342	106,914	140,256
Additions (note 10,11)	1,100	–	1,100	1,686	2,786
Disposal (note 12)	(27,722)	(8)	(27,730)	(7,612)	(35,342)
At 31 December 2014	**6,561**	**151**	**6,712**	**100,988**	**107,700**
Amortisation and impairment					
At 1 January 2013	20,139	118	20,257	59,918	80,175
Amortisation during the year	2,963	11	2,974	–	2,974
At 31 December 2013	23,102	129	23,231	59,918	83,149
Amortisation during the year	1,208	10	1,218	–	1,218
Disposal (note 12)	(19,304)	(8)	(19,312)	–	(19,312)
At 31 December 2014	**5,006**	**131**	**5,137**	**59,918**	**65,055**
Net book value:					
At 31 December 2014	**1,555**	**20**	**1,575**	**41,070**	**42,645**
At 31 December 2013	10,081	30	10,111	46,996	57,107

9. Acquisition of PSigma Asset Management Holdings Limited

On 3 July 2013, Miton Group plc acquired the entire issued share capital of PSigma Asset Management Holdings Limited ('PSigma') from Punter Southall Group Limited for total consideration of up to £13,000,000 depending on future AUM.

Consideration paid

The Tranche 1 deferred contingent consideration was paid to Punter Southall Group Limited on 6 October 2014. Under the terms of an amendment agreed by both parties, the payment was satisfied by the issue of 3,320,000 shares and a cash amount of £1,672,000. Under the original terms of the acquisition agreement this consideration was originally to have been satisfied entirely by the issue of 8,064,516 new ordinary shares. In 2013 the Group had provided £2,500,000 for Tranche 1 of the deferred contingent consideration. The amended settlement resulted in an additional exceptional charge of £430,000 in the Consolidated Statement of Comprehensive Income.

Contingent deferred consideration

The final Tranche 2 deferred contingent consideration is payable in September 2015 and is based on AUM at 30 June 2015. In light of the relevant closing AUM as at 31 December 2014 being significantly below the minimum level of AUM on 30 June 2015 at which any contingent consideration would be payable, it is estimated that the fair value of this liability is nil. This has resulted in an exceptional credit of £3,750,000 in the Consolidated Statement of Comprehensive Income.

10. Acquisition of Darwin Investment Managers Limited

On 12 September 2014 Miton Group plc acquired the entire issued share capital of Darwin Investment Managers Limited ('Darwin') consisting of 396,800 ordinary shares of £1 each. The Darwin fund management team were employed by Miton with effect from 9 June 2014 to manage the Group's multi-asset funds. At 31 December 2014 Darwin had AUM of £48,394,000.

Fair value of consideration payable	£000
Cash paid on completion	650
Equity instruments issued (1,655,424 ordinary shares of 0.1 pence)	702
Fair value of additional consideration	420
Total consideration payable	1,772

Equity instruments issued

Darwin's financial statements for the 13 month period to 31 December 2014 show gross revenues at £390,000 and a loss after tax of £40,000. In the period since acquisition Darwin earned gross revenues of £208,000 and reported profit after tax of £55,000.

The fair value of the ordinary shares issued was based on the average 30-day prevailing share price of the Group to 9 June 2014 (the date of the acquisition agreement) of 42.4p.

Deferred contingent consideration

The original agreement specified deferred contingent consideration would amount to no more than £700,000 in aggregate over a two year period.

On 27 March 2015 it was agreed to settle the outstanding terms relating to deferred contingent consideration with the payment of £420,000.

Fair value of assets and liabilities acquired on 12 September 2014	£000
Trade and other receivables	51
Deferred tax asset	106
Cash and cash equivalents	5
Trade and other payables	(76)
Total identifiable assets	86
Goodwill	1,686
Total	1,772

Goodwill arises due to the excess of the fair value of the consideration payable over the fair value of the net assets acquired. This reflects the value of expected future cash flows generated from the management of the PFS Darwin Multi Asset Fund and the synergies expected to be achieved from integrating the company into the Group's existing multi-asset business. The goodwill balance is not available for tax relief.

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for the year ended 31 December 2014

11. Acquisition of the management contract for FP Matterley Undervalued Assets Fund

On 5 December 2014 Miton Group plc purchased the investment management contract for the FP Matterley Undervalued Assets Fund from Charles Stanley plc.

Fair value of the consideration payable	£000
Cash paid on completion	750
Fair value of deferred contingent consideration	350
Total consideration payable	1,100

The management contract has been recorded at fair value in the financial statements as an intangible asset and will be amortised over an estimated useful life of five years on a straight-line basis.

Deferred contingent consideration

A maximum deferred consideration amount of £750,000 is payable dependent on the balance of the fund at the earlier of the date on which it is merged into the CF Miton UK Value Opportunities Fund or 5 December 2015. As at 31 December 2014 it is estimated that the fair value of the deferred contingent consideration is £350,000. At 31 December 2014 the FP Miton Undervalued Assets Fund (previously the FP Matterley Undervalued Assets Fund) had assets under management of £57,786,000.

12. Disposal of Miton Capital Partners Limited

On 31 March 2014 the Group sold its entire investment in Miton Capital Partners Limited ('MCPL' or the 'Liverpool business') to Seneca Investment Managers Limited for cash consideration of £6,150,000. The reported loss on disposal is presented below, which is stated after non-cash write-offs of £16,030,000 and before a deferred tax credit of £1,684,000.

Exceptional loss on disposal of the Liverpool business	£000
Cash consideration received	6,130
Net assets of MCPL on disposal	(1,980)
Incidental costs of disposal	(110)
	4,040
Carrying value of goodwill written off	(7,612)
Carrying value of intangible assets written off	(8,418)
Loss on disposal	(11,990)

The sale of the Liverpool business relates to the Group's single operating segment or cash-generating unit, being fund management, therefore the goodwill written off has been calculated by applying that proportion of total Group net revenue which related to the Liverpool business during the nine month period ended 31 March 2014 to the total Group goodwill balance at 31 March 2014. Intangible assets written off are those directly relating to the Liverpool business.

13. Impairment of goodwill and intangible assets

The Group has determined that as at 31 December 2014 it had one (2013: one) operating segment or cash-generating unit ('CGU'), fund management, for the purpose of assessing the carrying value of goodwill and intangible assets.

