Miton

Genuinely active investing

Miton Group plc

Annual Report and Accounts

For the year ended 31 December 2016

Miton endeavours to deliver attractive returns for clients whilst closely managing volatility. Overall we aim to sustain superior performance through market cycles.

Miton's fund managers are independently minded and allocate capital in line with their convictions.

Genuinely active investing...

- Over recent years Miton has built a range of multi-asset and equity funds that have demonstrated their ability to navigate changeable markets successfully.
  - Many have a wider opportunity set, so their potential returns are less dependent on keeping up with short-term movements of equity benchmarks.
  - Many seek to achieve lower portfolio volatility.
  - Some have objectives that are principally defined by their investment outcomes.
- We believe these differences make the Miton range distinctive from others and better aligned to client preferences.

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

Go to www.mitongroup.com for more information

Cautionary note on forward-looking statements

This Annual Report has been prepared for the members of Miton Group plc ("Miton", the "Group" or the "Company"). The Group, its directors and agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. The Annual Report contains certain statements relating to current expectations of future events based on certain assumptions and includes statements that do not directly relate to a historical fact or current fact. Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Readers are cautioned not to place undue reliance on forward-looking statements, and understand the Annual Report is not a profit forecast. Miton does not undertake to publicly revise or update any forward-looking statements in this Annual Report, whether as a result of new information, future events or otherwise.

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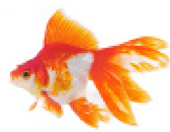


2016 Highlights

Key drivers of shareholder returns

Product & Performance	Assets under Management ('AuM')	Margin & Profitability
86% of funds are **first or second** quartile*	£2,905m **Closing AuM** versus £2,784m for 2015	Net management fee margin **maintained**
Successful launch of European Opportunities	**Average AuM** up by 20% at £2,783m	**Adjusted Profit** up by 70% to £5.1m
US Opportunities **first quartile** track record	**Multi-asset range** up by 41% to £672m	£21.3m **of total cash** at 31 December 2016
New launch of Global Infrastructure income fund planned on 23 March 2017	£3,097m **Closing AuM** at 28 February 2017	1p dividend **proposed**

* Since launch or manager tenure up to 31 December 2016

2016 at a glance

	2016 £m	2015 £m	%
Closing AuM	**2,905**	2,784	+4.3 ▲
Average AuM(1)	**2,783**	2,319	+20.0 ▲
Net revenue	**19.0**	15.7	+21.0 ▲
Adjusted Profit before tax(2)	**5.1**	3.0	+70.0 ▲
Profit before tax(3)	**4.3**	2.1	+104.8 ▲
Cash generated from operations	**8.5**	2.4	+254.2 ▲
Total cash	**21.3**	14.1	+51.0 ▲
	pence	pence	%
Adjusted earnings per share(4)	**2.67**	1.43	+86.7 ▲
Diluted adjusted earnings per share(5)	**2.40**	1.18	+103.4 ▲
Basic earnings per share	**2.14**	0.92	+132.6 ▲
Proposed dividend per share	**1.00**	0.67	+49.3 ▲

See Financial and Operational Review on page 6 for commentary on the above financial highlights and on the recent trends in the Group's Key Performance Indicators (KPIs) included above.

Notes

(1) Average AuM is based on the total month end closing AuM for each product managed by the Group.

(2) Adjusted Profit is calculated before the deduction of amortisation, exceptionals, VAT provision relating to prior years and associated taxation.

(3) Profit before tax includes exceptional operating expenses of £0.598m relating to the implementation of a new remuneration structure for the fund management team and the cancellation of the Growth Share Plan for those participants who had no value accrued in the scheme. In 2015 the exceptional items related to redundancy and restructuring costs.

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

(5) Diluted adjusted earnings per share involves a dilution of 9.5% 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 2016 had vested and had been exchanged for Miton Group plc ordinary shares at that date. See note 21 on page 42 for further information.

Chairman's Statement

"The business has demonstrated its resilience with momentum regained since the half year. Gross sales during 2016 were in excess of £1.1bn which is a testament to the quality of our fund management team and a differentiated and attractive product offering."

Overview

In the past year, Adjusted Profit before tax increased by 70% driven by higher average Assets under Management than the previous financial year.

The business has demonstrated its resilience with momentum regained since the half year. As I reported in September 2016, progress was interrupted following the change of management on the CF Miton UK Value Opportunities Fund. However, under the new management of Andy Jackson, who we moved quickly to bring in as portfolio manager, the fund has delivered strong first quartile performance since he took over on 1 July 2016 in what were volatile market conditions following the Brexit referendum.

There has also been strong growth in our multi-asset funds. The combination of good outcome-driven performance coupled with a focused distribution effort has seen the funds grow from assets totalling £477m to £672m, an increase of over 41%.

Gross sales during 2016 were in excess of £1.1bn which is a significant achievement and testament to the quality of our fund management team and a differentiated and attractive product offering, combined with excellent distribution, operations and support capabilities.

Our approach of managing a range of differentiated single strategy funds and transparent multi-asset funds is one that gives the business greater resilience and the ability to deliver investment solutions to a wider range of clients.

Investment performance

Low bond yields imply that longer term returns on assets could be more limited. Whatever the markets have in store for 2017 and beyond, we believe that a genuinely active approach to investing will be advantageous for investors.

At 31 December the Group's product range continued to perform well with 8 out of 14 funds in the first quartile of their respective sectors over the tenures of the current managers.

Results and dividends

The substantial net inflows we experienced in quarters one and four in the year have placed the Group in a strong position moving into 2017. Average AuM as highlighted earlier has improved from last year and operating costs have been tightly controlled which has positively impacted both revenue and profitability.

The Board is proposing to increase the annual dividend by 49% to 1.00p per share (2015: 0.67p) payable on 4 May 2017 to shareholders registered as at 31 March 2017. This increase in dividend reflects the Board's continued confidence in the Group's future prospects and momentum in AuM.

The Group remains robustly financed for whatever the markets may hold, with £21.3m of cash on hand at 31 December 2016 (2015: £14.1m).

Board developments

Miton was refinanced in 2011 in a transaction led by myself and Gervais Williams. Under our leadership Miton has been transformed into a well-resourced and stable asset management business offering truly differentiated single strategy and multi-asset funds. The business is growing well, with a scalable operating platform, a strong balance sheet and an outstanding team of people including some of the UK's leading fund managers.

In November 2016 the Company announced that as part of the normal process of Board refreshment I would be moving from Executive to Non-Executive Chairman. This transition will be effective from 16 March 2017. David Barron assumes my executive responsibilities on an interim basis in the role of Chief Executive Officer, to continue building on the growing momentum within the Group.

It has always been my intention to initiate a search for a new Non-Executive Chairman at this stage and stand down from the Board following an orderly handover of responsibilities. The search for a new Non-Executive Chairman is now underway. The Company will also recruit a Chief Executive to lead the management team in the future.

I am delighted this annual report underlines the considerable progress made in recent years and the tremendous prospects for Miton looking forward. With the planned changes to our Board we will continue to build on the strong foundations that have been laid, focusing on delivering value for our clients and shareholders.

Our people

To develop the business requires a huge amount of work and co-ordination. Our team have been relentless in their efforts and commitment. I continue to be hugely appreciative of everyone's work.

We have, as previously announced, amended our remuneration scheme for fund managers to reflect evolving market expectations and to align incentives more closely to investment performance.

Prospects

We were delighted to announce that fund manager, Jim Wright, joined Miton on 16 January 2017 with a view to launching a global equity infrastructure income fund in early 2017. This is in line with our ambition to launch new products and identify talented managers who fit with our "genuinely active approach".

Jim has a tremendous track record in this area managing the infrastructure mandate of the British Steel Pension Fund for the past ten years. We believe this is an attractive asset class and one where our strongly differentiated approach will appeal to clients.

This latest launch announcement is a further step in bringing new and differentiated funds to market. Since 2011 Miton has launched five new equity funds. These funds now have client assets of £1,526m with an average age of just under three and a half years.

All five funds are top quartile performers since their respective launch dates and demonstrate our ability to identify strategies that can deliver superior returns and talented fund managers to run them. We believe we can launch new funds which are distinct and complementary to what we already offer.

The Group remains a well-capitalised and resourced business with significant expertise and a product range that we believe is increasingly relevant to clients. By continuing to build on the product launches of the last five years, offering a strongly differentiated approach and broadening our range of funds, we have confidence that we can deliver significant growth in the business.

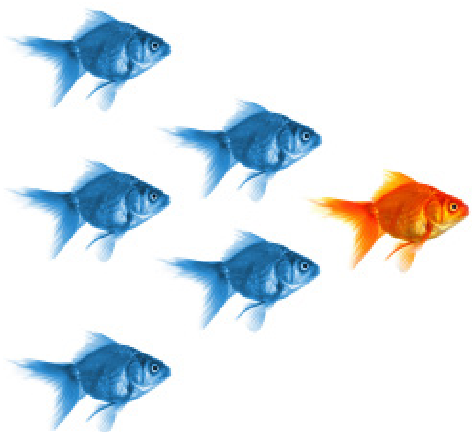
Outlook

Recent election results point to a period of shifting political and economic trends. Regulatory and social expectations are also increasingly challenging. Our funds are well placed to navigate these changes with their focus on flexibility, access to a wider opportunity set and careful management of both risk and return. We believe they are relevant to clients through a range of market conditions.

We do not manage our business by trying to predict regulatory changes or by assuming markets will perform in a particular fashion. We offer a range of strategies that are genuinely distinctive in the eyes of clients. We aim to have diversification in our business, to offer both single strategy and multi-asset funds, delivering excellent client service with a robust operating platform and appropriate cost management. We are nimble and entrepreneurial and can take advantage of the opportunities that may arise from changes elsewhere in the fund management sector.

Over the past year, Miton has continued to build its distinctive identity as a genuinely active fund manager. The acceleration of our growth over recent quarters underlines our confidence in our prospects. Miton has an outstanding team and along with a maturing range of funds, having reached £3,097m AuM at the end of February, we look forward to 2017 and beyond.

Ian Dighé
Executive Chairman
15 March 2017



Product Range

Miton's product range as at 31 December 2016

At 31 December 2016 the Group managed investments within eight open-ended funds, two unit trusts and four investment trusts.

During the year the Group completed the repositioning of its fund range. The FP Miton Income Fund transitioned to the operating model adopted for all open ended funds managed by the Group and from 1 April 2017 will move to quarterly income distributions. The CF Miton Total Return fund was identified as economically unviable due its lack of critical mass and it was therefore deemed to be in the best interests of the investors to wind up the fund. This was completed on 17 May 2016.

In 2017 the next addition to the Group's stable of products is the pending launch of the CF Miton Global Infrastructure Income Fund on 23 March 2017.

Strategy	AuM 2016 £m	AuM 2015 £m	Fund Manager(s)	Year of launch	Quartile performance from launch / tenure (1)
Equity Funds					
CF Miton UK Multi Cap Income	**755**	586	Gervais Williams / Martin Turner	2011	1
CF Miton UK Smaller Companies	**161**	150	Gervais Williams / Martin Turner	2012	1
FP Miton Income* (2)	**188**	184	Eric Moore / Gervais Williams	2007	1
CF Miton UK Value Opportunities (3)	**290**	704	Andrew Jackson	2013	2
FP Miton Undervalued Assets (4)	**–**	79	n/a	2008	n/a
CF Miton US Opportunities	**238**	129	Nick Ford / Hugh Grieves	2013	1
CF Miton European Opportunities	**82**	2	Carlos Moreno / Thomas Brown	2015	1
	1,714	1,834			
Multi-Asset Funds					
CF Miton Cautious Multi Asset	**368**	315	David Jane / Anthony Rayner	1997	1
CF Miton Defensive Multi Asset	**78**	87	David Jane / Anthony Rayner	1996	2
MI Miton Cautious Monthly Income* (5)	**210**	54	David Jane / Anthony Rayner	2010	1
CF Miton Total Return (6)	**–**	6	n/a	2006	n/a
CF Miton Worldwide Opportunities	**16**	15	Nick Greenwood	2003	2
	672	477			
Investment Trusts					Net Asset Value
The Diverse Income Trust	**351**	351	Gervais Williams / Martin Turner	2011	1
Miton UK MicroCap Trust plc	**94**	59	Gervais Williams / Martin Turner	2015	2
The Investment Company plc	**17**	18	Gervais Williams / Martin Turner	1868	4
Miton Global Opportunities plc	**57**	45	Nick Greenwood	2004	3
	519	473			
	2,905	2,784			

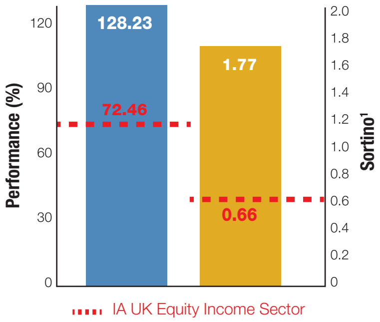
(1) Performance figures are up to 31 December 2016.
(2) Previously called the Miton Income Fund.
(3) Andrew Jackson became the fund manager for the CF Miton UK Value Opportunities Fund with effect from 1 July 2016.
(4) FP Miton Undervalued Assets Fund was merged into the CF Miton UK Value Opportunities Fund on 8 February 2016.
(5) Previously called the PFS Miton Cautious Monthly Income Fund.
(6) CF Miton Total Return Fund was closed on 17 May 2016.
* Denotes a Unit Trust.

