Miton

Genuinely active investing

Miton Group plc

Annual Report and Accounts
For the year ended 31 December 2015

Genuinely Active Investing...

Genuinely Active Investing *means our fund managers have freedom to add value through investing in a broader range of opportunities.*

- Holdings in our portfolios tend to be actively selected for their attributes rather than held because of their presence in benchmarks.
- Our investment culture enables our fund managers to focus on where they can add value, as well as appreciating those areas where elevated market risks may lie.
- Our investment strategies, free of benchmark constraints, give our fund managers better scope to add value even in difficult markets.

With the slowing of world growth now a reality, we believe this differentiation provides our fund managers with the flexibility to deliver better outcomes for our clients.

Our independence and wider investment universes have demonstrable advantages for investors.

Our funds cover a broad range of diverse but focused strategies for our clients.

What is more, Miton's culture of genuinely active fund management is highly motivational for our team.

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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Go to www.mitongroup.com for more information

2015 Highlights

Business

- £2,784 million Assets under Management (AuM), up from £2,050 million at the start of 2015 (an increase of 35.8%).
- Significant momentum with £463 million of net inflows supplemented by good performance.
- Net management fee margin maintained.
- Launch of two new products:
  - Miton UK MicroCap Trust plc
  - CF Miton European Opportunities Fund
- Miton Multi-Asset fund range was repositioned for future growth and continued to deliver good performance in the year.
- The Darwin Multi Asset Fund was relaunched to become the PFS Miton Cautious Monthly Income Fund to take advantage of opportunities that arise from new pension freedoms following regulatory change.
- Miton Income Fund saw continued performance improvement – top quartile over one and two years.
- Both the CF Miton UK Value Opportunities Fund and the CF Miton UK Multi Cap Income Fund experienced outstanding performance.

Financial

	2015 £m	2014 £m	%
Closing AuM	**2,784**	2,050	35.8
Average AuM(1)	**2,319**	2,637	(12.1)
Net revenue	**15.7**	17.2	(8.7)
Adjusted Profit before tax(2)	**3.0**	5.3	(43.4)
Profit/(loss) before tax(3)	**2.1**	(5.5)	–
Cash generated from operations	**2.4**	4.2	(42.9)
Total Cash	**14.1**	15.2	(7.2)

	pence	pence
Adjusted earnings per share(4)	**1.43**	2.78
Diluted adjusted earnings per share(5)	**1.18**	2.53
Basic earnings/(loss) per share	**0.92**	(3.27)
Proposed dividend per share	**0.67**	0.60

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 in the 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 taxation.

(3) Profit/(loss) before tax includes exceptional operating expenses of £0.32m relating to redundancy and restructuring completed during the year as detailed on page 8. In 2014 this figure included the loss on the sale of Miton Capital Partners Limited of £12.0m, which arose as a result of the write-off of goodwill and intangible assets and a credit of £3.2m arising from a fair value adjustment for the deferred consideration for the acquisition of PSigma.

(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 20% 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 2015 had vested and had been exchanged for Miton Group plc ordinary shares at that date. See note 23 and page 46 for further information.

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Chairman's Statement

"The focus remains on revenue generation to further increase profitability while keeping a tight control over costs."

Ian Dighé
Executive Chairman

Assets under Management

I am delighted to report that the business made significant progress growing assets under management from £2,050m at the start of the year to £2,784m at the year end, an increase of 35.8%.

We reported at the half year that net inflows to the business at that point were £10m following a challenging first quarter for the business and an improving second quarter. This momentum continued in the second half of the year, as we saw a marked acceleration in gross sales coupled with a significant decline in redemptions.

This increase in assets was a combination of both good performance across our fund range and a focused approach to distribution. Gross sales of over £1bn and a reduction in redemptions saw us increase our net inflows to £463m for the year. CF Miton UK Value Opportunities Fund (including the FP Miton Undervalued Assets Fund) achieved outstanding growth and performance, with the combined strategy starting the year at £211m and ending at £783m. Increasingly, this product is seen as an important component of clients' portfolios. The CF Miton UK Multi Cap Income Fund also saw significant inflows over the year. The Fund was a first quartile performer for the year and saw assets grow from £378m to £586m at the year end.

The Miton UK MicroCap Trust plc was launched on 30 April 2015 raising gross proceeds of £50m. The focus on the very smallest companies has generated a great deal of interest and sound performance afforded us the opportunity to raise a further £5m in August. After the year end, on 19 February 2016, I am pleased to report that the Trust undertook an issue of C shares and raised further gross proceeds of £28m.

We continue as ever to look at our product range in the context of the marketplace and the needs of investors.

Investment performance

The Group's product range has continued to deliver with eight of our funds or investment trusts in the first quartile of their respective sectors since launch or since the current managers took over the management of the strategy.

Results and Dividends

The significant inflows in the final two quarters of the year were pleasing to see and although our average AuM for 2015 was down on the previous year, the renewed momentum puts the Group in a good position as we move into 2016. Consequently revenue was lower than 2014 and this impacted our profitability. Operating costs were maintained despite a number of structural projects completed during the year. The Group's adjusted profit for the year was lower than achieved in 2014 as a result of the lower average AuM in 2015.

The Board is proposing to increase the annual dividend by 11.7% to 0.67p per share (2014: 0.60p) payable on 18 May 2016 to shareholders registered as at 1 April 2016. The dividend reflects the Board's continued confidence in the Group's future prospects, momentum in AuM and growth initiatives completed in 2015. The Group remains soundly financed with £14.1m of cash on hand at 31 December 2015.

Investment in the wider community

In addition to Miton's responsibilities to clients, shareholders and staff the Group is also cognisant of its wider community responsibilities. In 2014 we agreed to sponsor NYAS - the National Youth Advocacy Service (Registered Charity 1012485). Our thinking is that if we are purposeful we can make a real difference to a small charity.