In line with IAS 36, Impairment of Assets, a full impairment review was undertaken as at 31 December 2014. The recoverable amount within the fund management CGU was determined by assessing the value in use using long-term cash flow projections for the CGU.

Data for the explicit forecast period of 2015-2019 is based on the 2015 budget and forecasts for 2016-2019. Increases in operating costs have been taken into account and include assumed new business volumes. Cash flows beyond the explicit forecast period are extrapolated using a long-term terminal growth rate of 3% (2013: 3%). The Board considers this rate fairly reflects the long-term nature of the business and the fact that there is no reason to believe it will not continue into the long term. To arrive at the net present value, cash flows have been discounted using a discount rate of 13.4% (2013: 12%). The overall value in-use was greater than the carrying value and hence no impairment charge has been recognised. The key assumptions used in determining this amount were expected aggregated fund flows and the discount rate. In the fund management CGU, sensitivity analysis has established that an increase in the discount rate to 21.2% would be required before an impairment of goodwill and other intangibles would be considered. The compound annual growth rate for expected fund flows over the forecast period is 16.6% and would need to reduce by 9.3% per annum for the estimated recoverable amount to equal the carrying value.

14. Property and equipment

	Leasehold improvements £000	Furniture and equipment £000	Total £000
Cost			
At 1 January 2013	–	311	311
Additions	–	233	233
At 31 December 2013	–	544	544
Additions	19	53	72
Disposals	–	(247)	(247)
At 31 December 2014	**19**	**350**	**369**
Depreciation			
At 1 January 2013	–	217	217
Provided during the year	–	74	74
At 31 December 2013	–	291	291
Provided during the year	11	88	99
Disposals	–	(237)	(237)
At 31 December 2014	**11**	**142**	**153**
Net book value:			
At 31 December 2014	**8**	**208**	**216**
At 31 December 2013	–	253	253

15. Investments in Group companies

Details of unlisted investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

Principal activities	Subsidiary
FCA regulated investment management companies	Miton Asset Management Limited
	Miton Trust Managers Limited (previously PSigma Unit Trust Managers Limited)
	Darwin Investment Managers Limited
	PSigma Asset Management Limited (de-regulated 27 January 2015)
Holding company and central services provider	Miton Group Service Company Limited*
Intermediate holding company	PSigma Asset Management Holdings Limited
Marketing company	Miton (Hong Kong) Limited
Trustee company	Miton ESOP Trustee Limited*
Non-trading companies	Miton Investment Company Limited (dormant)*
	Miton Capital Limited (dormant)*
	MAM Funds Limited (dormant)
	Exeter Asset Management Limited (in liquidation)*
	Midas ESOP Limited (in liquidation)*
	MAMSB Limited (in liquidation)*

All entities are wholly owned and registered in England and Wales except for Midas ESOP Limited, which is registered in Scotland, and Miton (Hong Kong) Limited, which is registered in Hong Kong.

* Directly held subsidiaries of Miton Group plc.

Notes to the Consolidated Financial Statements continued

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16. Trade and other receivables

	2014 £000	2013 £000
Trade receivables	**2,369**	2,453
Prepayments	**380**	1,094
Other receivables	**122**	99
	2,871	3,646

17. Cash and cash equivalents

	2014 £000	2013 £000
Cash at bank and in hand	**15,192**	11,211

Within cash at bank is £3,057,000 (2013: £3,799,000) held for the account of creditors to the Company as disclosed in note 24. This amount is held in a separate escrow account.

18. Trade and other payables

	Note	2014 £000	2013 £000
Trade payables		**1,328**	1,012
Other taxation and social security		**186**	528
Accruals		**1,397**	2,374
Deferred contingent consideration	10,11	**770**	2,500
Income tax payable		**9**	418
		3,690	6,832

19. Provisions

	Restructuring provision £000	Other provisions £000	Fund management provisions £000	Total £000
At 1 January 2013	110	–	120	230
Provided	322	–	–	322
Utilised	(24)	–	–	(24)
Released	(10)	–	–	(10)
At 1 January 2014	398	–	120	518
Provided	–	260	–	260
Utilised	(398)	–	(95)	(493)
Released	–	–	(25)	(25)
At 31 December 2014	**–**	**260**	**–**	**260**

Provisions at the end of the year related to an historic VAT provision in respect of prior years and to office relocation costs. Restructuring provisions in 2013 related to the closure of the Group's Reading operations, including office relocation and redundancy costs, liquidation costs in respect of Group restructuring and indemnity claims. Fund management provisions in 2013 were in respect of legacy fund management services and have been settled in full during the year.

20. Financial risk management objectives and policies

The Group is exposed to the following financial risks as a result of its use of financial instruments:

- Credit risk
- Liquidity risk
- Market price risk

Information about the Group's exposure to each of the above risks is provided in this note, which describes the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's financial instruments may comprise cash, trade receivables and payables and investments that arise from trading operations. A prudent hedging policy may be undertaken as and when the potential risks within trading operations dictate the need to mitigate risk. No hedging instruments were outstanding at the current or previous year end.

Credit risk

The risk of financial loss to the Group if a counterparty to a financial instrument is unable to pay, in full, amounts when due, arises principally from the Group's receivables from fund management clients. The Group trades primarily with formally constituted funds and financial intermediaries. Trade receivables are non-interest bearing and are generally within a 30 day term. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is low.

The Group's exposure to credit risk relating to cash and cash equivalents and trade and other receivables, arises from default by the counterparty, with a maximum exposure equal to the carrying amount of these instruments. In view of the economic conditions, the Group continues to monitor closely the creditworthiness of its counterparties. The Group maintains its cash balances with international banks that are regulated in their own right and has a policy of allocating cash deposits between two or more suitable institutions.

Maximum exposure to credit risk

The maximum exposure of each class of financial asset is the carrying value of those assets as shown below.