"Miton aims to achieve higher long-term fund performance coupled with effective risk management."

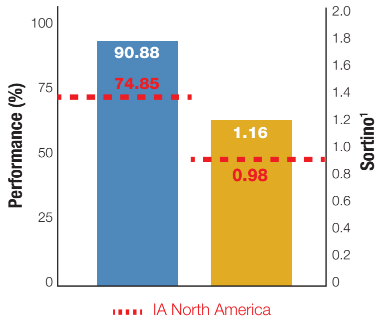
Performance and Sortino ratio of our open ended fund range

The Sortino ratio is similar to the Sharpe ratio, using downside risk rather than standard deviation as the denominator. The Sortino ratio is calculated by subtracting the risk-free rate from the return of the portfolio and then dividing by the downside deviation. Thus, a large Sortino ratio indicates a lower risk. The Sortino ratio measures the return to "bad" volatility, thereby giving investors a measure to assess risk in a better manner than simply looking at excess returns to total volatility.

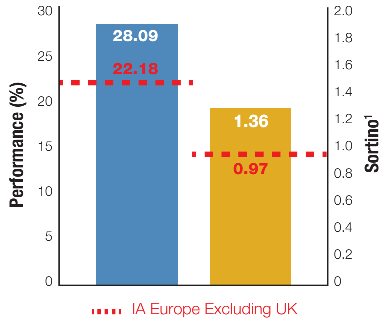
CF Miton UK Multi Cap Income
Performance and Sortino ratio since inception: 14/10/2011 to 31/12/2016



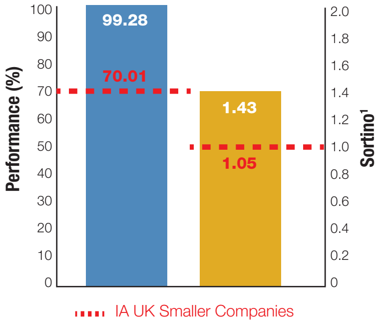
CF Miton US Opportunities
Performance and Sortino ratio since inception: 18/03/2013 to 31/12/2016



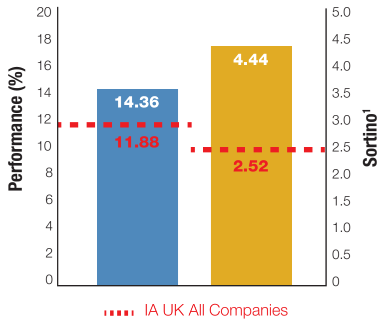
CF Miton European Opportunities
Performance and Sortino ratio since inception: 14/12/2015 to 31/12/2016



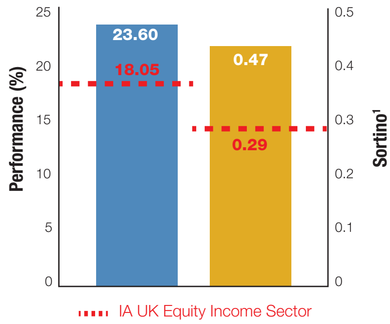
CF Miton UK Smaller Companies
Performance and Sortino ratio since inception: 14/12/2012 to 31/12/2016



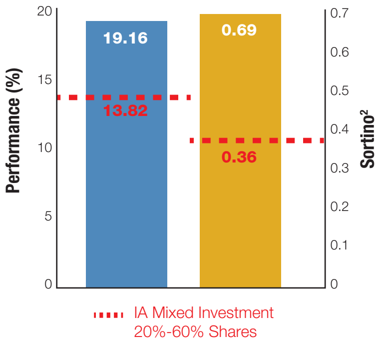
CF Miton UK Value Opportunities
Performance and Sortino ratio since manager tenure: 01/07/2016 to 31/12/2016



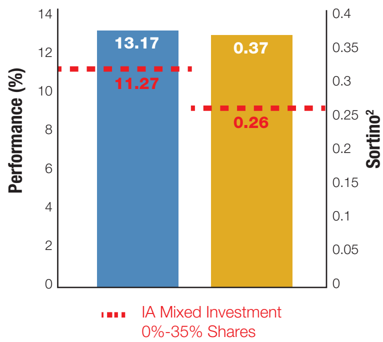
FP Miton Income
Performance and Sortino ratio since manager tenure: 15/07/2014 to 31/12/2016



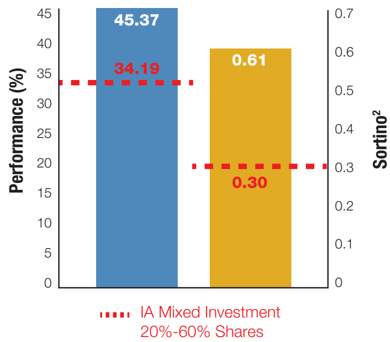
CF Miton Cautious Multi Asset
Performance and Sortino ratio since tenure: 09/06/2014 to 31/12/2016



CF Miton Defensive Multi Asset
Performance and Sortino ratio since tenure: 09/06/2014 to 31/12/2016



MI Miton Cautious Monthly Income
Performance and Sortino ratio since launch: 09/06/2011 to 31/12/2016



Performance
(Total return expressed in £GB)

Sortino ratio

Source: FE Analytics
Risk warning: Past performance is not a guide to future returns. The value of investments may fluctuate which will cause fund prices to fall as well as rise and investors may not get back the original amount invested.

Notes

1. Sortino calculation is based upon the B accumulation share class/units, net income reinvested, and calculated using weekly data points. The final figure noted above is annualised.

2. Sortino calculation is based upon the B accumulation share class/units, net income reinvested, and calculated using monthly data points. The final figure noted above is annualised.

Financial and Operational Review

Results for the year

Average Assets under Management (AuM) for 2016 was £2,783m (2015: £2,319m) representing an increase of 20% for the year. This increase has driven the rise in underlying profitability despite the Group's closing AuM ending the year only 4.3% ahead of the opening position at £2,905m.

Net revenues increased to £19.0m for the year (2015: £15.7m) and Adjusted Profit before tax was £5.1m (2015: £3.0m). Although administration expenses exhibited a similar upward trend, these did not increase at the same pace as Group revenues.

As noted in the half year report, the Group's significant net inflows in the first quarter were offset in the second quarter primarily as a result of outflows experienced on the CF Miton UK Value Opportunities Fund. The second half of the year saw momentum in asset gathering resume, resulting in net inflows for the year of £1m as detailed below.

AuM by asset class

	Opening AuM 1 January 2016 £m	Net Flows £m	Market / investment performance £m	**Closing AuM 31 December 2016 £m**
Equity funds	1,834	(181)	61	**1,714**
Multi-asset Funds	477	154	41	**672**
Investment Trusts	473	28	18	**519**
Total	2,784	1	120	**2,905**

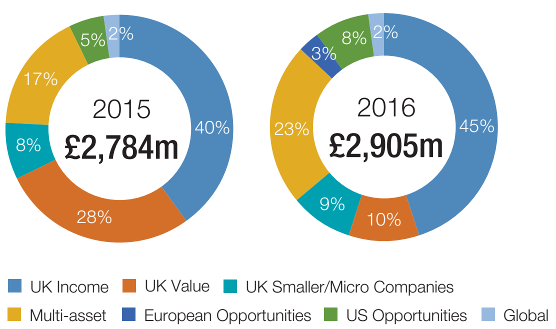
The Group continues to focus on the diversification of the fund range. Pleasingly the European equity strategy launched on 14 December 2015 closed the year at £82m.

The CF Miton US Opportunities Fund continued to deliver first quartile performance as it has done since inception. AuM increased by 85% to end the year at £238m.

The multi-asset funds saw net inflows for the year totalling £154m, of which £152m related to the MI Miton Cautious Monthly Income Fund which saw its assets end the year at £210m.

Looking to 2017, the Group continues to broaden its fund range with the pending launch of a new fund specialising in listed global equity infrastructure assets.

AuM by strategy



Net management fees and margins

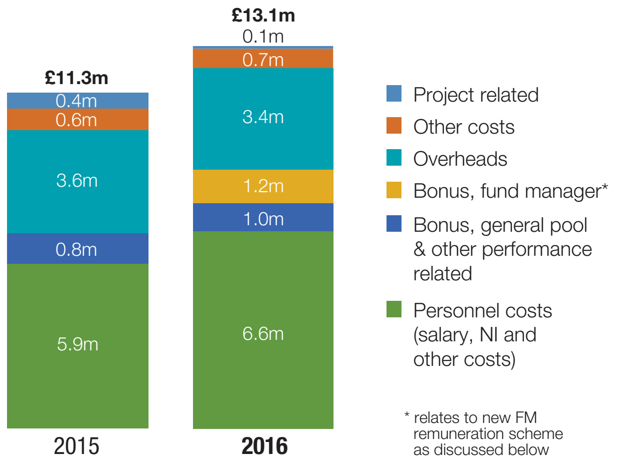
	2016	2015	% growth
Average AuM* (£m)	**2,783**	2,319	20.0
Net management fees (£m)	**19.0**	15.7	21.0
Net management fee margin (bps)	**68.2**	67.7	

* Calculated on a monthly basis based on closing AuM.

Net management fee margin rose slightly to 68.2bps for the year (2015: 67.7bps). The increase continues to reflect the maturing product mix and the higher margin contribution from Investment Trusts managed by the Group.

It is anticipated that these margins will reduce somewhat in future years as the Group continues to diversify and new strategies contribute at lower founder investor margins in their early asset gathering phases.

Administration expenses (excluding share-based payments)



Administration expenses (excluding share-based payments) rose during the year to £13.1m, an increase of 15.9%. This is due largely to the introduction of a new fund manager remuneration scheme (discussed below).

Fixed personnel costs rose to £6.6m due to the addition of a full year of costs for the Group's European equity strategy, changes to the management of the UK value strategy and general increases in base salaries across the Group.

Overheads decreased by 5.6% reflecting a sharpened focus on the cost base in 2016 as a result of the cost review performed in Q4 2015. Included within overheads were recruitment costs totalling £0.4m relating to the Group's continued development and also arising from specific events that occurred during the year.

In 2016 project related costs reduced to £0.1m compared to £0.4m in 2015. The Group continues to streamline the business and build on the progress made in 2015.

Other costs consist principally of depreciation and irrecoverable VAT.

Adjusted Profit and Profit before Tax

	2016 £m	2015 £m
Net revenue	**19.0**	15.7
Administrative expenses	**(13.1)**	(11.3)
Share-based payments	**(0.7)**	(1.2)
VAT adjustment*	**–**	(0.2)
Adjusted Profit before tax	**5.1**	3.0
Amortisation	**(0.3)**	(0.8)
Exceptional costs	**(0.6)**	(0.3)
VAT adjustment*	**–**	0.2
Profit before tax	**4.3**	2.1

* Provision relating to prior year.

The profit before tax of £4.3m (2015: £2.1m) arose after charging exceptional costs of £0.6m arising from the cancellation of the Growth Share Plan (GSP) for those participants who had no accrued value in the scheme as at 30 June 2016. It also includes costs associated with the implementation of the new remuneration structure for the fund management team. In 2015 the exceptional costs of £0.3m resulted from redundancy and associated legal costs.

Share-based payments

The share-based payment expense for the year was £0.7m (2015: £1.2m). The decrease during the year is due to two elements:

1. The forfeiture of awards by employees leaving the Group, resulting in a write-back of the cumulative expense recognised in prior periods totalling £0.43m. Of this, £0.21m is in relation to previous awards under the Management Incentive Plan (MIP) and Management Equity Incentive (MEI) schemes, the balance of £0.22m relates to awards under the GSP.
2. An accelerated charge recognised as an exceptional item for the cancellation of the GSP (which would have normally been included in share-based payments for 2016 and future years). This amounted to a non-cash IFRS 2 charge of £0.48m, shown below.