NYAS ensures that children and young peoples' voices are heard when important decisions are being made about them, particularly when they are at difficult stages in their lives. NYAS provides socio-legal services - essentially information, advice, advocacy and legal representation through a network of dedicated paid workers and volunteers throughout England and Wales.

Staff

All our staff have worked tirelessly and the achievements for the year reflect their diligence and commitment to the Group. I am hugely appreciative of their efforts.

Navigating our way through competitive times and volatile markets

Board changes

I was particularly pleased to appoint Piers Harrison as Chief Operating Officer on 11 September 2015. He has additional responsibility for the finance function and is assisted in this role by Bart Edgar, the Director of Finance. The changes have brought a renewed focus on the control of costs and the operational effectiveness within our business activities. Ian Chimes, Director of Sales & Marketing also joined the Board on 11 September 2015. His contribution to the quality of our channels of distribution has been significant and we welcome his input to the Board.

Shareholders will remember Lord Wade notified us of his intention to stand down from the Board at our last AGM and he resigned from the Board on 11 January 2016. I would like to record the Board's immense gratitude to him for his wise counsel since 2008. He has been an exemplary advocate of shareholders' interests. We wish him well.

Prospects

Our multi asset range is a core element of our business. We re-named two of our funds CF Miton Defensive Multi Asset Fund (formerly CF Miton Strategic Portfolio) and CF Miton Cautious Multi Asset Fund (formerly CF Miton Special Situations Portfolio) and moved them into more appropriate Investment Association sectors to help improve the visibility and clarity of these two products.

At the start of the fourth quarter, we re-positioned and re-named the PFS Darwin Multi Asset Fund to PFS Miton Cautious Monthly Income Fund. We believe this Fund will become increasingly popular with investors looking for a diversified source of monthly income in light of pension regulation changes. We are delighted with the significant progress David Jane and his team have made over the past year in developing this critical part of our business.

In December, we launched the CF Miton European Opportunities Fund. This Fund has been designed as a complementary and differentiated offering for investors looking for European exposure or indeed wanting to diversify their existing European exposure. The Fund is able to invest in stocks across the market cap spectrum although it has a bias to medium sized European companies. We welcomed two fund managers, Carlos Moreno and Thomas Brown, during the year to establish this European equity capability.

Miton has highly effective operations, sales and marketing, compliance and finance structures, and the business is now set to benefit from the positive effects of operational gearing. The focus remains on revenue generation to further increase profitability while keeping a tight control over costs.

Outlook

Markets have been particularly unsettled since the start of 2016. However many of our funds and investment trusts continue to be well positioned to generate attractive returns for investors and endeavour to take advantage of changing market trends. As a business we have much to look forward to and start 2016 from a higher AuM base. We operate in an extremely competitive industry but through our continued hard work and distinctiveness we have every reason to be optimistic as we seek to grow the business further.

Ian Dighé
Executive Chairman
18 March 2016

Outlook

"The fund management industry is facing a time of unparalleled challenge, particularly in its ability to deliver value to its underlying clients. Miton is intentionally positioned to take advantage of these challenging and changing market trends."

Beyond the credit boom …

- The last three decades have been dominated by a credit boom.
- It has been with us for so long that many long-standing fund strategies treat plentiful economic growth as normal.
- However, world growth has now fallen back. Whereas we were borrowing growth from the future, it appears as though the trend has changed.
- Beyond the credit boom, new market trends have started to come through.

… as economic trends change,

… so do market trends.

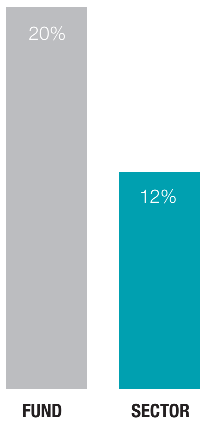
As market trends change …

- As world growth has ebbed, there is renewed interest in funds that are less reliant on market rises to generate performance.
- With elevated market risk, there is extra interest in funds that tend to have lower volatility.
- Since so many mainstream assets are correlated, there is a real desire for funds that are less correlated with mainstream indices.
- These new kinds of factors are prominent within Miton's range of investment strategies.

… so do investor preferences.

Miton aims to generate attractive returns across our investment strategies …

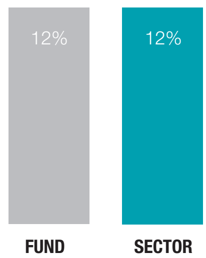
CF Miton UK Multi Cap Income Fund
Gervais Williams / Martin Turner



- Miton UK Multi Cap Income Fund
- IA UK Equity Income Sector

14.10.11 - 31.12.2015
Source: FE Analytics

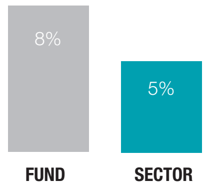
CF Miton US Opportunities Fund
Nick Ford / Hugh Grieves



- Miton US Opportunities Fund
- IA North America Sector

18.3.13 - 31.12.2015
Source: FE Analytics

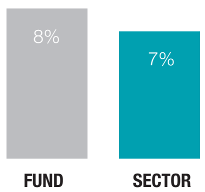
Miton Income Fund
Eric Moore / Gervais Williams



- Miton Income Fund
- IA UK Equity Income Sector

1.11.13-31.12.2015
Source: FE Analytics

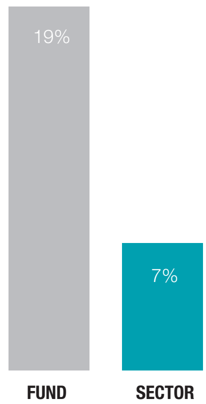
CF Miton Worldwide Opportunities Fund
Nick Greenwood