Financial assets	**2014 £000**	2013 £000
Trade receivables	**2,369**	2,453
Other receivables	**122**	99
Cash and cash equivalents	**15,192**	11,211
	17,683	13,763

Fair value measurement

The fair value of financial assets and financial liabilities approximates their carrying value at the current and previous year end.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or can only do so at a significantly increased cost. The Group's objective in managing liquidity has been to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities as they fall due, under both normal and adverse conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As at 31 December 2014	<6 months £000	6–12 months £000	12–18 months £000	>18 months £000
Undiscounted maturity of liabilities	3,180	770	–	343

Notes to the Consolidated Financial Statements continued

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20. Financial risk management objectives and policies continued

Market price risk

Market price risk is the risk that changes in market prices will adversely affect the Group's income due to a decline in the underlying value of assets under management, resulting in lower fees. The objective of market price risk management is to manage and control market price exposure, while optimising the return on risk. Group funds include multi-asset and single strategy equity portfolios. At 31 December 2014 UK and global equities represented about 80% (2013: 69%) of Group aggregated assets under management. Approximately 5% (2013: 12%) related to cash and currencies and about 9% (2013: 8%) to bonds. The remainder was invested in property, alternative investments and resources. If the value of the equity component of our aggregated holdings was to reduce by 10% (2013:10%) in value, the impact on our net revenue over 12 months would be a reduction of £1.1m (2013: £1.4m)

Foreign exchange risk

At 31 December 2014 the Group held the equivalent of £6,000 of cash denominated in foreign currency (2013: £35,000) and as such is not exposed to significant foreign exchange risk.

Interest rate risk

The Group has no borrowings and cash balances are held on short-term deposit, therefore the Group is not subject to significant interest rate risk.

Working capital

The Group monitors the level of its working capital on an ongoing basis. The Group uses detailed financial information provided by its forecasting model and by regular review of its consolidated management information. The regulated companies use a 'cash buffer plus margin' approach when determining the maintenance of cash and capital within the businesses. More details are provided in the Strategic Report on pages 16 to 21.

Regulatory capital requirements

In accordance with the Capital Requirements Directive (CRD), the Group is required to maintain a minimum level of capital as prescribed in the UK by the Financial Conduct Authority (FCA).

The Group is required to conduct an Internal Capital Adequacy Assessment Process (ICAAP), referred to as Pillar 2 capital requirements. The objective of this process is to ensure that firms have adequate capital to enable them to manage risks not deemed to be adequately covered under Pillar 1 minimum requirements. This is a forward looking exercise which includes stress testing on major risks, considering how the firm would cope with a significant market downturn, for example, and an assessment of the Group's ability to mitigate the risks. The summary results of the ICAAP are reported on our website in accordance with the requirements for Pillar 3 reporting. Each of the regulated companies in the Group maintained surpluses of regulatory capital throughout the year.

The primary objective of the Group's capital management is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to provide a suitable base to sustain the future development of the business, while ensuring compliance with regulatory capital requirements. The Group's capital consists of share capital and reserves of £56,740,000 (2013: £60,133,000).

21. Share capital

Authorised:	2014 £000	2013 £000
250,000,000 ordinary shares of 0.1 pence each	250	250

Allotted, called up and fully paid: No. of shares	2014 ordinary shares 0.1 pence each No. 000	2013 ordinary shares 0.1 pence each No. 000
At 1 January	164,090	148,323
Issued on placing	–	7,470
Issued re. acquisition of PSigma Asset Management Holdings Limited	3,320	4,838
Issued on acquisition of Darwin Investment Managers Limited	1,655	–
Issued on exercise of share options	1,855	3,459
At 31 December	170,920	164,090

Allotted, called up and fully paid: Value of shares	2014 ordinary shares 0.1 pence each No. 000	2013 ordinary shares 0.1 pence each No. 000
At 1 January	164	148
Issued on placing	–	8
Issued re. acquisition of PSigma Asset Management Holdings Limited	3	5
Issued on acquisition of Darwin Investment Managers Limited	2	–
Issued on exercise of share options	2	3
At 31 December	171	164

The Group's employee benefit trust held 19,080,572 (2013: 19,080,572) of the shares listed above.

Share placing on acquisition of PSigma Asset Management Holdings Limited

On 6 October 2014, the Group issued 3,320,000 shares for Tranche 1 of the deferred consideration. In 2013, the Group issued 4,838,710 initial consideration shares and 7,470,000 placing shares both at 31p in order to part-fund the acquisition.

Share placing on acquisition of Darwin Investment Managers Limited

On 12 September 2014 the Group issued 1,655,424 initial consideration shares.

a) Employee Benefit Trust

19,080,572 shares are held by an employee benefit trust, of which 14,708,048 shares relate to MEI awards and 4,372,524 shares relate to MEI awards which have lapsed. The fair value of the shares at issue and purchase of £6,294,000 (equating to 33 pence per share) has been disclosed as Employee Benefit Trust shares in the Consolidated Statement of Changes in Equity and the Consolidated Balance Sheet.

b) Treasury shares

117,576 shares are held in Treasury in respect of deferred bonus awards and are disclosed as Treasury shares in the Consolidated Statement of Changes in Equity and the Consolidated Balance Sheet.

Notes to the Consolidated Financial Statements continued

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22. Dividends paid and proposed

Dividend on ordinary shares declared and paid during the year:

	2014 £000	2013 £000
Final dividend for 2014 — 0.54p per share (2013: 0.45p)	**783**	596

Dividend on ordinary shares proposed for approval by shareholders (not recognised as a liability at the Balance Sheet date).

	2014 £000	2013 £000
Final dividend for 2015 — 0.60p per share (2014: 0.54p)	**911**	783

23. Share-based payment

(a) Current schemes

The Group maintains a number of equity settled share incentive schemes. A summary of the status of the option schemes including the Management Equity Incentive scheme ('MEI') and the Management Incentive Plan ('MIP') at 31 December 2014 and 31 December 2013, and changes during the years ended on those dates, is shown below:

2014	**MEI**	**MIP**	**Total number of equity incentives**	**Weighted average exercise price (p)**
Reference	(i)	(ii)		
Outstanding at 1 January	19,080,572	3,105,000	22,185,572	38.68
Granted during the year	–	510,000	510,000	31.18
Exercised during the year	–	(1,855,000)	(1,855,000)	17.79
Forfeited during the year	(4,372,524)	–	(4,372,524)	41.50
Outstanding at 31 December	14,708,048	1,760,000	16,468,048	40.05
Exercisable at 31 December	–	500,000	500,000	10.00

MIP awards were exercised at varying dates throughout 2014.