Reconciliation of share-based payment expense:

	2016 £m	2015 £m
Share-based payment: GSP	**0.85**	0.70
Share-based payment: MEI & MIP	**0.32**	0.54
Forfeiture of awards:	**(0.43)**	(0.04)
Share-based payment expense	**0.74**	1.20
Exceptional item: Acceleration of GSP share-based payment	**0.48**	–

New fund manager remuneration scheme

The GSP has been replaced as the primary mechanism to remunerate each fund manager with a new scheme which allows participants to share in the net revenue generated by their funds. The award in a given year will not exceed 25% of the net revenue generated. Any award under the scheme is adjusted for performance and risk metrics and deducts direct employment costs. A percentage of the award, over a de minimis amount, is required to be invested into funds managed by the Group and released to the participant over a three year deferral period.

With the introduction of the new scheme and more variable cash costs, there will be a reduction in future dilution as well as the resulting non-cash share-based payment expense.

Earnings per share

The adjusted earnings per share of 2.67p shows an increase of 86.7% on 1.43p achieved in 2015. The increase is due primarily to the increase in the Adjusted Profit after tax.

Basic earnings per share was 2.14p (2015: 0.92p).

Diluted adjusted earnings per share of 2.40p (2015: 1.18p) shows a theoretical dilution of 9.5% (2015: 20%) largely as a result of an estimate of the number of Miton Group plc shares which would have been issued if all the outstanding growth shares with accrued value at 31 December 2016 had been converted at that date.

The theoretical dilution has fallen significantly as a result of an exchange notice being served on 100 growth shares during the year and the subsequent issue of plc shares. In addition to this, a team with accrued value in the GSP as at 31 December 2015 departed during the year and as a consequence forfeited their growth shares.

There is also a dilution element arising from the Management Equity Incentive (MEI) and the Management Incentive Plan (MIP) (note 21) where the exercise prices are below the average share price during the year of 27.32p (2015: 25.83p).

Dividend

The Board is proposing to increase the annual dividend by 49.3% to 1.00p per share (2015: 0.67p) payable on 4 May 2017 to shareholders registered as at 31 March 2017. The increase in the dividend reflects the Board's continued confidence in the Group's growth prospects and AuM progression now that the Group's operating platform has been established and the historic structural changes completed.

Balance sheet and cash management

As at the year end the cash balances of the Group were £21.3m (2015: £14.1m). The rise was driven by the increased profitability over the year coupled with positive working capital movements.

The Group believes in maintaining a healthy balance sheet, particularly in light of economic and political changes. The Group has not used capital retained in the business to seed new investment products.

On 22 December 2016 the Group announced that it would be utilising some of its cash resources to mitigate the dilution impact arising from conversions under the GSP. The Group provided an instruction to Peel Hunt to acquire up to 6,606,900 ordinary shares. The buyback commenced in January 2017 and was completed on 23 February 2017. At 15 March 2017 all the shares purchased as part of this process have been cancelled.

Piers Harrison
Chief Operating Officer

Business Overview

The Strategic Report (in accordance with the Companies Act 2006 (Strategy Report and Directors' Report) Regulations 2013) comprises the Chairman's Statement, Product Range, Financial and Operational Review and the Business Overview. Its purpose is to inform shareholders of the performance and position of the Group as well as to outline the direction of the business. The Strategic Report should be used to provide context to the financial statements.

About Miton

Miton Group plc is the AIM listed parent company of the fund management group operating through two FCA regulated companies during the year:

- **Miton Asset Management Limited:** Provides investment management services to all schemes managed by the Group with the exception of the FP Miton Income Fund.
- **Miton Trust Managers Limited:** Provides investment management services to the FP Miton Income Fund and in addition acts as the Alternative Investment Fund Manager ('AIFM') to four investment trusts which the Group manages.

The day-to-day management of the Group during the year was delegated to the Senior Executive Group ('SEG') which consists of the following Senior Managers and meets on a monthly basis:

David Barron	Director of Investment Trusts and Product Strategy
Roger Bennett	Company Secretary and Head of Governance
Ian Dighé	Executive Chairman
Bart Edgar	Director of Finance
Piers Harrison	Chief Operating Officer
Philip Ost	Compliance Officer
Gervais Williams	Senior Executive Director

With effect from 16 March 2017 David Barron will take responsibility as Chief Executive Officer and Ian Dighé will step down from the SEG and become non-executive.

The Group has in place a number of operating committees to manage the ongoing risk of the business. Each operating committee reports to the SEG whilst maintaining appropriate segregation of duties. Please see further detail on page 14.

During 2016 the Group employed 51 (2015: 52) members of staff based at the head office on 6th Floor, Paternoster House, 65 St Paul's Churchyard, London. In addition to this, the Group maintains a fully operational disaster recovery site in Reading.

Strategy

Our goal is relatively simple: "to make more money for more investors through genuinely active investing and a relentless pursuit of exceptional standards". The Group's investment team seek to deliver positive returns in spite of investment challenges and closely manage their volatility with an aim to better sustain performance through market cycles. The fund managers endeavour to be independently minded and to invest according to their convictions. The Group will grow by increasing the AuM of its current funds and by expanding the range of funds and capabilities.

By launching products that are tailored to both changes in investment markets and the significant regulatory and demographic changes in the savings markets, the Board believes the business is well placed to grow. Diversification of the product range will be supplemented by ongoing distribution initiatives to broaden the Group's client base.

Principal risks and uncertainties

The Group faces a range of risks originating both externally and from within the fund management business. The Corporate Governance Statement on page 14 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 operating committees. 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. A risk register is maintained that captures the core identified risks to the Group's business operations and assesses how these risks are managed and mitigated.

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. The Group's funds are invested in a wide range of asset classes under different investment mandates including multi-asset, equity and portfolios of collective investment schemes. Market risk is therefore diversified by managing funds investing in a wide range of asset classes. To the extent that asset classes behave differently in times of higher volatility, the Group's AuM and revenues are likely to be less affected than would be the case in a business more focused on a single asset class.

Key employee risk

The Group's products are managed by a number of fund managers within clearly defined teams. The departure of a fund manager, or team, could result in a loss of revenue for the Group and therefore a loss of profitability due to client redemptions or loss of mandates resulting in a fall of AuM. The Group seeks to diversify its product offering, and therefore revenue stream, in order to address this risk as well as having in place appropriate incentive schemes to retain and reward fund managers. Where appropriate the Group maintains a policy to have two named fund managers on each strategy.

In 2016 the Group redefined its remuneration mechanism for its fund managers as noted on pages 7 and 18.

The Group 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.

Investment performance risk

The Group acknowledges that there may be periods of weaker investment performance (either in a particular fund or generally) that may result in significant investor redemptions. The Group understands that during such periods of under-performance it is more difficult to attract new clients to these strategies and to retain existing AuM. In such a scenario this would impact the ability of the Group to grow its AuM, revenue and profitability. The Board and SEG review investment performance on a regular basis, along with input from the Investment Performance Committee and Product Strategy Committee to assess the Group's mix of products. Regular interaction is also maintained with supporting stakeholders such that they understand the performance of the fund(s) in which they are invested.

Investor concentration risk

A redemption or a series of redemptions by key clients could pose a risk to the Group that may impact net revenue and profit. The resultant loss of AuM caused by a departure of a significant investor may increase the volatility of earnings for the Group. Investors have the ability to withdraw their investment(s) at any point in time. The Group endeavours to diversify its product range and client base in order to lessen the risk of such a scenario.

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 the operational structure are people, information technology and outsourced services. The Group seeks to attract and retain the best qualified individuals.

Key priorities for technology and systems are to maintain operational performance and reliability. 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 arise from legal and regulatory obligations.

The Group may 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 the SEG, supported by the various committees that are in place.

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 the Group remains compliant with legal and regulatory requirements.

Credit risk

The Group is subject to credit risk arising as a result of counterparty exposure in the Group's receivables balances from fund management clients and in relation to cash balances placed with banking institutions. The creditworthiness of all relevant counterparties is monitored closely. A diversification policy is in place in order to allocate significant cash deposits between at least two suitable institutions. The Broker Oversight Committee is responsible for assessing the appropriateness of counterparties transacting on behalf of the funds managed by the Group.

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 unencumbered cash balances in excess of its regulatory capital requirements.

Approved by the Board on 15 March 2017

Roger Bennett
Company Secretary

Board of Directors

Executive Directors serving during 2016:

Ian Dighé, 61

Current role:

Executive Chairman since 2011.

Past roles

Ian was previously a 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 foundations 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

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

Other commitments

Is a director of various private companies and charitable trusts.

Gervais Williams, 58

Current role:

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

Past roles

Gervais has been an equity portfolio manager since 1985. He spent 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

Extensive investment experience particularly in UK smaller companies. He is well versed in AIM listed companies and understands the forces shaping changes to the investment industry. He won Investor of the Year awarded by Grant Thornton at their Quoted Company Dinner in both 2009 and 2010. Gervais is on the EU Taskforce reviewing why the number of smaller IPOs has declined over recent decades. Gervais has published three books: 'Slow Finance', 'The Future is Small' and 'The Retreat of Globalisation' setting out his investment philosophy for the post credit boom world. He was awarded Fund Manager of the Year 2014 by What Investment.

Other commitments

A member of the AIM Advisory Council, on the Board of the Investment Association and Chairman of the Quoted Companies Alliance. He is also advising the government regarding the current Patient Capital Review.

David Barron, 57

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, and a member of the senior management team of the UK business. Before joining Fleming Investment Management in 1995, David worked in corporate finance at Hambros Bank and Merrill Lynch & Co.

Brings to the Board

David has in-depth experience of working with the Boards of Investment Trusts and their shareholders. He has also managed a market-leading asset management business. He was formerly 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

David is a director of Dunedin Income Growth Investment Trust plc and a Member of the Council of Lancaster University.

Piers Harrison, 37

Current role:

Chief Operating Officer since September 2015.

Past roles

Prior to joining Miton in 2013, Piers was Deputy Finance Director and Head of Operational Risk at Neptune Investment Management Ltd. Before that Piers specialised in the financial services sector and in 2008 became a partner in Matterley, a Fund Management business whose interests were acquired by Charles Stanley Group plc in September 2009. He is a Fellow of the Institute of Chartered Accountants in England & Wales, having trained and qualified with Saffery Champness in 2001.

Brings to the Board

Extensive operational and practical experience of the fund management industry and a rigorous approach to operational risk management.

Non-Executive Directors serving during 2016:

Katrina Hart, 42

Current role:

Non-Executive Director since 2011 and Chairman of the Remuneration Committee and a member of the Audit and Nominations 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. She accumulated an in-depth understanding of the dynamic and operational drivers of the fund management industry.

Other commitments

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

Jim Davies OBE DL FRSA, 70

Current role:

Appointed on 24 January 2014 as a Non-Executive Director and appointed Senior Independent Director following the AGM in May 2014 and is 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 based in 18 locations across multiple countries employing over 2,100 people.

Brings to the Board

Outstanding business development and management skills.

Other commitments

Director of a number of private companies and High Sheriff of Merseyside.

Alan Walton, 60

Current role:

Appointed on 14 May 2014 as a Non-Executive Director. Alan is the Deputy Chairman, Chairman of the Audit Committee and Nominations 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

Alan has over 30 years of experience advising and working with companies of all sizes. This provides an understanding of the key issues to be addressed by the Board including strategy and financial reporting. Alan is a Fellow of the Institute of Chartered Accountants in England and Wales.

Company Secretary during 2016:

Roger Bennett, 54

Current role:

Company Secretary since 2007 and responsible for Corporate Governance.

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

Non-Executive Director resignation during 2016:

Lord Wade of Chorlton, 84

Executive Director resignation during 2016:

Ian Chimes, 58

Directors' Report

The directors present their Report and the audited accounts of Miton Group plc (Registered Number 05160210) for the year ended 31 December 2016.

Introduction

The Directors' Report includes the Corporate Governance Statement (pages 14 to 17) and the Directors' Remuneration Report (pages 18 to 20). A review of the Group's business, including the Chairman's Statement, is contained within the Strategic Report (pages 1 to 9) and should be read in conjunction with the Directors' Report. Our financial risk management objectives and policies are disclosed in note 18 to the financial statements.