- Miton Worldwide Opportunities Fund
- IA Flexible Investment Sector

30.4.03 - 31.12.2015
Source: FE Analytics

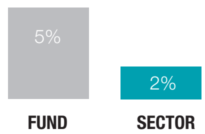
CF Miton UK Value Opportunities Fund
George Godber / Georgina Hamilton



- Miton UK Value Opportunities Fund
- IA UK All Companies Sector

25.3.13 - 31.12.2015
Source: FE Analytics

CF Miton Cautious Multi Asset Fund
David Jane / Anthony Rayner / Henna Hemnani



- Miton Cautious Multi Asset Fund
- IA Mixed Investment 20%-60% Shares Sector

9.6.14 - 31.12.2015
Source: FE Analytics

Notes: The above charts show annualised returns for each of the fund management teams' largest funds since their launch compared with the performance of the median fund in the IA sector in which they are classified; or in the case of CF Miton Cautious Multi Asset Fund and Miton Income Fund since the current fund management team took over the management of the fund.

Source of performance data: FE Analytics, as at 31 December 2015 in GBP, Sterling Class A shares, net income reinvested, mid to mid basis for OEIC funds and bid to bid for Miton Income Fund.

Gervais Williams
Managing Director
18 March 2016

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.

Financial and Operational Review

Results for the year

The average Assets under Management (AuM) decreased by 12.1% reflecting the lower opening AuM figure of £2,050m (2014: £3,098m). Consequently, Adjusted Profit before tax fell by 43% to £3.0m (2014: £5.3m) arising from the costs being spread over a smaller revenue base.

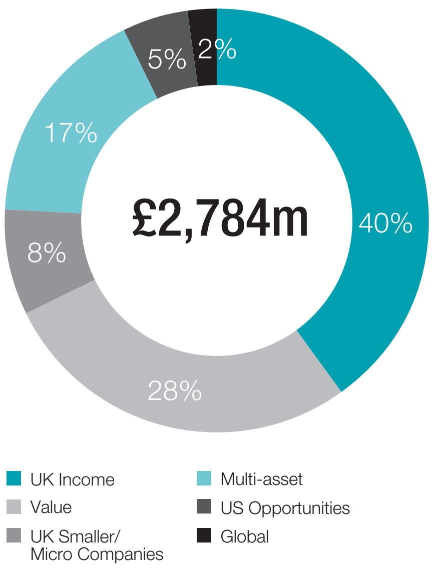
However in terms of AuM growth, it has been a year of significant progress for the Group. On 31 December 2015 Group's AuM stood at £2,784m, an increase of 35.8% on the opening position as detailed below.

2015 AuM by asset class

	Opening AuM 1 January 2015 £m	Net flows £m	Market/ investment performance £m	**Closing AuM 31 December 2015 £m**
Equity funds	1,081	573	180	**1,834**
Multi-asset funds	602	(162)	37	**477**
Investment trusts	367	52	54	**473**
Total	2,050	463	271	**2,784**

Net flows gathered momentum in the latter half of 2015 resulting in a higher base for average AuM as the Group enters 2016. The Group has a continued focus on the diversification of its investment strategies. Miton's value and multi-cap strategies in particular saw strong growth during the year, buoyed by good investment performance. On 14 December 2015 a new European equity strategy was established.

AuM by strategy at 31 December 2015

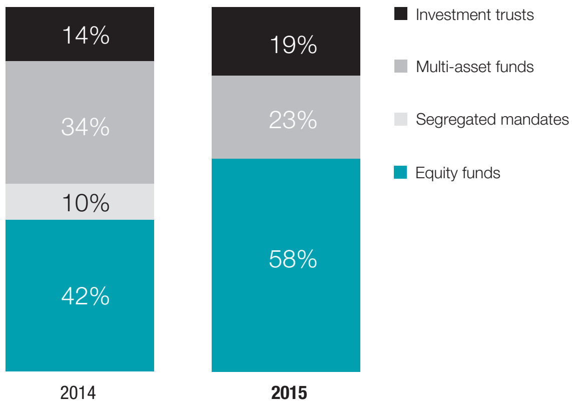


Net management fees and margins

	2015	2014	%
Average AuM (£m)	**2,319**	2,637	(12.1)
Net management fees (£m)	**15.7**	17.2	(8.7)
Net management fee margin (bps)	**67.7**	65.2	

Net management fee margins increased to 67.7bps (2014: 65.2bps, 2013: 61.3bps). The increase is as a result of a higher opening proportion of investment trust business at the start of the year largely due to the outflows experienced in the open ended funds during 2014. The Group also saw strategies it launched in 2013 mature in scale and increase their net margin contribution. In addition to this, the margin was positively impacted by the outflow experienced in October 2014 of a lower margin segregated mandate. Looking to 2016 we anticipate that margins will return to 2014 levels as the Group's product mix evolves and the new strategies come on line at lower founder investor margins.

Average AuM by product mix



Costs

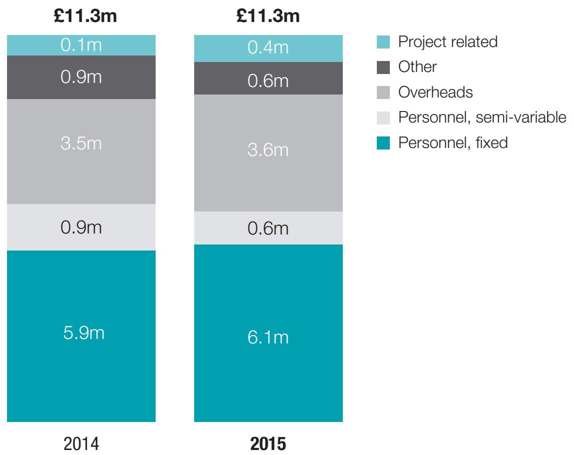
Administrative expenses (excluding share-based payments) remained flat at £11.3m. This however includes a number of non-recurring costs arising from the structural changes undertaken during the year. Notably, office costs increased during 2015 as a result of the move to centralised London offices at Paternoster House in April 2015.