2013	MEI	MIP & LTIP Incentive plans	Share options	Total number of equity incentives	Weighted average exercise price (p)
Reference	(i)	(ii)			
Outstanding at 1 January	15,117,572	5,813,832	86,140	21,017,544	33.02
Granted during the year	3,963,000	750,000	–	4,713,000	40.90
Exercised during the year	–	(3,448,832)	–	(3,448,832)	7.04
Forfeited during the year	–	(10,000)	–	(10,000)	0.00
Expired during the year	–	–	(86,140)	(86,140)	50.00
Outstanding at 31 December	19,080,572	3,105,000	–	22,185,572	38.68
Exercisable at 31 December	–	1,555,000	–	1,555,000	29.26

The weighted average share price for 2014 was 38.90p (2013: 36.07p).

23. Share-based payment continued

The Growth Share Plan ('GSP' or the 'Plan') was launched in 2014 and a summary of the status of the GSP at 31 December 2014 and changes during 2014 is shown below:

2014	GSP Growth shares
Reference	(iii)
Outstanding at 1 January	–
Granted during the year	900
Converted during the year	–
Forfeited during the year	–
Outstanding at 31 December	**900**
Vested at 31 December	–

The above table refers to the number of growth shares granted during the year, which according to the rules of the Plan may accrue value and qualify to be convertible into Miton Group plc ordinary shares once vesting has been achieved. For further information please refer to the Remuneration Report on page 32.

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2014 was £905,000 (2013: £683,000). This expense was in respect of equity-settled share awards only, as the Company has no cash-settled share options.

(i) Management Equity Incentive ('MEI')

The MEI is designed to incentivise executive directors and managers of the business. During 2014 no awards over shares were granted (2013: 3,963,000) which will vest subject to continued employment.

The fair value of awards granted under the MEI is estimated as at the date of grant using a trinomial lattice model with assumptions for employee exit and forfeiture rates, dividend yields, share price and composite volatility, as set out below. The fair value of options granted in the year was £Nil (2013: £840,000), of which £Nil was charged to the Consolidated Statement of Comprehensive Income in the year (2013: £42,000).

Incentive plans

(ii) Management Incentive Plan ('MIP')

The MIP is designed to incentivise executive directors and managers of the business. During 2014 awards over 510,000 shares were granted (2013: 750,000) which will only vest subject to the satisfaction of continued employment. The aggregate of all MIP awards must not exceed options over 10.2 million 0.1p ordinary shares.

The fair value of awards granted under the MIP is estimated as at the date of grant using a trinomial lattice model with assumptions for employee exit and forfeiture rates, dividend yields, share price and composite volatility as set out below. The fair value of options granted in the year was £127,000 (2013: £188,000) of which £34,000 was charged to the Consolidated Statement of Comprehensive Income in the year (2013: £33,000).

The Long Term Incentive Plan ('LTIP') had no options outstanding at 31 December 2013 with the last awards being exercised and forfeited during 2013.

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23. Share-based payment continued

(iii) Growth Share Plan ('GSP')

The GSP is designed to incentivise and retain fund managers. It allows successful participants to share in the growth in value of the relevant profit and assets under management for which they are responsible. During 2014, awards over 900 growth shares were granted (2013: nil), which will only vest subject to the satisfaction of performance conditions and continued employment.

The fair value of the growth shares issued to three Fund Management Units ('FMU's) have been estimated as at the date of grant in accordance with IFRS 2. The key inputs that determine the future value of the growth shares have been simulated using Monte Carlo analysis and the likely returns to the growth shares have been embedded in a discounted cash flow model to determine fair value. The potential returns of the growth shares have been simulated based on the observed volatility and standard deviation of key metrics and with assumptions for employee exit, forfeiture rates, annualised volatility and discount rates as set out below.

Vesting will occur in three equal tranches in September 2016, 2017 and 2018 assuming profitability has been achieved and AUM has increased in the relevant FMU. At or following vesting, the holder may convert the growth shares into Miton Group plc shares according to a specified valuation formula and the plc share price at the time of conversion. The resulting Miton Group plc shares must be held for at least a further 12 months from the date of conversion.

The growth shares only participate in the growth of the AUM and the profit of a particular FMU and therefore have greater inherent risk than Miton Group plc shares.

The fair value of the growth shares granted in the year was £3,055,000 (2013: nil) of which £217,000 was charged to the Consolidated Statement of Comprehensive Income in the year (2013: nil).

b) Exercise dates of outstanding equity incentives

Exercise dates	MIP	MEI	Total
Exercisable up to 18 May 2021 @ 10p per share	500,000	–	500,000
Exercisable between 31 March 2015 and 10 May 2019 @ 33p per share	–	5,372,524	5,372,524
Exercisable between 28 February 2016 and 17 July 2023 @ 10p per share	300,000		300,000
Exercisable between 13 March 2016 and 17 July 2023 @ 10p per share	450,000	–	450,000
Exercisable between 31 March 2016 and 10 May 2019 @ 50p per share	–	5,372,524	5,372,524
Exercisable between 7 December 2016 and 7 December 2023 @ 20p per share	130,000	–	130,000
Exercisable between 31 March 2017 and 9 May 2020 @ 33p per share	–	1,213,000	1,213,000
Exercisable between 31 March 2017 and 9 May 2020 @ 50.325p per share	–	750,000	750,000
Exercisable between 31 March 2017 and 31 March 2024 @ 35p per share	50,000	–	50,000
Exercisable between 6 April 2017 and 6 April 2024 @ 35p per share	200,000	–	200,000
Exercisable between 1 May 2017 and 1 May 2024 @ 35p per share	130,000	–	130,000
Exercisable between 31 March 2018 and 9 May 2020 @ 57.1875p per share	–	1,250,000	1,250,000
Exercisable between 25 Nov 2018 and 9 May 2020 @ 48.250p per share	–	750,000	750,000
	1,760,000	**14,708,048**	**16,468,048**

23. Share-based payment continued

Conversion dates for outstanding Growth Share Plan incentives

The following conversion dates assume that the required relevant performance conditions will have already been met.