Principal activities and review of business

The Group provides fund management services and is listed on the London Stock Exchange's AIM market.

Results and dividends

The profit for the year after taxation was £3,248,000 (2015: £1,395,000) as set out in the Consolidated Statement of Comprehensive Income on page 23. The directors recommend the payment of a final dividend of 1.00p (2015: 0.67p) per share payable on 4 May 2017 to shareholders on the share register as at 31 March 2017.

Directors' interests

The complete list of directors during the year can be found on page 10. The directors' beneficial interests in the Company's ordinary share capital are as follows:

	31 December 2016	31 December 2015
David Barron	**280,000**	280,000
Ian Chimes (resigned 03/11/2016)		1,869,387
Jim Davies	**214,827**	209,483
Ian Dighé	**1,015,513**	1,001,809
Piers Harrison	**87,541**	73,694
Katrina Hart	**80,416**	80,416
Lord Wade (resigned 11/01/2016)		1,001,386
Alan Walton	**–**	–
Gervais Williams	**11,757,680**	9,101,073

The total number of shares held by serving directors as at 31 December 2016, excluding equity incentives, is 7.57% (2015: 7.97%) 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 15 March 2017, 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*	19,998,064	11.7
Ruffer LLP	15,115,255	8.9
AXA Investment Managers	13,992,413	8.2
Gervais Williams (Director)	11,759,306	6.9
Gresham House Strategic plc	6,975,000	4.1

* 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.

Events since the balance sheet date

The Company completed a share buyback process during Q1 2017. This is discussed on page 7.

Financial instruments risks

This is discussed in Note 18.

Re-election of Directors

Ian Dighé, Gervais Williams, David Barron, Katrina Hart and Jim Davies have been directors since re-election at the Annual General Meeting held in May 2014. In accordance with the Company's Articles of Association and best practice, they will be retiring as a director at the meeting and offering themselves for re-election. The biographies of the directors offering themselves for re-election are set out on pages 10 to 11 of the Annual Report.

Annual General Meeting

At the Annual General Meeting to be held on 27 April 2017, the directors will seek shareholder approval for the resolutions referred to below. The directors believe that the passing of the proposed resolutions is 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.

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 1.00p per Ordinary 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 midnight 26 July 2018;
- Approval of the Directors' Remuneration Report set out on pages 18 to 20. No entitlement of any director to remuneration is conditional on the resolution being passed.

By order of the Board

Roger Bennett
Company Secretary
15 March 2017

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 mid-sized companies as issued in 2013.

Board composition

At the end of the year and up to 15 March 2017 the Board comprised four executive directors and three independent non-executive directors as set out on pages 10 to 11. From his appointment on 15 February 2011, Ian Dighé has chaired the Board in his capacity as Executive Chairman and acted as Chief Executive.

From 16 March 2017 the Board will comprise of three executive directors and four independent non-executive directors with Ian Dighé moving from Executive to Non-Executive Chairman.

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 ('SEG'). 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 and Committee 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	–	–	1/2
Gervais Williams	6/6	–	–	–
David Barron	6/6	–	–	–
Ian Chimes (resigned on 03/11/2016)	4/5	–	–	–
Piers Harrison	6/6	–	–	–
Jim Davies	5/6	2/2	3/3	2/2
Katrina Hart	6/6	2/2	3/3	2/2
Lord Wade (resigned 11/01/2016)	–	–	–	–
Alan Walton	6/6	2/2	3/3	2/2

Audit Committee

The Audit Committee has been chaired throughout the year by Alan Walton and its membership comprises all non-executive directors. 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 SEG. It reviews the Group's systems of internal control and is responsible for ensuring that the financial statements presented by the Group to its shareholders conform with all legal requirements.

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 believe the Auditors' independence is or has been compromised.

Remuneration Committee

The Remuneration Committee is chaired by Katrina Hart and comprises all the non-executive directors. The executive directors make recommendations to the Board on the Company's framework of executive remuneration and associated costs. 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 18 to 20.

The terms of reference of the Remuneration Committee are published on the Group's website. The Committee is responsible for ensuring the remuneration policies of the Group do not bring about dysfunctional behaviour 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 setting salaries and performance-based rewards.

Nomination Committee

For director appointments a Nomination Committee, chaired by Alan Walton and comprising the non-executive directors and Executive Chairman, 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 controls and for reviewing its effectiveness. This review process is regularly updated and reviewed by the 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 has set up internal operating 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 SEG, 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 normal reporting procedures. The SEG 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 activity is fund management (and acting as an AIFM) 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.

Corporate Governance Statement continued

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 the Group's detailed operations and finance internal controls report;
- Review of detailed management information, which is prepared on a monthly basis by the SEG;
- The Chairman holds regular meetings with all key operating department heads and the executive directors to discuss operational issues; and
- A compliance monitoring team undertakes reviews of detailed control processes on a regular basis and reports to the SEG and the Board on the outcome of such reviews.

Internal audit

The Group believes it has a robust system of internal controls that are regularly reviewed. In addition, the subsidiaries that are regulated by the FCA are subject to an ongoing monitoring process carried out by the Group's Compliance Officer. The Audit Committee considers annually whether it is appropriate to engage an internal audit function and recommends its findings to the Board. 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.

Risk governance framework

Executive decisions for the Group are discussed and approved by the Board. In addition, 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 also 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, report and escalate to the SEG and 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.

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

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 manages and oversees proposed product launches, new business initiatives, product positioning, capacity management and closures to ensure effective execution and management of any associated business risks.

The **Broker Oversight Committee** is responsible for the oversight of all third party brokers transacting on behalf of funds that are managed by the Group.

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

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;
- managing operational risk associated with the Group's business activities;
- ensuring that all business areas consider and where appropriate act upon changes in regulation; and
- ensuring organisation-wide co-ordination, prioritisation and dissemination of risk management to obtain maximum risk mitigation from available resources.

Each non-executive director attends a meeting of the main committees at least once a year in an observational capacity.

Responsible investing

Environmental, Social and Governance (ESG) is an increasingly important element of the Group's activities. Over the past few years investors have been looking more and more for returns that have been achieved through ethical and responsible means. The Group understands its duty to act in the best interests of clients and this includes ensuring investment decisions consider environmental, social and governance issues of the investee companies. Such issues can have negative impacts on an investee company's share price in the long term as well as reputational damage.

The Group is developing and expanding its ESG, focusing on company engagement, analysis and macro research. The Group seeks to embed and integrate ESG criteria into its investment process with a view to enhancing returns for its clients whilst mitigating financial and reputational risk. As a "genuinely active investor" Miton is looking to continue to be genuinely active in this area to achieve positive change and interact with well-governed companies.

Dialogue with shareholders

The directors are available to meet with shareholders to gain 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 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 Finance and Operational Review and Business Overview reports set 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 21.

By order of the Board

Ian Dighé
Executive Chairman
15 March 2017

Directors' Remuneration Report

The members of the Remuneration Committee at the year end were Katrina Hart (Chairman), Alan Walton and Jim Davies. 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

The Group seeks to recruit, motivate and retain suitable directors, senior executives and fund managers. 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 elements, 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.

Fund manager remuneration

From 1 July 2016 the Group introduced a new remuneration scheme for fund managers whereby they will be rewarded according to a percentage share of the net revenues generated by the funds they manage. Base salary and direct employee costs are deducted from the overall share. The scheme has also been intentionally designed to incorporate the investment performance and the level of risk achieved by each strategy. There is a three year deferral period over a minimum threshold level with any deferred amounts subject to standard industry forfeiture conditions. Participants will be required to invest a portion of their deferred element into funds managed by the Group.

As announced in July, the scheme does not involve the issuance of Miton Group plc shares.

The Group believes that its fund managers must actively manage both risk and reward to reflect the needs of underlying customers. The scheme clearly links asset growth, revenue generation and the risk-adjusted investment performance of the Group's products.

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 2016 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 Group'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 the Group's performance in relation to that of its peers.

All staff are appraised against pre-agreed performance criteria relevant to their role. The outcome of the appraisal process is a key criteria when determining an employee's annual discretionary bonus award. The general bonus pool is calculated as being approximately 15% of Adjusted Profit before tax and the general bonus pool.

Variable compensation awards to an employee over a de minimus level are subject to deferral restrictions as approved by the Remuneration Committee.

Management Equity Incentive ('MEI')

During 2016 the Group granted an award over 100,000 ordinary 0.1p shares (2015: seven awards over 2,275,000 ordinary 0.1p shares) which vests subject to continued employment.

No award was made to an executive director in the year (2015: one award totalling 1,250,000).

Robert Clarke, a director who resigned in 2015, held MEI awards over 2,000,000 ordinary 0.1p shares in the Company. Under the terms of his departure Mr Clarke was entitled to exercise options over 1,000,000 shares at an exercise price of 33p and 1,000,000 shares at an exercise price of 50p per share. Both grants were not exercised on or before 30 April 2016 and the rights were forfeited.

Graham Hooper, a director who resigned in 2014, held MEI awards over 2,915,016 ordinary 0.1p shares in the Company. On 30 December 2016 Mr Hooper relinquished his entitlement to exercise the awards for a cash settlement of £100,000.

MEI awards for executive directors	Exercise Price	**2016 Awards over 0.1p ordinary shares**	2015 Awards over 0.1p ordinary shares
Ian Dighé	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
David Barron	50.325p	**750,000**	750,000
	57.1875p	**1,250,000**	1,250,000
Piers Harrison	33p	**1,250,000**	1,250,000
	48.25p	**750,000**	750,000

Management Incentive Plan ('MIP')

The MIP was designed to incentivise executive directors and senior managers of the business.

There were no options under the MIP held by executive directors at the end of the year (2015: Nil).

The aggregate of all MIP awards in issue must not exceed options over 10.2 million 0.1p ordinary shares. During 2016, there were no awards made (2015: 25,000 options to subscribe for 0.1p ordinary shares).

Directors' interests in options

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

Growth Share Plan ('GSP')

As a result of the implementation of the new remuneration structure described above, the Growth Share Plan was discontinued as the principal reward and retention mechanism for new fund managers and for those where no value has been accrued to date. Where a team has accrued value they will retain the Growth Shares and exchange them in accordance with the rules of the scheme after their vesting period.

For those with accrued value under the scheme the GSP allows participants to share in the growth of the relevant profit and Assets under Management ('AuM') for which they are responsible. The mechanism by which this is achieved is through the issue of growth shares in 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. The value of a Growth Share is 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.

On 22 September 2016 100 Growth Shares vested following the publication of the half year report of the Group. Subsequently two participants elected to exercise their right to exchange these Growth Shares for ordinary shares in the Company. As a result the Company allotted 6,606,900 shares at a price of 28.75p per share; of this amount, 2,642,760 shares were allotted to Gervais Williams on 2 December 2016 at a market value of £0.76m. Under the terms of the scheme the shares are to be held by the individual for a period of 12 months from the date of the issue of the shares although this period may be reduced at the discretion of the Board.

As at 31 December 2016 the estimated accrued value of the remaining 200 Growth Shares in issue calculated according to the Plan rules was £5.4m. Of this estimated value, Gervais Williams had an interest of £2.2m.

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.

Directors' Remuneration Report continued

Share Incentive Plan

Executive directors are entitled to participate in the Company Share Incentive Plan, a HMRC approved scheme. During the year four directors participated in the scheme. Under the scheme, participants' contributions by salary sacrifice are matched by the Company, up to a maximum contribution of £1,800 per year.

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	SIP matching shares £000	**2016 Total £000**	2015 Total £000
Executive directors						
Ian Dighé	190	82	21	2	**295**	221
Gervais Williams	208	4	23	2	**237**	199
Robert Clarke (resigned 28/09/2015)	–	–	–	–	**–**	416
David Barron	165	86	19	–	**270**	199
Piers Harrison	180	87	19	2	**288**	63
Ian Chimes (resigned 03/11/2016)	139	5	15	2	**161**	63
Non-executive directors						
Lord Wade (resigned 11/01/2016)	9	–	–	–	**9**	43
Alan Walton	44	–	–	–	**44**	44
Jim Davies	44	–	–	–	**44**	43
Katrina Hart	44	–	–	–	**44**	44
Total	1,023	264	97	8	**1,392**	1,335

Service contracts

The service contracts and letters of appointment of the directors as at 31 December 2016 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
David Barron	3 September 2013	6
Piers Harrison	11 September 2015	12
Non-executive directors		
Alan Walton	14 May 2014	3
Katrina Hart	23 February 2011	3
Jim Davies	24 January 2014	3

Katrina Hart
Chairman, Remuneration Committee
15 March 2017

GOVERNANCE

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 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 International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss 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 and Article 4 of the IAS Regulation. 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 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 23. 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 21, 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 2016 and of its profit 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report. 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 2016.