The significant infrastructure changes for the Group have now been completed. In addition to the London office the Group maintains a fully operational disaster recovery site in Reading to ensure continuity of operations should an issue occur at the principal office.

Overheads comprise IT, administration, sales and marketing, insurance and occupancy costs.

Other costs consist principally of depreciation and irrecoverable VAT. These costs for the year fell by £0.3m primarily as a result of the release of the VAT provision of £0.2m from prior years.

Administration Costs



The Group initiated and completed a number of projects during the year and incurred £0.42m (2014: £0.14m) in related costs. These continue the progress in streamlining the business. A number of projects are planned for 2016 but are not expected to be at the same level as in 2015. The significant projects in the year were:

- Change of name and IA sector for the CF Miton Defensive Multi Asset Fund
  Completed 16 May 2015
- Change of name, objective and IA sector for the CF Miton Cautious Multi Asset Fund
  Completed 16 May 2015
- Change of name, objective and investment manager on the PFS Miton Cautious Monthly Income Fund
  Completed 30 September 2015
- Closure of the Miton American Fund
  Completed 31 October 2015
- Closure of the Miton Global Equity Fund
  Completed 31 October 2015
- Launch of the CF Miton European Opportunities Fund
  Completed 14 December 2015
- Merger of the FP Miton Undervalued Assets Fund
  Completed 8 February 2016
- Change of the service providers and unit trust manager on the Miton Income Fund
  Completed 15 February 2016
- Liquidation of PSigma Asset Management Ltd
  Commenced and ongoing
- Proposed liquidation of Miton (Hong Kong) Limited
  Commenced and ongoing

Fixed personnel costs rose by 3.4% in the year. The semi-variable personnel costs fell by 33% reflecting lower bonuses associated with the fall in Adjusted Profit for the year.

The increase in the share-based payments charge reflects the charge associated with the Group's Growth Share Plan. The amount that is charged to the Statement of Comprehensive Income increases in line with the probability of vesting.

Cash

The Group remains soundly financed with £14.1m (2014: £15.2m) in cash on the Consolidated Statement of Financial Position at the year end.

The Group has no long term debt. Cash generated from operations for the year reduced to £2.4m (2014: £4.2m) reflecting the fall in net revenue coupled with an increase in trade receivables at the year end resulting from a significant portion of the November management fees being received in January 2016.

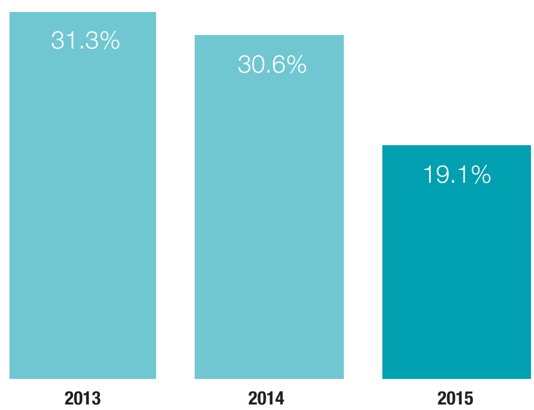
Following court approval on 21 December 2015 the Group released the creditors' reserve which arose from a capital reduction in 2013.

Adjusted Profit and Profit/(loss) before tax

	2015 £m	2014 £m
Net revenue	**15.7**	17.2
Administrative expenses	**(11.3)**	(11.3)
Share-based payments	**(1.2)**	(0.9)
Interest	**–**	0.1
VAT adjustment*	**(0.2)**	0.2
Adjusted Profit before tax	**3.0**	5.3
Amortisation	**(0.8)**	(1.2)
Exceptional costs	**(0.3)**	(9.4)
VAT adjustment*	**0.2**	(0.2)
Profit/(loss) before tax	**2.1**	(5.5)

*provision relating to prior years

Adjusted Profit before tax margin %



Financial and Operational Review continued

STRATEGIC REPORT

Earnings per share

The adjusted earnings per share of 1.43p show a decrease of 48.6% on 2.78p achieved in 2014. This is due to a 47.1% decrease in the Adjusted Profit after tax and an increase in the weighted average number of shares due to the shares issued in 2014 (note 21).

The Basic earnings per share was 0.92p (2014: loss 3.27p).

Diluted Adjusted earnings per share of 1.18p (2014: 2.53p) show a theoretical dilution of 20.0% (2014: 9.0%) largely as a result of an estimate of the number of Miton Group plc shares which would have been issued if all the Growth Share Plan shares with accrued value at 31 December 2015 had been converted at that date. There is also a dilution element arising from the Management Equity Incentive (MEI) and the Management Incentive Plan (MIP) where the exercise prices are below the average share price during the year of 25.8p (2014: 38.9p).