Conversion dates	Growth Shares
Convertible between September 2016 and October 2028	300
Convertible between September 2017 and October 2029	300
Convertible between September 2018 and October 2030	300
	900

At 31 December 2014 all options that were outstanding can be summarised within a range of exercise prices as follows:

	2014			2013		
Range of exercise price	**Outstanding option numbers**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	Outstanding option numbers	Weighted average remaining contractual life (years)	Weighted average exercise price
0p to 0.9p	**–**	**–**	**–**	55,000	6	0.10p
1p to 50p	**14,468,048**	**4**	**38.02p**	20,130,572	5	37.20p
51p to 200p	**2,000,000**	**5**	**54.61p**	2,000,000	6	54.61p
	16,468,048			22,185,572		

(c) Assumptions for fair value estimates

Management Incentive Plan ('MIP')

The fair value of awards granted in 2014 was based on the following assumptions:

	Award 1	Award 2	Award 3	Award 4
Grant date	1 Jan 2014	2 May 2014	1 Jul 2014	7 Jul 2014
Number of options granted	130,000	130,000	50,000	200,000
Share price at grant date	48.0p	44.75p	39.5p	47.25p
Annualised volatility	60%	60%	60%	60%
Risk free interest rate at award date	3.46%	3.43%	3.44%	3.46%
Expected dividend yield	1.6%	1.7%	2.0%	1.7%
Term to vesting from grant date	35 months	36 months	33 months	36 months
Exercise price	20p	35p	35p	35p
Expected life of option from grant date	3.93 years	4 years	3.75 years	4 years

The expected life of the equity incentives is based on historical data and is not necessarily indicative of exercise patterns that may occur. The annualised volatility is based upon a GARCH analysis which provides a forecast equivalent to an exponentially weighted average rate incorporating regression towards the mean of the historical trend line. Volatility rates for intermediate points in time were obtained by interpolation. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. A Black–Scholes valuation model has been used to estimate the fair value of these equity incentives. The risk free interest rate is based on the UK gilts rate with a corresponding maturity as published in the Financial Times.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

23. Share-based payment continued

Growth Share Plan ('GSP')

The fair value of the awards granted in 2014 was based on the following assumptions:

	14 Jan 2014
Grant date	
Number of growth shares issued	900
Annualised volatility	34 – 45%
Risk free interest rate at award date	3.57%
Discount rates	17.5% – 20%
Minimum term to vesting from grant date	33–57 months
Life of growth shares from grant date	up to 15 years

The annualised volatility and discount rates used to value the growth shares have been selected according to the specific characteristics of the FMU including AUM history.

The mid-market value of the Company's shares at 31 December 2014 was 20.0 pence (2013: 48.0 pence). The mid-market value varied between 20.0 pence and 49.0 pence (2013: 22.0 pence and 51.4 pence) per share during the year.

24. Creditors reserve

As part of a capital reduction in November 2013 the Group put into escrow an amount of cash in respect of existing and expected liabilities totalling £4,058,000 to comply with the terms of the Court. At 31 December 2014. £3,057,000 (2013: £3,799,000) was held in the escrow account. All liabilities to date have been settled in full in the ordinary course of business and the Group expects the reserve to be fully released during 2015.

25. Obligations under non-cancellable operating leases

The Group has entered into commercial leases on certain properties and items of equipment. These leases have a duration of between three and ten years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014 **£000**	2013 £000
Not more than one year	99	20
After one year but not more than five years	175	466
	274	486

Company Financial Statements

31 December 2014

Statement of Directors' Responsibilities in relation to the Parent Company Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

Independent Auditors' Report to the members of Miton Group plc

We have audited the parent Company financial statements of Miton Group plc for the year ended 31 December 2014 which comprise the Company balance sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 64, the directors are responsible for the preparation of the parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the Group financial statements of Miton Group plc for the year ended 31 December 2014.

Amarjit Singh
(Senior statutory auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor – London
27 March 2015

Company Balance Sheet

as at 31 December 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Property and equipment	2	**–**	261
Intangible assets	3	**1,082**	–
Investments in subsidiaries	4	**28,943**	29,193
		30,025	29,454
Current assets			
Trade and other receivables	5	**191**	417
Cash and cash equivalents	6	**3,094**	4,274
		3,285	4,691
Creditors: amounts falling due within one year			
Creditors	7	**5,380**	5,915
Provision for liabilities	8	**185**	388
		5,565	6,303
Net current liabilities	7(a)	**(2,280)**	(1,612)
Total assets less current liabilities		**27,745**	27,842
Creditors: amounts falling due greater than one year			
Other payables		**–**	(3,750)
Deferred tax liability		**(220)**	–
		27,525	24,092
Capital and reserves			
Share capital	9	**171**	164
Share premium	10	**2,661**	–
Employee Benefit Trust	10	**(6,294)**	(6,294)
Treasury Shares	10	**(26)**	–
Merger reserve	10	**5,658**	5,658
Creditors reserve	10	**3,057**	3,799
Retained earnings	10	**22,298**	20,765
Total equity shareholders' funds		**27,525**	24,092

These accounts were approved and authorised for issue by the Board on 27 March 2015 and signed on its behalf by:

Ian Dighé
Executive Chairman

Company Registration No. 5160210

Notes to the Company Financial Statements

At 31 December 2014

1. Accounting policies

Basis of preparation

The parent Company financial statements of Miton Group plc (the 'Company') are presented as required by the Companies Act 2006 and were approved for issue on 27 March 2015.

The financial statements are prepared under the historical cost convention and United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). These policies have been applied consistently.

No Consolidated Statement of Comprehensive Income account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The Company accounting policies are as per the Group policies stated on pages 40 to 44. In addition to these are the following policies applicable to the Company financial statements:

Going concern

The directors have prepared the Company financial statements on a going concern basis despite the net current liabilities position at 31 December 2014 as the Company has significant cash reserves and distributable reserves in its subsidiaries.

Investments in subsidiaries

Investments in subsidiaries are carried in the Company's balance sheet at the lower of cost and recoverable amount. The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Related party transactions

The parent Company wholly owns the subsidiaries and is part of a UK group which prepares publicly available consolidated financial statements in which the results of the Company are included, and it is therefore exempted from the requirements to disclose related party transactions.

Cash flow statement

The parent Company wholly owns the subsidiaries and is part of a UK group which prepares publicly available consolidated financial statements in which the results of the Company are included, and it is therefore exempt under the terms of FRS 1 (Revised) from the requirement to prepare a cash flow statement.