Matthew Price
(Senior statutory auditor)
For and on behalf of Ernst & Young LLP Statutory Auditor – London
15 March 2017

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 2016

	Notes	2016 £000	2015 £000
Revenue		24,067	22,031
Fees and commission expenses		(5,079)	(6,306)
Net revenue		18,988	15,725
Administration expenses		(13,122)	(11,319)
Share-based payment expense	21	(739)	(1,218)
Amortisation of intangible assets	8	(290)	(768)
Exceptional operating expenses	3(c)	(598)	(317)
Operating profit	3(a)	4,239	2,103
Finance revenue		11	22
Profit for the year before taxation		4,250	2,125
Taxation	6	(1,002)	(730)
Profit for the year after taxation and attributable to equity holders of the parent		3,248	1,395
		pence	pence
Basic earnings per share	7(a)	2.14	0.92
Diluted earnings per share	7(a)	1.92	0.75

No other comprehensive income was recognised during 2016 or 2015. Therefore, the profit for the year is also the total comprehensive income.

The notes on pages 27 to 46 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Notes	Share Capital £000	Share Premium £000	Employee Benefit Trust £000	Treasury Shares £000	Creditors' Reserve £000	Retained Earnings £000	Total £000
At 1 January 2015		171	2,661	(6,294)	(26)	3,057	57,171	56,740
Profit for the year		–	–	–	–	–	1,395	1,395
Release of Treasury shares	19	–	–	43	–	–	–	43
Purchase of Treasury shares	19	–	–	(17)	–	–	–	(17)
Purchase of Employee Benefit Trust Shares	19	–	–	(252)	–	–	–	(252)
Share-based payment	21	–	–	–	–	–	1,218	1,218
Release from Creditors' Reserve		–	–	–	–	(3,057)	3,057	–
Equity dividends paid	20	–	–	–	–	–	(910)	(910)
At 1 January 2016		**171**	**2,661**	**(6,520)**	**(26)**	**–**	**61,931**	**58,217**
Profit for the year		–	–	–	–	–	3,248	3,248
Release of Treasury shares	19	–	–	–	15	–	–	15
Purchase of Employee Benefit Trust Shares	19	–	–	(10)	–	–	–	(10)
Share-based payment	21	–	–	–	–	–	1,215	1,215
Settlement of options	21	–	–	–	–	–	(159)	(159)
Share issues on exchange of Growth Shares	19	7	–	–	–	–	(7)	–
Equity dividends paid	20	–	–	–	–	–	(1,012)	(1,012)
At 31 December 2016		**178**	**2,661**	**(6,530)**	**(11)**	**–**	**65,216**	**61,514**

The notes on pages 27 to 46 form part of these financial statements.

GROUP AND COMPANY FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Goodwill	8	41,070	41,070
Intangible assets	8 & 9	817	1,107
Other investments	12	100	–
Property and equipment	11	86	161
Deferred tax asset	6(d)	44	61
		42,117	42,399
Current assets			
Trade and other receivables	14	2,415	4,620
Cash and cash equivalents	15	21,288	14,073
		23,703	18,693
Total assets		65,820	61,092
Current liabilities			
Trade and other payables	16	(3,953)	(2,554)
		(3,953)	(2,554)
Non-current liabilities			
Provisions	17	(187)	(89)
Deferred tax liability	6(d)	(166)	(232)
		(353)	(321)
Total liabilities		(4,306)	(2,875)
Net assets		61,514	58,217
Equity			
Share capital	19	178	171
Share premium		2,661	2,661
Employee Benefit Trust	19(a)	(6,530)	(6,520)
Treasury shares	19(b)	(11)	(26)
Retained earnings		65,216	61,931
Total equity shareholders' funds		61,514	58,217

Ian Dighé
Executive Chairman
15 March 2017

The notes on pages 27 to 46 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Operating activities			
Profit for the year after taxation		3,248	1,395
Adjustments to reconcile profit to net cash flow from operating activities:			
Tax on continuing operations	6(a)	1,002	730
Finance revenue		(11)	(22)
Depreciation	11	86	88
Loss on disposal of fixed assets		1	3
Amortisation of intangible assets	8	290	768
Share-based payment expense	21	1,215	1,218
Decrease/(increase) in trade and other receivables		1,661	(1,205)
Increase/(decrease) in trade and other payables		934	(357)
Increase/(decrease) in provisions	17	98	(171)
Cash generated from operations		8,524	2,447
Income tax paid		(42)	(1,346)
Net cash flow from operating activities		8,482	1,101
Investing activities:			
Interest received		11	22
Purchase of property and equipment	11	(12)	(36)
Purchase of other investments	12	(100)	–
Acquisition of Darwin Investment Managers Limited		–	(420)
Purchase of Matterley management contract	9	–	(650)
Net cash flow from investing activities		(101)	(1,084)
Financing activities:			
Purchase of Treasury shares		-	(17)
Release of Treasury shares		15	43
Purchase of Employee Benefit Trust shares		(10)	(252)
Settlement of options		(159)	–
Dividend paid	20	(1,012)	(910)
Net cash flow from financing activities		(1,166)	(1,136)
Increase/(decrease) in cash and cash equivalents		7,215	(1,119)
Cash and cash equivalents at the beginning of the year		14,073	15,192
Cash and cash equivalents at the end of the year	15	21,288	14,073

The notes on pages 27 to 46 form part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2016

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 2016 were authorised for issue by the Board of directors on 15 March 2017 and the Consolidated Statement of Financial Position 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 2016.

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, the directors 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 2016, 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 2016.

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.

The Group controls an investee if, and only if, the Group has:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect returns.

Functional currency

The functional and presentation currency of Miton Group plc is Sterling (£).

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. Fund management revenue represents management and advisory fees for the provision of fund management and investment management services.

Management fees receivable are 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. As at the year end the Group no longer has any funds which earn performance fees.

2. Accounting policies continued

Segmental reporting

The Group has only one operating segment, fund management, which is derived from clients in the United Kingdom and Europe. Therefore, no segmental reporting is presented. 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 at least 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 Consolidated Statement of Comprehensive Income. The carrying amount of goodwill is taken into account when determining the gain or loss on disposal of the related CGU.

Intangible assets

Intangible assets acquired separately are recorded at cost and those identified in a business acquisition are capitalised at the 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

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 non-financial 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.

2. Accounting policies continued

Financial assets

The Group classifies its financial assets at initial recognition as loans and receivables.

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

(i) Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their transaction price and present values of estimated cash flows. 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 cash equivalents 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 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 re-translated at the functional currency exchange rate ruling at the balance sheet date and differences are recognised in the profit and loss.

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 other comprehensive income (OCI).

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 payments

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 elapsed 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, 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.

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.

2 Accounting policies continued

Subsequent measurement

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

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 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 2018
IFRS 16	Leases	1 January 2019

The Group does not expect these standards to have any material effect on the Group when they are adopted, except for IFRS 16.

IFRS 16 'Leases' was issued on 13 January 2016 and replaces IAS 17 'Leases'. IFRS 16 requires that all operating leases in excess of one year, where the Group is the lessee, are included on the Group's balance sheet. The Group will be required to recognise a right-of-use (ROU) asset and a lease liability (representing the obligation to make lease payments). The ROU asset will be amortised on a straight-line basis with the lease liability being amortised using the effective interest method. IFRS 16 contains optional exemptions for both short-term leases (leases of less than 12 months) and for small-value leases. The Standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the entity adopting IFRS 15 at the same time. The Group is currently assessing the impact of IFRS 16 on its financial statements.

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 and estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Impairment of non-financial assets

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 assesses whether there are any indicators of impairment for goodwill and non-financial assets at each reporting date.

The Group's impairment test for goodwill and, where applicable, 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 10.

(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 21.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2016

3. Group operating profit

(a) Operating profit is stated after charging:

	Notes	2016 £000	2015 £000
Auditors' remuneration	3(b)	**170**	241
Staff costs	5	**9,486**	7,634
Operating lease rentals – land and buildings	22	**487**	606
Depreciation	11	**86**	88
Loss on disposal of fixed assets	11	**1**	3
Amortisation of intangible assets	8	**290**	768
Exceptional operating expenses	3(c)	**598**	317

The operating lease rental charged to the Consolidated Statement of Comprehensive Income includes the service charges associated with each lease.

(b) Auditors' remuneration

The remuneration of the auditors is analysed as follows:

	2016 £000	2015 £000
Audit of the consolidated financial statements	**40**	77
Audit of the Company's subsidiaries	**77**	70
	117	147
Other fees to auditors — tax compliance services	**38**	41
— tax advisory services	**7**	32
— other assurance services	**8**	21
	170	241

(c) Exceptional operating expenses

	2016 £000	2015 £000
Group restructuring costs	**–**	317
New fund manager remuneration plan — implementation costs	**123**	–
— acceleration of share-based payment (non-cash)	**475**	–
	598	317

The exceptional costs in 2016 totalling £598,000 arose from the cancellation of the GSP for those participants who had no accrued value in the scheme as at 30 June 2016 along with costs associated with the implementation of the new remuneration structure for the fund management team.

Restructuring costs in 2015 represented £312,000 of redundancy costs and £5,000 of associated legal costs.

4. Directors' emoluments

	2016 £000	2015 £000
Aggregate emoluments	**1,392**	1,335

The total remuneration paid to the directors who served during the year is disclosed in the Directors' Remuneration Report on page 18.

5. Staff numbers and costs

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

	2016 No.	2015 No.
Fund management	**13**	13
Central staff	**38**	39
	51	52

The aggregate payroll costs were as follows:

	2016 £000	2015 £000
Basic salaries – fund management	**2,060**	1,499
Basic salaries – central staff	**3,102**	2,933
Performance related cash payments – fund management	**1,212**	252
Performance related cash payments – central staff	**1,047**	554
Share-based payment expense	**739**	1,218
	8,160	6,456
Social security	**1,000**	807
Pensions	**326**	371
	9,486	7,634

6. Taxation

(a) Tax recognised in the Consolidated Statement of Comprehensive Income

	2016 £000	2015 £000
Current income tax		
UK corporation tax	**1,091**	825
Tax over provided in previous years	**(40)**	(29)
Total current income tax charge	**1,051**	796
Deferred tax		
Origination and reversal of temporary differences (note 6(d))	**(49)**	(66)
Total deferred tax credit	**(49)**	(66)
Income tax charge reported in the Consolidated Statement of Comprehensive Income	**1,002**	730

6. Taxation continued

(b) Reconciliation of the total income tax charge

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

	2016 £000	2015 £000
Profit before taxation	4,250	2,125
Profit multiplied by the weighted average standard rate of corporation tax in the UK of 20% (2015: 20.25%)	850	430
Expenses not deductible for tax purposes	117	59
Accelerated capital allowances	–	134
Tax over provided in prior years	(40)	(29)
Other temporary differences	75	136
Total tax charge (note 6(a))	1,002	730
Income tax charge reported in the Consolidated Statement of Comprehensive Income	1,002	730

(c) 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 21. 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.

(d) Deferred tax

The deferred tax asset included in the Consolidated Statement of Financial Position is as follows:

	2016 £000	2015 £000
Deferred tax asset		
Share-based payments	44	27
Trading losses	–	34
	44	61

The deferred tax liability included in the Consolidated Statement of Financial Position is as follows:

	2016 £000	2015 £000
Deferred tax liability		
Fair value of intangible assets on acquisition	164	218
Accelerated capital allowances	2	14
	166	232

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

	2016 £000	2015 £000
Amortisation and impairment of acquired intangible assets	–	(94)
Accelerated capital allowances	(12)	(15)
Utilisation of brought forward losses	34	56
Movement in intangible assets	(54)	(2)
Share-based payments	(17)	11
	(49)	(66)

7. Earnings per share

Basic earnings per share is calculated by dividing the 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.

The weighted average of issued ordinary share capital of the Company is reduced by the weighted average number of shares held by the Group's Employee Benefit Trust. These shares have waived their dividend rights (note 19a).

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

In January 2017 the Group undertook a share buyback that was completed on 23 February 2017. The Group acquired a total of 6,606,900 ordinary shares and as at 15 March 2017 these shares had been cancelled.