Profit/(loss) before tax

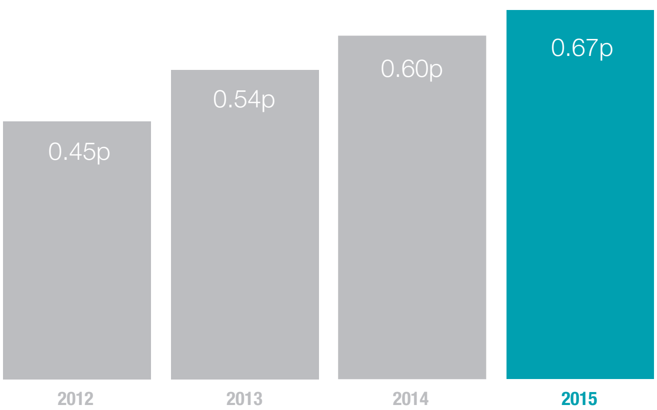
The profit before tax of £2.1m (2014: loss £5.5m) arose after charging exceptional costs of £0.32m in respect of redundancy and associated legal costs arising from restructuring completed in the year. In 2014 the exceptional costs of £9.4m related to:

- Loss on sale of Miton Capital Partners Ltd of £12.0m;
- A write-back of £3.2m of deferred consideration on the acquisition of PSigma;
- One-off costs of £0.3m relating to the implementation of the Growth Share Plan; and
- Acquisition costs of £0.3m relating to the Darwin and Matterley transactions.

Dividend

The Board is proposing to increase the annual dividend by 11.7% to 0.67p per share (2014: 0.60p) payable on 18 May 2016 to shareholders registered as at 1 April 2016. The dividend reflects the Board's continued confidence in the Group's future prospects, momentum in AuM and the structural changes that have been completed in 2015. Since 2011 the dividend has increased steadily.

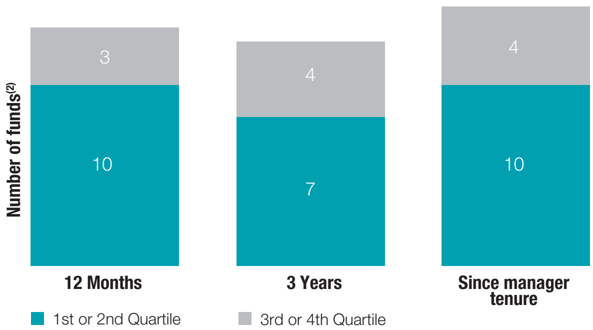
Dividend per share



Performance

The Group's product range has continued to deliver strong performance. Eight of the Group's funds and investment trusts are in the first quartile of their respective sectors (1) since launch or since the current managers took over.

Performance(1) at 31 December 2015



(1) Source: Financial Express as at 31.12.2015. Total Return in GBP based on the A Accumulation share class for all Funds apart from the FP Miton Undervalued Assets Fund whose main share class is the Institutional Accumulation. For the Investment Trusts this is based on share price data. Quartile positions are based on the IA or AIC sectors in which the funds or investment trusts are classified.

(2) Excludes: CF Miton European Opportunities Fund and The Investment Company plc.

Past performance is not a guide to the future; the value of investments and the income from them can fall as well as rise. Investors may not get back the amount originally subscribed.

Product range

The table below summarises Miton's product range as at 31 December:

Strategy	AuM 2015 £m	AuM 2014 £m	Fund manager(s)	Year of launch
Equity Funds				
CF Miton UK Multi Cap Income	**586**	378	Gervais Williams / Martin Turner	2011
Miton Income *	**184**	214	Eric Moore / Gervais Williams	2007
CF Miton UK Value Opportunities	**704**	153	George Godber / Georgina Hamilton	2013
FP Miton Undervalued Assets	**79**	58	George Godber / Georgina Hamilton	2008
CF Miton UK Smaller Companies	**150**	149	Gervais Williams / Martin Turner	2012
CF Miton US Opportunities	**129**	97	Nick Ford / Hugh Grieves	2013
CF Miton European Opportunities (4)	**2**	–	Carlos Moreno / Thomas Brown	2015
Miton Global Equity * (3)	**–**	17	Centre Asset Management, New York	2011
Miton American * (3)	**–**	15	Centre Asset Management, New York	2007
	1,834	1,081		
Multi-Asset Funds				
CF Miton Cautious Multi Asset	**315**	407	David Jane / Anthony Rayner	1997
CF Miton Defensive Multi Asset	**87**	120	David Jane / Anthony Rayner	1996
PFS Miton Cautious Monthly Income * (1)	**54**	48	David Jane / Anthony Rayner	2010
CF Miton Worldwide Opportunities	**15**	17	Nick Greenwood	2003
CF Miton Total Return	**6**	10	David Jane / Anthony Rayner	2006
	477	602		
Investment Trusts				
The Diverse Income Trust plc	**351**	305	Gervais Williams / Martin Turner	2011
Miton Global Opportunities plc (2)	**45**	44	Nick Greenwood	2004
The Investment Company plc	**18**	18	Gervais Williams / Martin Turner	1868
Miton UK MicroCap Trust plc	**59**	–	Gervais Williams / Martin Turner	2015
	473	367		
	2,784	2,050		

(1) Previously PFS Darwin Multi Asset Fund
(2) Previously Miton Worldwide Growth Investment Trust plc
(3) The Miton Global Equity Fund and the Miton American Fund were closed on 31 October 2015
(4) The CF Miton European Opportunities Fund was launched on 14 December 2015

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

At 31 December 2015 the Group managed investments within ten open-ended funds, two unit trusts and four investment trusts.

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 of the Chairman's Statement, Outlook, 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 three 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 Miton Income Fund.
- **Miton Trust Managers Limited:** Manages the Miton Income Fund and in addition acts as the Alternative Investment Fund Manager ('AIFM') to four investment trusts which the Group manages.
- **Darwin Investment Managers Limited:** Provided investment management services to the PFS Darwin Multi Asset Fund up to 30 September 2015 when the fund's objectives were amended and the name changed to PFS Miton Cautious Monthly Income Fund. The investment management responsibilities were then assumed by Miton Asset Management Limited. On 12 January 2016 the Company received approval from the Financial Conduct Authority ('FCA') for the cancellation of its regulatory permissions. The Directors intend to place the Company into members' voluntary solvent liquidation during 2016.