Notes to the Company Financial Statements continued

At 31 December 2014

2. Property and equipment

	Total £000
Cost	
At 1 January 2014	471
Transfer of assets within the Group	(471)
At 31 December 2014	–
Depreciation	
At 1 January 2014	210
Charge for the the year	(22)
Transfer of assets within the Group	(188)
At 31 December 2014	–
Net book value	
At 31 December 2014	–
At 31 December 2013	261

3. Intangible assets

	Intangible assets arising on acquisition £000
Cost	
At 1 January 2014	–
Additions	1,100
At 31 December 2014	**1,100**
Amortisation during the year	
At 1 January 2014	–
Amortisation during the year	18
At 31 December 2014	**18**
Net book value:	
At 31 December 2014	**1,082**
At 31 December 2013	–

4. Investments in subsidiaries

	Unlisted subsidiaries £000
Cost	
At 1 January 2014	136,697
Additions	1,772
Disposal	(109,526)
At 31 December 2014	**28,943**
Provision for diminution in value	
At 1 January 2014	107,504
Eliminated on disposal	(107,504)
At 31 December 2014	–
Net book value	
At 31 December 2014	**28,943**
At 31 December 2013	29,193

4. Investments in subsidiaries continued

Miton Capital Partners Limited was sold on 31 March 2014. See note 12 in the consolidated financial statements.

During the year Darwin Investment Managers Limited was acquired and subsequently sold to another Group company. Note 10 in the consolidated financial statements refers to the acquisition.

The subsidiary undertakings as at 31 December 2014 are as listed in note 15 to the consolidated financial statements. The Company has reviewed the value of its investment in subsidiaries and no impairment was required in 2014.

In 2013 a write-down of £39,379,000 was made to reflect the estimated net realisable value of two subsidiaries: Miton Capital Partners Limited and Exeter Asset Management Limited.

5. Trade and other receivables

	2014 £000	2013 £000
Amounts due from Group companies	**1**	17
Other debtors	**129**	75
Prepayments and accrued income	**61**	325
	191	417

6. Cash and cash equivalents

	2014 £000	2013 £000
Cash at bank and in hand	**3,094**	4,274

Within cash at bank is £3,057,000 (2013: £3,799,000) held for the account of creditors to the Company as disclosed in note 24 to the consolidated financial statements. This amount was held in a separate escrow account.

7. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**11**	30
Other creditors	**48**	–
Other taxation and social security	**3**	302
Accruals and deferred income	**–**	760
Amounts due to Group companies	**4,404**	2,094
Corporation tax	**144**	229
Deferred contingent consideration	**770**	2,500
	5,380	5,915

a) Net current liabilities

The Company expects to receive dividend income from its subsidiaries in 2015 and accordingly is unlikely to settle its liabilities to group companies in cash.

Notes to the Company Financial Statements continued

At 31 December 2014

8. Provisions

	2014 £000	2013 £000
At 1 January	388	80
Provided in the year	185	312
Utilised in the year	(388)	(4)
At 31 December	185	388

The provision at the end of 2014 relates to a VAT provision in respect of prior years.

The Company made full provision in 2013 for the redundancy costs for one executive director and dilapidation costs relating to changes in office accommodation in Reading.

9. Share capital

Allotted, called up and fully paid: **No. of shares**	**2014 ordinary shares 0.1 pence each No. 000**	2013 ordinary shares 0.1 pence each No. 000
At 1 January	164,090	148,323
Issued on placing	–	7,470
Issued re. acquisition of PSigma Asset Management Holdings Limited	3,320	4,838
Issued on acquisition of Darwin Investment Managers Limited	1,655	–
Issued on exercise of share options	1,855	3,459
At 31 December	170,920	164,090

Allotted, called up fully paid: **Value of shares**	**2014 ordinary shares 0.1 pence each No. 000**	2013 ordinary shares 0.1 pence each No. 000
At 1 January	164	148
Issued on placing	–	8
Issued re acquisition of PSigma Asset Management Holdings Limited	3	5
Issued on acquisition of Darwin Investment Managers Limited	2	–
Issued on exercise of share options	2	3
At 31 December	171	164

10. Reserves

	Share Premium £000	Employee Benefit Trust £000	Treasury Shares £000	Merger Reserve £000	Capital Redemption Reserve £000	Creditors Reserve £000	Retained Earnings £000	Total £000
As at 1 January 2013	24,594	(4,694)	–	5,658	11,562	–	22,753	64,567
Loss for the year	–	–	–	–	–	–	(38,488)	(38,488)
Shares purchased for Management Equity Incentive (MEI)	–	(1,600)	–	–	–	–	–	(1,600)
Dividends	–	–	–	–	–	–	(596)	(596)
Shares issued on placing	2,308	–	–	–	–	–	–	2,308
Shares issued on acquisition of PSigma Asset Management Holdings	1,495	–	–	–	–	–	–	1,495
Shares issued on exercise of options	1,325	–	–	–	–	–	(1,072)	253
Capital Reduction	(29,722)	–	–	–	(11,562)	–	41,284	–
Share-based payments – company	–	–	–	–	–	–	433	433
Share-based payments – investments	–	–	–	–	–	–	250	250
Set up of creditors reserve	–	–	–	–	–	3,799	(3,799)	–
At 1 January 2014	**–**	**(6,294)**	**–**	**5,658**	**–**	**3,799**	**20,765**	**23,928**
Profit for the year after tax	–	–	–	–	–	–	1,263	1,263
Dividends	–	–	–	–	–	–	(783)	(783)
Shares issued on acquisition of PSigma Asset Management Holdings	1,254	–	–	–	–	–	–	1,254
Shares issued on acquisition of Darwin Investment Managers	700	–	–	–	–	–	–	700
Purchase of Treasury Shares	–	–	(26)	–	–	–	–	(26)
Shares issued on exercise of options	707	–	–	–	–	–	(377)	330
Share-based payments	–	–	–	–	–	–	688	688
Release from creditors reserve	–	–	–	–	–	(742)	742	–
As at 31 December 2014	**2,661**	**(6,294)**	**(26)**	**5,658**	**–**	**3,057**	**22,298**	**27,354**

The Company's profit after taxation for the year ended 31 December 2014 was £1,263,000 (2013: loss of £38,488,000).