(a) Reported earnings per share

Reported basic earnings per share has been calculated as follows:

	2016			2015		
	Profit £000	**Shares No.**	**Basic earnings per share pence**	Profit £000	Shares No.	Basic earnings per share pence
Profit attributable to ordinary equity shareholders of the parent company for basic earnings	**3,248**			1,395		
Basic earnings per share	**3,248**	**152,037,715**	**2.14**	1,395	151,653,458	0.92

Diluted earnings per share has been calculated as follows:

	2016			2015		
	Profit £000	**Diluted Shares No.**	**Diluted earnings per share pence**	Profit £000	Diluted Shares No.	Diluted earnings per share pence
Profit attributable to ordinary equity shareholders of the parent company for diluted earnings	**3,248**			1,395		
Diluted earnings per share	**3,248**	**169,165,834**	**1.92**	1,395	184,819,738	0.75

Reconciliation of weighted average number of ordinary shares:

	2016 Shares No.	2015 Shares No.
Weighted average number of ordinary shares for basic EPS*	**152,037,715**	151,653,458
Effects of dilution from share options	**17,128,119**	33,166,280
Weighted average number of ordinary shares adjusted for the effect of dilution*	**169,165,834**	184,819,738

*The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the 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:

	2016 £000	2015 £000
Profit before taxation for the year	**4,250**	2,125
Add back:		
Exceptional operating expenses	**598**	317
Amortisation	**290**	768
VAT provision relating to prior years	**–**	(185)
Adjusted Profit before tax	**5,138**	3,025
Taxation:		
Tax charge in the Consolidated Statement of Comprehensive Income	**(1,002)**	(730)
Tax effect of adjustments	**(81)**	(119)
Adjusted Profit after tax for the calculation of Adjusted earnings per share	**4,055**	2,176

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

	2016 pence	2015 pence
Adjusted earnings per share	**2.67**	1.43

Diluted Adjusted earnings per share was as follows:

	2016 pence	2015 pence
Diluted Adjusted earnings per share	**2.40**	1.18

The dilution arises largely as a result of the Miton Group plc shares which would be issued if all the Growth Share Plan shares with an accrued value at 31 December 2016, which will not fully vest until September 2018, had vested and had been exchanged into Miton Group plc ordinary shares at 31 December 2016. Please also see note 21 on page 42.

8. Intangible assets

	Intangible assets arising on acquisition £000	**Acquired software £000**	**Subtotal £000**	**Goodwill £000**	**Total £000**
Cost					
At 1 January 2015	6,561	151	6,712	100,988	107,700
Additions	300	–	300	–	300
At 31 December 2015	6,861	151	7,012	100,988	108,000
Additions	–	–	–	–	–
At 31 December 2016	**6,861**	**151**	**7,012**	**100,988**	**108,000**
Amortisation and impairment					
At 1 January 2015	5,006	131	5,137	59,918	65,055
Amortisation during the year	758	10	768	–	768
At 31 December 2015	5,764	141	5,905	59,918	65,823
Amortisation during the year	280	10	290	–	290
At 31 December 2016	**6,044**	**151**	**6,195**	**59,918**	**66,113**
Net book value:					
At 31 December 2016	**817**	**–**	**817**	**41,070**	**41,887**
At 31 December 2015	1,097	10	1,107	41,070	42,177

9. 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 & Co. Limited.

Fair value of consideration payable	£000
Cash paid on completion	750
Final cash paid on 11 December 2015	650
Total consideration paid	1,400

The management contract was initially measured at fair value in the financial statements as an intangible asset and amortised over an estimated useful life of five years on a straight-line basis.

10. Impairment of goodwill and intangible assets

The Group has determined that as at 31 December 2016 it had one (2015: 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 2016. 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 2017-2021 is based on the 2017 budget and forecasts for 2018-2021. 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% (2015: 3%). To arrive at the net present value, cash flows have been discounted using a discount rate of 13.0% (2015: 13.4%). 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 17.3% 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 9.54% and would need to reduce to 6.5% per annum for the estimated recoverable amount to equal the carrying value.

11. Property and Equipment

	Leasehold improvements £000	Furniture and equipment £000	Total £000
Cost			
At 1 January 2015	19	350	369
Additions	25	11	36
Disposals	–	(7)	(7)
At 31 December 2015	44	354	398
Additions	–	12	12
Disposals	–	(36)	(36)
At 31 December 2016	**44**	**330**	**374**
Depreciation			
At 1 January 2015	11	142	153
Provided during the year	8	80	88
Disposals	–	(4)	(4)
At 31 December 2015	19	218	237
Provided during the year	11	75	86
Disposals	–	(35)	(35)
At 31 December 2016	**30**	**258**	**288**
Net book value:			
At 31 December 2016	**14**	**72**	**86**
At 31 December 2015	25	136	161

12. Other Investments

Cost and net book value	Other investments £000
At 1 January 2016	–
Additions during the year	100
At 31 December 2016	**100**

Other investments consist of management shares in two investment trusts managed by the Group. The shares are non-voting and non-redeemable, upon a winding-up or on a return of capital of the underlying Trust the Group shall only receive the fixed amount of capital paid upon such shares and no right to any surplus capital or assets belonging to the Trust will be conferred.

13. 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	Country of incorporation and registered office
FCA regulated investment companies	Miton Asset Management Limited	Paternoster House, London, EC4M 8AB, England
	Miton Trust Managers Limited	Paternoster House, London, EC4M 8AB, England
Holding company and central services provider	Miton Group Service Company Limited *	Paternoster House, London, EC4M 8AB, England
Intermediate holding company	PSigma Asset Management Holdings Limited	Paternoster House, London, EC4M 8AB, England
Trustee company	Miton ESOP Trustee Limited *	Paternoster House, London, EC4M 8AB, England
Non-trading companies	Miton Investment Company Limited *(dormant)* *	Paternoster House, London, EC4M 8AB, England
	Miton Capital Limited *(dormant)* *	Paternoster House, London, EC4M 8AB, England
	MAM Funds Limited *(dormant)* *	Paternoster House, London, EC4M 8AB, England
	Darwin Investment Managers Limited *(placed in solvent members' voluntary liquidation)*	*40 Bank Street, London, E14 5NR, England*
	PSigma Asset Management Limited *(placed in solvent members' voluntary liquidation)*	*40 Bank Street, London, E14 5NR, England*
	Miton (Hong Kong) Limited *(placed in solvent members' voluntary liquidation)*	*18 Westlands Road, Hong Kong*

All entities are 100% owned and registered in England and Wales except for Miton (Hong Kong) Limited, which is registered in Hong Kong.

* Directly held subsidiaries of Miton Group plc.

14. Trade and other receivables

	2016 £000	2015 £000
Trade receivables	**1,683**	3,432
Prepayments	**445**	518
Other receivables	**287**	126
Income tax receivable	**–**	544
	2,415	4,620

15. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	**21,288**	14,073

16. Trade and other payables

	2016 £000	2015 £000
Trade payables	496	199
Other taxation and social security	276	213
Accruals	2,634	1,587
Other payables	82	555
Income tax payable	465	–
	3,953	2,554

17. Provisions

Current	Total £000
At 1 January 2015	260
Utilised	(32)
Released	(228)
At 1 January 2016 and 31 December 2016	–

Non-current	
At 1 January 2015	–
Provided	89
At 1 January 2016	89
Provided	98
At 31 December 2016	187

Non-current provisions relate to dilapidations for the offices at 6th Floor, Paternoster House, London.

18. 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;
- Foreign exchange risk; and
- Interest rate 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.

a. 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 with sufficient liquid assets 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. No trade receivables are past the due date or impaired at the year end.

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.

18. Financial risk management objectives and policies continued

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	Notes	2016 £000	2015 £000
Trade receivables	14	1,683	3,432
Other receivables	14	287	126
Cash and cash equivalents	15	21,288	14,073
		23,258	17,631

Fair value measurement

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

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 1 to 9.

b. 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 2016	<6 months £000	6–12 months £000	12–18 months £000	>18 months £000
Undiscounted maturity of liabilities	3,953	–	–	–
As at 31 December 2015				
Undiscounted maturity of liabilities	2,554	–	–	–

c. 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 single strategy and multi-asset equity portfolios. At 31 December 2016 UK and global equities represented 78% (2015: 83%) of the Group's aggregated assets under management. Approximately 5% (2015: 6%) related to cash and currencies and 10% (2015: 8%) to bonds. The remainder was invested in property, alternative investments and resources. If the value of the equity component of aggregated holdings was to reduce by 10% (2015: 10%) in value, the impact on net revenue over 12 months would be a reduction of £1.5m (2015: £1.5m).

d. Foreign exchange risk

At 31 December 2016 the Group held the equivalent of £15,000 of cash denominated in foreign currency (2015: £6,000) and as such is not exposed to significant foreign exchange risk.

e. Interest rate risk

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

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).

18. Financial risk management objectives and policies continued

Regulatory capital requirements continued

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 £61,514,000 (2015: £58,217,000).

19. Share capital

Authorised:	2016 £000	2015 £000
250,000,000 ordinary shares of 0.1 pence each	250	250

Allotted, called up and fully paid: No. of shares	2016 ordinary shares 0.1 pence each No. 000	2015 ordinary shares 0.1 pence each No. 000
At 1 January	170,921	170,921
Issued on exchange of Growth Shares	6,607	–
At 31 December	177,528	170,921

Allotted, called up and fully paid: Value of shares	2016 ordinary shares 0.1 pence each £000	2015 ordinary shares 0.1 pence each £000
At 1 January	171	171
Issued on exchange of Growth Shares	7	–
At 31 December	178	171

On 30 September 2016 an employee elected to exercise his right to exchange 60 FMU B Growth Shares in Miton Group Service Company Ltd for ordinary shares in the Company. As a result of the exchange the Company allotted 3,964,140 shares at a price of 28.75p per share.

On 2 December 2016 Gervais Williams, a director of the Company, elected to exercise his right to exchange 40 FMU B Growth Shares in Miton Group Service Company Limited for ordinary shares in the Company. As a result of the exchange the Company allotted 2,642,760 shares at a price of 28.75p per share.

After the year end the Group completed a share buyback exercise. See note 23 for further detail.

(a) Employee Benefit Trust ('EBT')

19,998,064 (2015: 19,930,572) shares are held by the Group's employee benefit trust, of which 13,845,048 (2015: 19,898,064) shares relate to MEI awards and 6,153,016 (2015: 32,508) shares relate to MEI awards which have lapsed, been cancelled or forfeited. The EBT has not been consolidated in the Group's financial statements, the cost of the shares held of £6.53m (2015: £6.52m) (equating to average 32.65p per share (2015: average 32.71p per share)) has been disclosed as Employee Benefit Trust shares in the Consolidated Statement of Changes in Equity and the Consolidated Statement of Financial Position.

19. Share capital continued

(b) Treasury shares

40,969 (2015: 91,379) 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 Statement of Financial Position. The fair value of the treasury shares held was £0.011m (2015: £0.026m).

20. Dividends paid and proposed

	2016 £000	2015 £000
Final dividend for 2016 — 0.67p per share (2015: 0.60p)	**1,012**	910

Dividend on ordinary shares proposed for approval by shareholders (not recognised as a liability at the Consolidated Statement of Financial Position date) based on eligible holders at 15 March 2017:

	2016 £000	2015 £000
Final dividend for 2017 — 1.00p per share (2016: 0.67p)	**1,509**	1,012

21. Share-based payment

Current schemes

The Group has share-based payment transactions in respect of services receivable from certain employees by granting the right to options over shares, subject to certain vesting conditions and exercise prices. The Group accounts for these schemes as equity-settled share-based payments and are summarised below and in the Directors' Remuneration Report on page 18.

The fair value of the awards granted is recognised as an expense over the appropriate performance and vesting period. The corresponding credit is recognised in retained earnings within total equity.

2016	Management Equity Incentive ('MEI')	Management Incentive Plan ('MIP')	Total number of equity incentives	Weighted average exercise price (p)
Reference	(i)	(ii)		
Outstanding at 1 January	19,898,064	1,785,000	21,683,064	38.93
Granted during the year	100,000	–	100,000	33.00
Cancelled during the year	–	(450,000)	(450,000)	10.00
Settled during the year	(2,915,016)	(400,000)	(3,315,016)	33.96
Forfeited during the year	(3,238,000)	(75,000)	(3,313,000)	38.10
Outstanding at 31 December	**13,845,048**	**860,000**	**14,705,048**	**41.08**
Exercisable at 31 December	**8,745,048**	**530,000**	**9,275,048**	**39.84**

2015	MEI	MIP	Total number of equity incentives	Weighted average exercise price (p)
Reference	(i)	(ii)		
Outstanding at 1 January	17,623,064	1,760,000	19,383,064	39.64
Granted during the year	2,275,000	25,000	2,300,000	32.91
Outstanding at 31 December	19,898,064	1,785,000	21,683,064	38.93
Exercisable at 31 December	9,287,540	500,000	9,787,540	34.83

The average market share price for 2016 was 27.32p (2015: 25.83p).