The day-to-day management of the Group is 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 Chimes	Sales and Marketing Director
Ian Dighé	Executive Chairman
Bart Edgar	Director of Finance
Piers Harrison	Chief Operating Officer
Philip Ost	Compliance Officer
Gervais Williams	Managing Director

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 18.

The Group moved premises in April 2015 resulting in one central London office for all our staff. At the end of 2015 the Group employed 52 (2014: 55) members of staff. 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 16 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.

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 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 18 March 2016

Roger Bennett
Company Secretary

Board of Directors

Executive Directors serving during 2015:

Ian Dighé, 60

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

Was a Non-executive director of Strategic Equity Capital plc, until 11 November 2015 and is a director of various private companies and charitable trusts.

Gervais Williams, 57

Current role:

Managing 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 two books: 'Slow Finance' and 'The Future is Small' setting out his investment philosophy for the post credit boom world. He was recently 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 the Quoted Companies Alliance.

David Barron, 56

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. Managing 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

Senior Independent director of Artemis Alpha Trust plc, a director of Dunedin Income Growth plc and Member of the Council of Lancaster University.

Ian Chimes, 57

Current role:

Sales and Marketing Director since September 2015.

Past roles

Joined Miton as Head of Sales and Marketing following the acquisition of PSigma Asset Management, where he was Managing Director, in July 2013. Prior to working at PSigma, Ian was a Managing Director at Credit Suisse Asset Management and Sales and Marketing Director at Henderson Global Investors.

Brings to the Board

Ian has over 30 years of Distribution experience, primarily in the retail and wholesale investment marketplace. As Managing Director of both Credit Suisse and PSigma he has built teams to grow fund management businesses.

Piers Harrison, 36

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 2015:

Katrina Hart, 41

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 dynamics and operational drivers of the fund management industry.

Other commitments

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

Jim Davies OBE DL, 69

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 a national practice of 12 offices employing over 2,700 people. Awarded an OBE in last year's New Year's Honours List.

Brings to the Board

Outstanding business development and management skills.

Other commitments

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

Alan Walton, 59

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 2015:

Roger Bennett, 53

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

Non-Executive Directors serving during 2015 but resigned before signing date:

Lord Wade of Chorlton, 83

Current role:

Deputy Chairman from 2008 to 1 June 2015 and Chairman of the Nominations Committee to 6 May 2015.

Past roles

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

Other commitments

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

Executive Director resignation during 2015:

Robert Clarke, 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 2015.

Introduction

The Directors' Report includes the Corporate Governance Statement (pages 16 to 19) and the Directors' Remuneration Report (pages 20 to 22). A review of the Group's business, including the Chairman's Statement, is contained within the Strategic Report (pages 1 to 11) and should be read in conjunction with the Directors' Report. Our financial risk management objectives and policies are disclosed in note 20 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 £1,395,000 (2014: loss of £4,827,000) as set out in the Consolidated Statement of Comprehensive Income on page 25. The directors recommend the payment of a final dividend of 0.67p (2014: 0.60p) per share payable on 18 May 2016 to shareholders on the share register as at 1 April 2016.

Directors' interests

The complete list of directors during the year can be found on page 12. The directors' beneficial interests in the Company's ordinary share capital are as follows:

	31 December 2015	31 December 2014
David Barron	**280,000**	280,000
Ian Chimes (appointed on 11/09/2015)	**1,869,387**	–
Robert Clarke (resigned on 28/09/2015)	**–**	261,011
Jim Davies	**209,483**	205,278
Ian Dighé	**1,001,809**	989,091
Piers Harrison (appointed on 11/09/2015)	**73,694**	–
Katrina Hart	**80,416**	80,416
Lord Wade	**1,001,386**	1,001,386
Alan Walton	**–**	–
Gervais Williams	**9,101,073**	8,791,743

The total number of shares held by directors, excluding equity incentives, is 7.97% (2014: 6.8%) 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 10 March 2016, 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 *	19,930,572	11.66
Ruffer LLP	15,115,255	8.84
AXA Framlington	13,992,413	8.19
Gervais Williams (Director)	9,103,337	5.33
SFM UK Management	6,158,572	3.60
Charles Stanley	5,915,869	3.46
Fiske & Co	5,258,650	3.08

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

Qualifying third party indemnity provisions

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

Auditors

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

Disclosure of information to Group's Auditors

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

Annual General Meeting

At the Annual General Meeting to be held on 12 May 2016, 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.

Re-election of Directors

Piers Harrison and Ian Chimes have been appointed as directors during the period since the 2015 Annual General Meeting and in accordance with the Company's Articles of Association and best practice, they will be retiring as directors at the meeting and offering themselves for re-election. The biographies of the directors offering themselves for re-election are set out on page 12 of the Annual Report.

Other business will be as follows:

- The receipt and adoption of the annual report and accounts;
- The reappointment of Ernst & Young LLP as Auditors;
- Authority for the directors to agree the Auditors' remuneration;
- Authority for the directors to pay a dividend of 0.67p 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 11 August 2017;
- Approval of the Directors' Remuneration Report set out on pages 20 to 22. No entitlement of any director to remuneration is conditional on the resolution being passed.

By order of the Board

Roger Bennett
Company Secretary
18 March 2016

GOVERNANCE

Corporate Governance Statement

GOVERNANCE

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 the Board comprised five executive directors and four independent non-executive directors as set out on pages 12 to 13. From his appointment on 15 February 2011 Ian Dighé has chaired the Board in his capacity as Executive Chairman and acted as Chief Executive. At 18 March 2016 the Board comprised of five executive directors and three independent non-executive directors.