11. Share-based payment

The share-based payments as at 31 December 2014 and 31 December 2013 are as detailed in note 23 to the consolidated financial statements.

12. Management Equity Incentive ('MEI')

In 2014 there were no MEI awards.

Note 21(a) in the notes to the consolidated financial statements refers to the shares held bythe Employee Benefit Trust relating to MEI awards.

Questions and Answers

Did Miton address the AUM outflows on the multi-asset funds, Miton Strategic and Miton Special Situations quickly enough?

Miton Strategic and Miton Special Situations have been positioned very defensively for the last eight years. This positioning was conspicuously successful for clients in 2007 and 2008, although these funds have appreciated rather less than markets subsequently. Clients remained supportive until they started suffering asset price falls initially in the second half of 2013 but to a more notable degree in the first half of 2014. At that stage client redemptions began rising more acutely.

We worked very quickly to address the investors needs by recruiting David Jane and his team to manage these funds prior to the end of the second quarter. There was a seamless handover of responsibilities and clients were kept informed throughout with extra detail on how the make-up of the portfolios changed. Our decisive actions have benefited clients through the immediate transformation of the performance of these funds under the new team, whilst all the while retaining the funds' generally defensive positioning.

Clients have progressively reduced the rate of outflows, and the funds will in our view attract greater inflows in time.

In March 2015 CF Miton Strategic Portfolio was renamed CF Miton Defensive Multi Asset Fund and CF Miton Special Situations Portfolio was renamed CF Miton Cautious Multi Asset Fund.

Has the acquisition of PSigma delivered value to the Group?

The PSigma acquisition took Miton into the conventional UK Equity Income sector, which could bring sizable AUM inflows in time. We believed the combination of their post credit boom stance along with the injection of our stock selection processes would combine to improve the performance of the PSigma Income fund. This plan has been well executed via the promotion of Eric Moore as lead fund manager, and the subsequent top quartile performance of the fund.

However Bill Mott decided he wanted to retire at the end of 2014 and this fact was therefore announced in July. Although the performance improvements were already coming through, the recovery record of the PSigma Income Fund was still immature. So this announcement precipitated two sizable redemptions from the PSigma Income fund and the loss of a segregated mandate, resulting in AUM outflows of £510m.

In November 2014 PSigma Income Fund was renamed Miton Income Fund.

The PSigma business has generated around £5.2m of revenues in the 18 months since acquisition, and the AUM outflows will reduce the consideration Miton paid for the acquisition by £3.75m.

Is the £15m cash in the balance sheet excessive for our needs?

The annual costs within fund management companies are generally known with a degree of precision, whereas the revenues vary with markets, and AUM flows. Markets may appreciate over the longer term, but do vary substantially from year to year, as they did during 2008.

The substantial cash balances on the balance sheet gives Miton real duration to be a viable business irrespective of whether markets suffer some difficult years. Indeed with substantial cash balances Miton can take advantage of volatile markets to take on attractive teams or funds during the setback so that when markets recover our business has greater upside potential. We do not see the current balances as excessive for our needs.

Given the profit growth in the year, why was the cash generated by the group lower than the previous year?

Last year the cash generated by the Group exceeded the profit before tax due to a significant reduction in working capital during the year. This year the cash generated was more representative of the underlying profit before tax and fits in with the underlying trend in recent years.

Why is the Group moving its London office so soon after moving in to the previous one?

Naturally we wish to keep office costs to a minimum at Miton. One of the ways to do this is to take on shortish leases with companies that have vacated the space, as the competitive pressures are lower. So when we took on the office space at Moorgate the annual rental costs we agreed were below the market at the time, and in addition we saved a substantial sum on fitting out the office. However the lease was only for around 18 months. Often the landlord is happy to extend the lease beyond the break, but in this case the landlord is seeking to redevelop the building so we needed to find another office.

The new office we have found has a four year lease. In this case we will be able to extend the lease further if we wish. Although the additional annual costs are £300,000 more than our current office, we have been running at a sub-market rent in Moorgate due to a lower agreed rate for a short lease. The new office into which we are moving is also fitted out to a high specification, and once again we have negotiated a ‘below-market’ rent.

To what degree are the constraints to growth now addressed?

Over the recent years Miton has worked to put the company in a strong position to generate and sustain relatively rapid AUM growth. Although AUM in 2014 fell, the underlying position is that the Group is now poised to take greater market share. Those areas where we saw outflows, the multi-asset funds, and the Miton Income fund, are now performing well and have every prospect of bringing in more AUM. In addition the ongoing momentum in the rest of our fund range should lead to further AUM growth too.

Alongside the funds, our operational platform based on the Bloomberg AIM platform is delivering straight through processing. We have brought all our employees together in one office in London. Miton has a distinctive position in the minds of our clients. We have brought our nationwide sales and marketing team up to full strength. They work with fund managers on a large number of fund management meetings with our clients in their offices. We believe this is the best way to develop long-term relationships with investors that is the cornerstone of a successful fund management group.

No doubt in future there will be testing market conditions, and other challenges too, but overall we believe that Miton is well positioned to grow our business considerably in the next few years.

Notice of Annual General Meeting of Miton Group plc (the Company)

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting (the "Meeting") of the Company will be held at 10.30 am on 14 May 2015 in Room 411/412 at Stephenson Harwood LLP offices, 1 Finsbury Circus, London, EC2M 7SH for the following purposes:

ORDINARY BUSINESS:

As ordinary business to consider and, if thought fit, to pass the following resolutions numbered 1 to 6, all of which will be proposed as ordinary resolutions.

Ordinary resolutions

1. That the Company's annual audited accounts for the year ended 31 December 2014, together with the Directors' Report and the Auditors' Report on those accounts, be received and adopted.

2. That Ernst & Young LLP be reappointed as Auditors to the Company until the conclusion of the next Annual General Meeting of the Company.

3. That the directors be authorised to fix the Auditors' remuneration.

4. That the directors be authorised to pay a dividend of 0.60p per ordinary 0.1p share in the Company.

5. That the directors' Remuneration Report for the year ended 31 December 2014, which is set out in the Annual Report of the Company for the year ended 31 December 2014, be approved.

6. That the following directors retire and offer themselves for re-election.

   (a) That Robert Clarke, who retires pursuant to Article 106 of the Company's Articles of Association and who, being eligible, offers himself for election, be elected as a director of the Company.