21. 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 2016 and changes during 2016 is shown below:

	2016	2015
Reference	**(iii)**	(iii)
Outstanding at 1 January	**975**	900
Granted during the year	**100**	75
Forfeited during the year due to cessation of employment *	**(300)**	–
Discontinued during the year, ownership transferred *	**(470)**	–
Discontinued during the year, ownership transferred after the year end	**(5)**	–
Exchanged during the year, post vesting on 22 September *	**(100)**	–
Outstanding at 31 December	**200**	975
Vested at 31 December	**–**	–

* Held by Miton Group plc at 31 December 2016.

The above table refers to the movement in the 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 occurs. For further information, please refer to the Directors' Remuneration Report on page 18. The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2016 was £739,483 (2015: £1,217,400), of which £635,169 related to the GSP (2015: £695,610). This expense was in respect of equity-settled share awards only, as the Company has no cash-settled share options. An exceptional non-cash cost of £475,258 (2015: £Nil) was recognised in 2016 as a result of discontinuing the GSP. The total charge for equity-settled share-based payments for 2016 therefore amounted to £1,214,741.

(i) Management Equity Incentive ('MEI')

The MEI is designed to incentivise executive directors and managers of the business. During 2016 the Group granted an award over 100,000 ordinary 0.1p shares (2015: seven awards over 2,275,000 ordinary 0.1p shares) which will vest subject to market and non-market conditions.

The fair value of awards granted under the MEI is estimated as at the date of grant using the Black–Scholes model with assumptions for dividend yields, share price and composite volatility, as set out below. The fair value of options granted in the year was £6,488 (2015: £132,000), of which £1,427 was charged to the Consolidated Statement of Comprehensive Income in the year (2015: £10,000).

Awards over 3,238,000 ordinary 0.1p shares were forfeited during the year (2015: Nil) by employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for prior periods was reduced by £204,132 (2015: Nil) in accordance with accounting standards.

Robert Clarke, a director who resigned in 2015, held MEI awards over 2,000,000 ordinary 0.1p shares in the Company. Under the terms of his departure Mr Clarke was entitled to exercise options over 1,000,000 shares at an exercise price of 33p and 1,000,000 shares at an exercise price of 50p per share. Both grants were not exercised on or before 30 April 2016 and the rights were forfeited.

Mr Hooper, a director who resigned in 2014, held MEI awards over 2,915,016 ordinary 0.1p shares in the Company during the year. On 30 December 2016 he relinquished his entitlement to exercise the awards for a cash settlement of £100,000.

(ii) Management Incentive Plan ('MIP')

The MIP is designed to incentivise executive directors and managers of the business. During 2016 the Group granted no awards (2015: one award over 25,000 ordinary 0.1p shares) which will only vest subject to market and non-market conditions. The aggregate of all MIP awards cannot exceed options over 10.2 million 0.1p ordinary shares. No MIP awards were exercised in 2016 (2015: Nil).

The fair value of awards granted under the MIP is estimated as at the date of grant using the Black–Scholes model with assumptions, dividend yields, share price and composite volatility as set out below. The fair value of options granted in the year was £Nil (2015: £5,000), of which £Nil was charged to the Consolidated Statement of Comprehensive Income in the year (2015: £2,000).

Awards over 450,000 ordinary 0.1p shares were cancelled during the year (2015: Nil) as a result of employees leaving the Group after the awards had vested.

21. Share-based payment continued

(ii) Management Incentive Plan ('MIP') continued

Awards over 75,000 ordinary 0.1p shares (2015: Nil) were forfeited during the year by employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for prior periods was reduced by £8,666 in accordance with accounting standards.

On 13 April 2016 one employee relinquished his rights to awards which had vested over 400,000 ordinary 0.1p shares for a cash settlement of £58,616.

After the year end on 12 January 2017 the Group granted MEI awards to several employees over 250,000 ordinary 0.1p shares in the Company. The awards have an exercise price of 35.2p and all vest subject to continued employment on 31 December 2019.

(iii) Growth Share Plan ('GSP')

On 15 January 2016, awards over 100 growth shares were granted (2015: 75), which have now been subsequently cancelled by the Group. From 1 July 2016 the GSP was discontinued for new fund managers and for those where no value has been accrued to date.

The fair value of the remaining growth shares has 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 accordance with the table outlined below assuming profitability has been achieved and AuM has increased in the relevant Fund Management Unit ('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 Miton Group 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 £93,000 (2015: £102,000), of which £93,000 was charged to the Consolidated Statement of Comprehensive Income in the year (2015: £11,000).

Exercise dates of outstanding equity incentives

Exercise dates	MIP	MEI	Total
Exercisable up to 18/05/2021 @ 10p per share	100,000	–	100,000
Exercisable up to 09/05/2018 @ 33p per share	–	4,372,524	4,372,524
Exercisable between 13/03/2016 and 07/07/2023 @ 10p per share	300,000	–	300,000
Exercisable between 21/03/2016 and 10/05/2019 @ 50p per share	–	4,372,524	4,372,524
Exercisable between 07/12/2016 and 07/12/2023 @ 20p per share	130,000	–	130,000
Exercisable between 31/03/2017 and 10/05/2021 @ 48.25p per share		750,000	750,000
Exercisable between 31/03/2017 and 10/05/2021 @ 50.325p per share	–	750,000	750,000
Exercisable between 06/04/2017 and 06/04/2024 @ 35p per share	200,000	–	200,000
Exercisable between 01/05/2017 and 01/05/2024 @ 35p per share	130,000	–	130,000
Exercisable between 31/03/2018 and 10/05/2021 @ 57.1875p per share	–	1,250,000	1,250,000
Exercisable between 31/03/2019 and 10/05/2024 @ 33p per share	–	2,250,000	2,250,000
Exercisable between 31/03/2019 and 10/05/2025 @ 33p per share	–	100,000	100,000
	860,000	**13,845,048**	**14,705,048**

21. 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 2017 and October 2029	100
Convertible between September 2018 and October 2030	100
	200

At 31 December 2016 all options that were outstanding can be summarised within a range of exercise prices as follows:

	2016			2015		
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
1p to 50p	**12,705,048**	**3.34**	**38.95p**	19,638,064	3.84	37.33p
50.01p to 100p	**2,000,000**	**4.35**	**54.61p**	2,000,000	5.36	54.61p
Weighted average	**14,705,048**	**3.48**	**41.08p**	21,683,064	3.98	38.93p

Management Equity Plan ('MEI')

The fair value of the award granted in 2016 was based on the following assumptions:

	Award
Grant date	1 April 2016
Number of options granted	100,000
Share price at grant date	32.5p
Annualised volatility	34%
Risk free interest rate at award date	0.88%
Expected dividend yield	2.1%
Term to vesting from grant date	36 months
Exercise price	33p
Expected life of option from grant date	3 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 calculated using daily returns over a one year period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the 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 30 year UK Government bond rate.

21. Share-based payment continued

Growth Share Plan ('GSP')

The fair value of the awards granted in 2016 was based on the following assumptions:

Grant date	15 January 2016
Number of growth shares issued	100
Annualised volatility	12.7%
Risk free interest rate at award date	2.631%
Discount rate	17.5%
Minimum term to vesting from grant date	30 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 2016 was 32.25p (2015: 27.0p). The mid-market value varied between 21.25p and 34.75p (2015: 18.75p and 30.0p) per share during the year.

22. Obligations under non-cancellable operating leases

At 31 December 2016 the Group had future commitments under non-cancellable operating leases for land and buildings and office equipment as set out in the periods below:

	2016 £000	2015 £000
Not more than one year	**391**	417
After one year but not more than five years	**360**	683
	751	1,100

23. Subsequent events after the reporting period

In January 2017 the Group undertook a share buyback that was completed on 23 February 2017. The Company acquired a total of 6,606,900 ordinary shares and as at 15 March 2017 these shares had been cancelled.

Company Financial Statements

31 December 2016

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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 financial statements of Miton Group plc for the year ended 31 December 2016 which comprise the Company Statement of Changes in Equity, Company Statement of Financial Position and the related notes 1 to 15. 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) including Financial Reporting Standard 102, the Financial Reporting Standard applicable to the UK and Republic of Ireland.

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 Statement of Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on 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 financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company's affairs as at 31 December 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; 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, based on the work undertaken in the course of the audit:

- 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 financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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 2016.

Matthew Price
(Senior statutory auditor)
For and on behalf of Ernst & Young LLP Statutory Auditor – London
15 March 2017

Company Statement of Changes in Equity

for the year ended 31 December 2016

	Share Capital £000	Share Premium £000	Employee Benefit Trust £000	Treasury Shares £000	Merger Reserve £000	Creditors' Reserve £000	Retained Earnings £000	Total £000
As at 1 January 2015	171	2,661	(6,294)	(26)	5,658	3,057	22,298	27,525
Adjustment on correction of share-based payments (Note 1.2)	–	–	–	–	–	–	217	217
As at 1 January 2015 (restated*)	171	2,661	(6,294)	(26)	5,658	3,057	22,515	27,742
Profit for the year after tax	–	–	–	–	–	–	420	420
Equity dividends paid	–	–	–	–	–	–	(910)	(910)
Release of Treasury Shares	–	–	43	–	–	–	–	43
Purchase of Treasury Shares	–	–	(17)	–	–	–	–	(17)
Purchase of Employee Benefit Trust Shares	–	–	(252)	–	–	–	–	(252)
Adjustment on correction of share-based payments (Note 1.2)	–	–	–	–	–	–	696	696
Share-based payment	–	–	–	–	–	–	521	521
Release from creditors' reserve	–	–	–	–	–	(3,057)	3,057	–
At 1 January 2016 (restated*)	**171**	**2,661**	**(6,520)**	**(26)**	**5,658**	**–**	**26,299**	**28,243**
Profit for the year after tax	–	–	–	–	–	–	817	817
Equity dividends paid	–	–	–	–	–	–	(1,012)	(1,012)
Release of Treasury Shares	–	–	–	15	–	–	–	15
Purchase of Employee Benefit Trust Shares	–	–	(10)	–	–	–	–	(10)
Share-based payment	–	–	–	–	–	–	1,214	1,214
Share issues on exchange of Growth Shares	7	–	–	–	–	–	(7)	–
Settlement for forfeiture of options	–	–	–	–	–	–	(159)	(159)
As at 31 December 2016	**178**	**2,661**	**(6,530)**	**(11)**	**5,658**	**–**	**27,152**	**29,108**

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 1.2.

The notes on pages 52 to 55 form part of these financial statements.

Company Statement of Financial Position

as at 31 December 2016

	Notes	2016 £000	2015 Restated* £000	As at 1 January 2015 Restated* £000
Non-current assets				
Intangible assets	2	**817**	1,097	1,082
Investments in subsidiaries	3	**30,966**	29,856	29,160
Other investments	4	**50**	-	-
		31,833	30,953	30,242
Current assets				
Trade and other receivables	6	**418**	415	191
Cash and cash equivalents	7	**3,413**	1,046	3,094
		3,831	1,461	3,285
Creditors: amounts falling due within one year				
Creditors	8	**6,205**	3,864	5,380
Provision for liabilities		**-**	-	185
		6,205	3,864	5,565
Net current liabilities		**(2,374)**	(2,403)	(2,280)
Total assets less current liabilities		**29,459**	28,550	27,962
Creditors: amounts falling due greater than one year				
Provisions	9	**(187)**	(89)	-
Deferred tax liability	5	**(164)**	(218)	(220)
Non-current liabilities		**(351)**	(307)	(220)
Net assets		**29,108**	28,243	27,742
Capital and reserves				
Share capital	10	**178**	171	171
Share premium		**2,661**	2,661	2,661
Employee Benefit Trust		**(6,530)**	(6,520)	(6,294)
Treasury shares		**(11)**	(26)	(26)
Merger reserve		**5,658**	5,658	5,658
Creditors reserve		**-**	-	3,057
Retained earnings		**27,152**	26,299	22,515
Total equity shareholders' funds		**29,108**	28,243	27,742

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 1.2.