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 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	–	–	1/1
Gervais Wiliams	5/6	–	–	–
David Barron	6/6	–	–	–
Ian Chimes (appointed on 11/09/2015)	2/2	–	–	–
Robert Clarke (resigned on 28/09/2015)	5/5	–	–	–
Piers Harrison (appointed on 11/09/2015)	2/2	–	–	–
Jim Davies	6/6	2/3	3/3	1/1
Katrina Hart	6/6	3/3	3/3	1/1
Lord Wade	3/6	–	–	–
Alan Walton	6/6	3/3	3/3	1/1

Audit Committee

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

The Audit Committee also plays an important part in regularly considering the Group's risk profile and any significant matters arising from the 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 the non-executive directors: Alan Walton and Jim Davies. The executive directors make recommendations to the Board on the Company's framework of executive remuneration and associated cost. The Board itself determines the remuneration of the non-executive directors. Further details of the Company's policies on remuneration and service contracts are given in the Directors' Remuneration Report on pages 20 to 22.

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 returns and considers matters and issues such as compliance, prevention of loss (as well as securing profit) and long-term performance when setting the methodology for calculating bonus payments.

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 only 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 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.

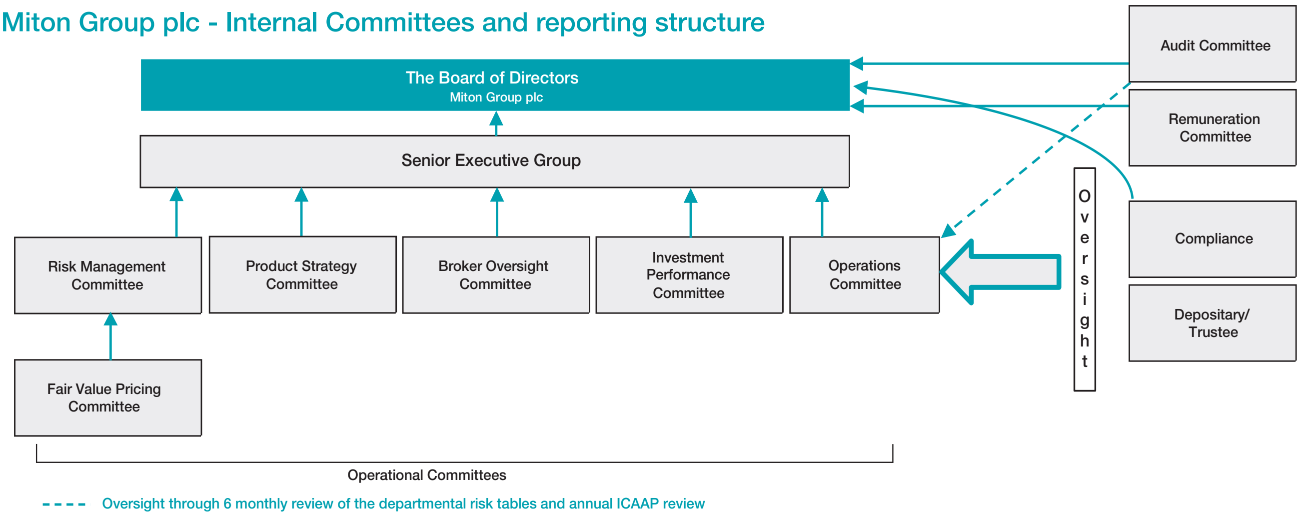
Risk governance framework

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 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.

A summary of the reporting and governance structure is detailed below.

Miton Group plc - Internal Committees and reporting structure



Other governance functions with risk management responsibilities include:

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

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.

Dialogue with shareholders

The directors are available to 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 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 23.

By order of the Board

Ian Dighé
Executive Chairman
18 March 2016

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

Miton Group plc 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, together with equity incentive plans, such as the Management Equity Incentive ('MEI'), Management Incentive Plan ('MIP') and the Growth Share Plan ('GSP').

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

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

Share schemes and bonuses

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

The Remuneration Committee reviewed the bonus structure operating throughout the Group for the 2015 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 determines the allocation of an annual bonus pot calculated as approximately 15% of Adjusted Profit before tax and bonus.

Management Equity Incentive ('MEI')

During 2015 the Group granted seven awards over 2,275,000 ordinary 0.1p shares (2014: Nil) which will vest subject to continued employment. Included within these was an award granted to a director, Piers Harrison, totalling 1,250,000. The 1,250,000 MEI awards have a exercise price of 33p per share and will be exercisable from the period commencing on the date on which the Group publishes its results for the year ending 31 December 2018 and ending 40 days after the date on which the Group publishes its results for the year ending 31 December 2023.

Robert Clarke, a director who resigned during the year, held MEI awards over 2,000,000 ordinary 0.1p shares in the Company. Under the terms of his departure Mr Clarke is 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 must be exercised on or before 30 April 2016 after which the rights will be forfeited.

Graham Hooper, a director who resigned in 2014, held MEI awards over 2,915,016 ordinary 0.1 shares in the Company. Mr Hooper is entitled to exercise options over 2,186,262 shares at an exercise price of 33p on or before 9 May 2018 and 728,754 shares at an exercise price of 50p per share on or before 10 May 2019.