   (b) That Alan Walton, who retires pursuant to Article 105 of the Company's Articles of Association and who, being eligible, offers himself for election, be elected as a director of the Company.

SPECIAL BUSINESS:

To consider and, if thought fit, pass the following resolutions, resolution 7, which will be proposed as an ordinary resolution and resolutions 8 and 9, which will be proposed as special resolutions:

7. THAT, in substitution for any subsisting authorities to the extent unused, the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act'), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

   (a) up to an aggregate nominal amount of £56,968 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (b) below in excess of £56,968); and

   (b) comprising equity securities as defined by section 560 of the Act up to an aggregate nominal amount of £113,936, such amount to be reduced by the nominal amount of any shares allotted or rights granted pursuant to the authority in paragraph (a) above in connection with an offer by way of a rights issue:

      (i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

      (ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 14 August 2016 except that the Company may at any time before such expiry make any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

8. THAT, subject to the passing of resolution 7 above, the directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 7 above or by way of a sale of treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, provided that the power conferred by this resolution shall be limited to:

   (a) the allotment or sale of equity securities, either in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities, subject only to such exclusions or other arrangements as the directors of the Company may consider necessary or expedient to deal with any treasury shares, fractional entitlements or legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and

   (b) the allotment or sale (otherwise than pursuant to resolution 8(a)) of equity securities up to an aggregate nominal value of £8,546.

   The power conferred by this resolution shall expire (unless previously renewed, revoked or varied by the Company in general meeting) on 14 August 2016, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the directors of the Company may allot or sell equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

9. THAT the Company be and is generally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 0.1 pence each provided that:

   (a) the maximum aggregate number of ordinary shares that may be purchased is 8,546,063;

   (b) the minimum price which may be paid for each ordinary share is 0.1 pence;

   (c) the maximum price which may be paid for each ordinary share is not more than 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange for the five business days immediately preceding the day of purchase; and

   (d) unless previously renewed, varied or revoked, the authority conferred by this resolution shall expire on 14 August 2016 save that the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Roger Bennett
Secretary
27 March 2015

Registered office
51 Moorgate
London
EC2R 6BH

Shareholder Notes

Shareholder Information and Financial Calendar

Annual General Meeting	14 May 2015
2015 half year results announced	September 2015
2015 full year results announced	March 2016
Closing mid-market share price on 31 December 2014	20p
Stock Code	MGR
Listing details	The Company's ordinary shares are quoted on the AIM. The price of the ordinary shares appears within the AIM section of the Financial Times.

Secretary and Advisers

Company Secretary and Registered Office*
Roger Bennett
51 Moorgate
London
EC2R 6BH

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

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers
Bank of Scotland
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

Nominated Adviser and Broker
Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Company registration number 5160210

www.mitongroup.com

*In April 2015 the Company's registered office will move to 6th Floor, Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB.

Our Investment Range

Equity

CF Miton UK Smaller Companies Fund
The CF Miton UK Smaller Companies Fund is an equity fund that aims to achieve long-term total returns by investing primarily in UK smaller quoted companies.

CF Miton UK Multi Cap Income Fund
The CF Miton UK Multi Cap Income Fund invests across the market cap spectrum of UK quoted companies, aiming to provide attractive levels of dividends coupled with capital growth over the long term.

CF Miton UK Value Opportunities Fund
The CF Miton UK Value Opportunities Fund aims to achieve capital growth for investors by focusing on the very best value opportunities across the whole market capitalisation spectrum. Focusing on quoted companies with robust tangible balance sheets and consistent cash flow generation.

FP Miton Undervalued Assets Fund
The investment objective of the fund is to achieve long-term capital growth by investing predominantly in the securities of UK quoted companies.

CF Miton US Opportunities Fund
The CF Miton US Opportunities Fund is a new fund that aims to beat the S&P500 by 3–5% per annum over an investment cycle by investing in US equities, the largest equity market in the world.

Miton Income Fund
The Miton Income Fund aims to achieve a reasonable and rising income together with long term capital growth. The Fund intends to invest primarily in UK quoted companies but may invest internationally.

Miton American Fund
The investment objective of the Fund is to achieve long term capital growth and invests primarily in US quoted companies with large capitalisations (defined as issuers with market capitalisation greater than $2 billion) but may also invest in other US or US related companies.

Miton Global Equity Fund
The objective of the Fund is to achieve long term capital growth by investing primarily in equities in any economic sector and admitted to trading on stock markets anywhere in the world.

Multi-asset

CF Miton Cautious Multi Asset Fund
The CF Miton Cautious Multi Asset Fund is a global macro, multi asset fund that aims to achieve long term returns above inflation over the course of a full investment cycle.

PFS Darwin Multi-Asset Fund
The aim of the Darwin Multi-Asset Fund is to preserve and grow capital by investing in a diversified mix of assets from around the world, including shares and bonds.

CF Miton Defensive Multi Asset Fund
The CF Miton Defensive Multi Asset Fund is a global cautious fund that prioritises capital preservation and low volatility across all market cycles.

CF Miton Total Return Fund
The CF Miton Total Return Fund is a multi-asset portfolio that looks to target returns of LIBOR +3% over the course of the investment cycle.

Fund of Investment Trusts

CF Miton Worldwide Opportunities Fund
The CF Miton Worldwide Opportunities Fund is to prioritise capital growth by investing primarily in a full range of both open ended and closed ended funds.

Closed end funds

The Diverse Income Trust plc
The company's investment objective is to provide shareholders with an attractive level of dividends coupled with capital growth over the long-term by investing across the market cap spectrum of UK quoted companies.

The Investment Company plc
The company's investment objective is to provide an attractive level of dividends coupled with capital growth over the long-term through investment in a portfolio of equities, preference shares, loan stocks debentures and convertibles.

Miton Worldwide Growth Investment Trust plc
The company's investment objective is to out perform 3 month LIBOR +2% over the longer term, principally through exploiting inefficiencies in the pricing of closed end funds.

Miton

www.mitongroup.com

Miton Group plc, 51 Moorgate
London EC2R 6BH

Moving on 20 April 2015 to:
Miton Group plc, Paternoster House
65 St Paul's Churchyard
London EC4M 8AB