The Company's profit after taxation for the year ended 31 December 2016 was £817,000 (2015: £420,000).

These accounts were approved and authorised for issue by the Board on 15 March 2017 and signed on its behalf by:

Ian Dighé
Executive Chairman
15 March 2017

The notes on pages 52 to 55 form part of these financial statements.

Notes to the Company Financial Statements

for the year ended 31 December 2016

1.1 Accounting policies

Basis of preparation and change in accounting policy

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 15 March 2017.

Framework under UK GAAP

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2016.

No Company 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 27 to 46 except for basis of consolidation, goodwill and deferred tax. 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 2016 as the Company has adequate cash reserves and distributable reserves in its subsidiaries.

Investments in subsidiaries and other investments

Investments in subsidiaries and other investments are carried in the Company's Statement of Financial Position 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 which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements except that:

- provision is made for the deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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 from the requirement to prepare a cash flow statement under FRS 102 Section 1.12 (b).

1.2 Prior period restatement

The Company financial statements have been restated to recognise the share-based payments in relation to awards granted to employees of Miton Group Service Company Limited under the Growth Share Plan. As the Company is the grantor of the awards and settles them with its own equity for services rendered to its subsidiary, FRS 102.26. 1A requires the Company to recognise the arrangement as an equity-settled share-based payment. The prior year's financial statements have been restated to reflect the cumulative effect on retained earnings as of 1 January 2015 of £217k and the credit for the year 2015 of £696k, with an equivalent debit to investment in subsidiaries.

2. Intangible assets

	Intangible assets arising on acquisition £000
Cost	
At 1 January 2016 and 31 December 2016	**1,400**
Amortisation during the year	
At 1 January 2016	303
Amortisation during the year	280
At 31 December 2016	**583**
Net book value:	
At 31 December 2016	**817**
At 31 December 2015	1,097

3. Investments in subsidiaries

	Unlisted subsidiaries £000
Cost and Net book value:	
At 31 December 2016	**30,966**
At 31 December 2015 (Restated, refer to Note 1.2)	29,856

4. Other Investments

	Other investments £000
Cost and Net book value:	
At 1 January 2016	–
Additions during the year	50
At 31 December 2016	**50**

Other investments consist of management shares in one investment trust managed by the Group. The shares are non-voting and non-redeemable, upon a winding-up or on a return of capital of the underlying Trust the Group shall only receive the fixed amount of capital paid upon such shares and no right to any surplus capital or assets belonging to the Trust shall confer.

5. Deferred tax

	2016 £000	2015 £000
Deferred tax liability at the beginning of the year	**218**	220
The movement in the provision is as follows:		
Deferred tax movements credited to the income statement	**(54)**	(2)
Deferred tax liability at the year end	**164**	218

6. Trade and other receivables

	2016 £000	2015 £000
Other debtors	**211**	298
Prepayments	**129**	117
Amounts due from Group companies	**50**	–
Corporation tax	**28**	–
	418	415

Notes to the Company Financial Statements
At 31 December 2016

7. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	3,413	1,046

8. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Other creditors	74	26
Accruals	106	49
Amounts due to Group companies	6,025	3,779
Corporation tax	–	10
	6,205	3,864

9. Provisions

Current	2016 £000	2015 £000
At 1 January	–	185
Released in the year	–	(185)
At 31 December	–	–

Non-current	2016 £000	2015 £000
At 1 January	89	–
Provided in the year	98	89
At 31 December	187	89

Non-current provisions relate to dilapidations for the Group's offices at 6th Floor, Paternoster House, London.

10. Share capital

Allotted, called up and fully paid: No. of shares	2016 ordinary shares 0.1 pence each No. 000	2015 ordinary shares 0.1 pence each No. 000
At 1 January	170,921	170,921
Issued on exchange of Growth Shares	6,607	–
At 31 December	177,528	170,921

Allotted, called up and fully paid: Value of shares	2016 ordinary shares 0.1 pence each £000	2015 ordinary shares 0.1 pence each £000
At 1 January	171	171
Issued on exchange of Growth Shares	7	–
At 31 December	178	171

On 30 September 2016 an employee elected to exercise his right to exchange 60 FMU B Growth Shares in Miton Group Service Company Ltd for ordinary shares in the Company. As a result of the exchange the Company allotted 3,964,140 shares at a price of 28.75p per share.

GROUP AND COMPANY FINANCIAL STATEMENTS

10. Share capital continued

On 2 December 2016 Gervais Williams, a director of the Company, elected to exercise his right to exchange 40 FMU B Growth Shares in Miton Group Service Company Ltd for ordinary shares in the Company. As a result of the exchange the Company allotted 2,642,760 shares at a price of 28.75p per share.

11. Share-based payment

The share-based payments as at 31 December 2016 and 31 December 2015 are as detailed in note 21 to the consolidated financial statements.

12. Management Equity Incentive ('MEI')

During 2016 the Company granted one award over 100,000 ordinary 0.1p shares (2015: seven awards over 2,275,000 ordinary 0.1p shares) which will vest subject to continued employment.

Awards over 3,238,000 ordinary 0.1p shares were forfeited during the year (2015: Nil) by employees leaving the Group.

Mr Hooper, a director who resigned in 2014, held MEI awards over 2,915,016 ordinary 0.1 shares in the Company during the year. On 30 December 2016 he relinquished his entitlement to exercise the awards for a cash settlement of £100,000.

Note 19(a) in the notes to the consolidated financial statements refers to the shares held by the Employee Benefit Trust ('EBT') relating to MEI awards.

13. Management Incentive Plan ('MIP')

During 2016 the Group granted no awards (2015: one award over 25,000 ordinary 0.1p shares).

Awards over 450,000 ordinary 0.1p shares were cancelled during the year (2015: Nil) and 75,000 (2015: Nil) were forfeited by employees leaving the Group.

On 13 April 2016 one employee forfeited his rights to awards which had vested over 400,000 ordinary 0.1p shares for a cash settlement of £58,616.

14. Subsequent events after the reporting period

In January 2017 the Company undertook a share buyback that was completed on 23 February 2017. The Company acquired a total of 6,606,900 ordinary shares and as at 15 March 2017 these shares had been cancelled.

15. Commitments under operating leases

At 31 December 2016 the Company had future commitments under non-cancellable operating leases for land and buildings as set out in the periods below.

	2016 £000	2015 £000
Not later than one year	384	350
Later than one year and not later than five years	360	670
	744	1,020

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

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting (the "Meeting") of the Company will be held at 10.30am on 27 April 2017 at the offices of Stephenson Harwood LLP, 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. Report and accounts 2016

That the Company's annual audited accounts for the year ended 31 December 2016, together with the Directors' Report and the Auditors' Report on those accounts, be received and adopted.

2. Appointment of auditor

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

3. Remuneration of auditor

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

4. Declaration of dividend

That the directors be authorised to pay a dividend of 1.00p per ordinary share in the capital of the Company.

5. Directors' remuneration report

That the directors' Remuneration Report for the year ended 31 December 2016, which is set out in the Annual Report of the Company for the year ended 31 December 2016, be approved.

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

(a) That Ian Dighé, 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 Gervais Williams, 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.

(c) That David Barron, 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.

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

(e) That James Davies, 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.

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. Authority to allot shares

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 at the conclusion of next year's AGM (or, if earlier, at midnight on 26 July 2018) 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. Disapplication of pre-emption rights

THAT, if resolution 7 is passed, the Board be given power to allot equity securities for cash under the authority given by that resolution and/or to sell equity securities held by the Company as treasury shares for cash, in each case free of the restriction in section 561(1) of the Act, such power to be limited:

(a) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

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

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) to the allotment (otherwise than under paragraph (a) or (c)) of equity securities or sale of treasury shares up to a nominal amount of £8,546; and

(c) to the allotment (otherwise than under paragraph (a) or (b)) of equity securities in connection with the Company's employee share plans and the Company's employee share option plans for employees of joint ventures in which the Company and/or any of its subsidiary undertakings (as defined in the Companies Act 2006) participates,

such power to apply until the conclusion of next year's AGM (or, if earlier, until midnight on 26 July 2018) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted (and treasury shares to be sold) after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the relevant authority conferred hereby had not expired.

9. Authority to purchase own shares

THAT the Company be 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 on such terms and in such manner as the Board may from time to time determine but subject to the following restrictions and provisions:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 8,546,063; and

(b) the minimum price, exclusive of expenses, which may be paid for an Ordinary Share is 0.1 pence; and

(c) the maximum price, exclusive of expenses, which may be paid for an Ordinary Share is the higher of:

(i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out; and

(d) unless previously revoked or varied, such authority to expire at the conclusion of next year's AGM (or, if earlier, until midnight on 26 July 2018), save that the Company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which would or might be completed wholly or partly after such expiry and the Company may purchase Ordinary Shares pursuant to any such contract as if this authority had not expired.

By order of the Board

Roger Bennett
Company Secretary
15 March 2017

Registered office
6th Floor
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Shareholder Information and Financial Calendar

Annual General Meeting	27 April 2017
2017 half year results announced	September 2017
2017 full year results announced	March 2018
Closing mid-market share price on 31 December 2016	32.25p
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
Miton Group plc
6th Floor, Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB
Tel: 020 3714 1500

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 0300

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Bankers

Bank of Scotland plc
33 Old Broad Street
London
EC2N 1HW

Barclays Bank plc
1 Churchill Place
London
E14 5HP

HSBC
165 Fleet Street
London
EC4A 2DY

Nominated Adviser and Broker

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Company registration number 5160210

Our Product Range as at 15 March 2017

Equity

CF Miton UK Smaller Companies Fund

The CF Miton UK Smaller Companies Fund aims to achieve long-term total returns by investing primarily in UK smaller quoted companies. The fund focuses on genuine smaller companies investing primarily in AIM, small cap and fledgling businesses.

CF Miton UK Multi Cap Income Fund

The CF Miton UK Multi Cap Income Fund aims to provide an attractive level of dividends coupled with some capital growth over the long term. The fund invests primarily in UK quoted companies, with a long-term bias to smaller and medium sized companies.

CF Miton UK Value Opportunities Fund

The CF Miton UK Value Opportunities Fund aims to achieve long-term capital growth by investing in companies whose embedded value is yet to be reflected in their market value.

CF Miton European Opportunities Fund

The CF Miton European Opportunities Fund seeks to achieve a combination of income and growth by investing predominantly in the shares of European companies with a bias towards medium sized businesses.

CF Miton Global Infrastructure Income Fund

(to be launched on 23 March 2017)

The CF Miton Global Infrastructure Income Fund aims to achieve long-term total returns by investing primarily in a portfolio of Global infrastructure equities across the market cap spectrum.

CF Miton US Opportunities Fund

The CF Miton US Opportunities Fund aims to achieve long-term total returns by investing primarily in a portfolio of North American equities across the market cap spectrum.

FP Miton Income Fund

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

Multi-asset

CF Miton Cautious Multi Asset Fund

The CF Miton Cautious Multi Asset Fund is a global fund investing across the major asset classes such as equities, fixed income, property and commodities. It aims to achieve long-term returns above inflation over the longer term.

CF Miton Defensive Multi Asset Fund

The CF Miton Defensive Multi Asset Fund aims to achieve modestly above inflation returns with lower volatility than equity markets over a five year period from an actively managed portfolio of UK and international assets including equities, bonds and indirectly in both property and commodities.

Multi-asset (continued)

MI Miton Cautious Monthly Income Fund

The MI Miton Cautious Monthly Income Fund aims to provide an increasing level of income over a three to five year rolling period, with the potential for capital growth by investing across the major asset classes such as equities, fixed income, property and commodities.

Fund of Investment Trusts

CF Miton Worldwide Opportunities Fund

The CF Miton Worldwide Opportunities Fund aims to prioritise capital growth by investing primarily in a 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 and growing level of dividends coupled with capital growth over the long term. The Company invests in quoted or traded UK companies with a wide range of market capitalisations and long-term bias toward small cap and mid cap equities.

The Investment Company plc

The Company's investment objective is to provide shareholders with 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 Global Opportunities plc

The Company's investment objective is to outperform three month LIBOR +2% over the longer term, principally through exploiting inefficiencies in the pricing of closed end funds.

Miton UK MicroCap Trust plc

The Company's investment objective is to provide shareholders with capital growth over the long term. The Company invests in the smallest companies measured by their market capitalisation, quoted or traded on an exchange in the United Kingdom.

Miton

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