		Management Equity Incentive	
	Exercise price	**2015 Awards over 0.1p ordinary shares**	2014 Awards over 0.1p ordinary shares
Ian Dighe	33p	**2,186,262**	2,186,262
	50p	**2,186,262**	2,186,262
Gervais Williams	33p	**2,186,262**	2,186,262
	50p	**2,186,262**	2,186,262
David Barron	50.325p	**750,000**	750,000
	51.1875p	**1,250,000**	1,250,000
Piers Harrison	33p	**1,250,000**	-
	48.25p	**750,000**	750,000

Management Incentive Plan ('MIP')

The MIP is designed to incentivise executive directors and senior managers of the business. The aggregate of all MIP awards in issue must not exceed options over 10.2m 0.1p ordinary shares. During 2015, awards were made over 25,000 (2014: 510,000) options to subscribe for 0.1p ordinary shares. Of these awards, no options (2014: Nil) were allocated to executive directors in the year. The total number of MIP awards in issue at 31 December 2015 was 1,785,000 (2014: 1,760,000).

There were no options under the MIP held by executive directors at the end of the year.

Directors' interests in options

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

Growth Share Plan ('GSP')

The Growth Share Plan is a retention and incentive plan for fund managers. The GSP allows successful 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.

1. The Plan is a long-term retention and incentive arrangement. Participants may not normally realise any value from the Plan until a minimum of four years after the allocation of growth shares (taking into account a 12 month lock-in period) and up to a maximum of 15 years.
2. Participants will only receive any benefit from the Plan once the AuM and profit for which they are responsible have grown in value. Furthermore, for new FMUs, an exchange of growth shares into ordinary shares can only take place once the relevant FMU has become profitable.
3. The Plan should not result in a significant charge to the profit and loss account of the Company, nor should it involve cash payments being made to participants.
4. The issue of shares under the Plan is limited to 20% of the Company's issued share capital, calculated as at the date of approval of the Plan, being 15 November 2013.

As at 31 December 2015 the estimated accrued value of the growth shares issued calculated according to the Plan rules was £8.9m, calculated according to the plan rules. Of this estimated value Gervais Williams had an interest of £3.0m.

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

External directorships

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

Emoluments by individual director

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

	Fees and salary £000	Bonus £000	Pension and benefits £000	Compensation for loss of office £000	**2015 Total £000**	2014 Total £000
Executive directors						
Ian Dighé	175	26	20	–	**221**	209
Gervais Williams	158	23	18	–	**199**	206
Graham Hooper (resigned 24 January 2014)	–	–	–	–	**–**	240
Robert Clarke (resigned 28 September 2015)	119	–	12	285	**416**	194
Martin Gray (resigned 9 June 2014)	–	–	–	–	**–**	192
David Barron	158	23	18	–	**199**	202
Piers Harrison (appointed 11 September 2015)	48	10	5	–	**63**	–
Ian Chimes (appointed 11 September 2015)	48	9	6	–	**63**	–
Non-executive directors						
Lord Wade of Chorlton (resigned 11 January 2016)	43	–	–	–	**43**	36
Alan Walton (appointed 14 May 2014)	44	–	–	–	**44**	27
Jim Davies (appointed 24 January 2014)	43	–	–	–	**43**	41
Nicholas Hamilton (resigned 11 November 2014)	–	–	–	–	**–**	38
Katrina Hart	44	–	–	–	**44**	43
Total	880	91	79	285	**1,335**	1,428

Service contracts

The service contracts and letters of appointment of the directors as at 31 December 2015 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
Ian Chimes	11 September 2015	6
Non-executive directors		
Alan Walton	14 May 2014	3
Lord Wade of Chorlton (resigned 11 January 2016)	7 March 2008	3
Katrina Hart	23 February 2011	3
Jim Davies	24 January 2014	3

Katrina Hart
Chairman, Remuneration Committee
18 March 2016

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

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

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

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

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

Independent Auditors' Report to the members of Miton Group plc

We have audited the financial statements of Miton Group plc for the year ended 31 December 2015 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 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (IFAs).

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 23, 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 2015 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.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent company financial statements of Miton Group plc for the year ended 31 December 2015.

Amarjit Singh

(Senior statutory auditor)
For and on behalf of Ernst & Young LLP Statutory Auditor – London
18 March 2016

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 2015

	Notes	2015 £000	2014 £000
Revenue		**22,031**	26,952
Fees and commission expenses		**(6,306)**	(9,732)
Net revenue		**15,725**	17,220
Administration expenses		**(11,319)**	(11,297)
Share-based payment charge	23	**(1,218)**	(905)
Amortisation of intangible assets	8	**(768)**	(1,218)
Exceptional operating expenses	3(c)	**(317)**	(9,364)
Operating profit/(loss)	3(a)	**2,103**	(5,564)
Finance revenue		**22**	58
Profit/(loss) for the year before taxation		**2,125**	(5,506)
Taxation	6	**(730)**	679
Profit/(loss) for the year after taxation and attributable to equity holders of the parent		**1,395**	(4,827)

		pence	pence
Basic earnings/(loss) per share	7(a)	**0.92**	(3.27)
Diluted basic earnings per share	7(a)	**0.75**	–

No other comprehensive income was recognised during 2015 or 2014. Therefore the profit/(loss) for the year is also the total comprehensive income.

No diluted earnings per share amount was disclosed for 2014 as the Group's reported figure was a loss.

The notes on pages 29 to 50 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Share Capital £000	Share Premium £000	Employee Benefit Trust £000	Treasury Shares £000	Creditors Reserve £000	Retained Earnings £000	Total £000
At 1 January 2014	164	–	(6,294)	–	3,799	62,464	60,133
Loss for the year	–	–	–	–	–	(4,827)	(4,827)
Shares issued for the acquisition of PSigma Asset Management Holdings	3	1,254	–	–	–	–	1,257
Shares issued for the acquisition of Darwin Investment Managers	2	700	–	–	–	–	702
Purchase of Treasury shares	–	–	–	(26)	–	–	(26)
Shares issued on exercise of options	2	707	–	–	–	(377)	332
Share-based payment expense	–	–	–	–	–	905	905
Deferred tax direct to equity	–	–	–	–	–	(953)	(953)
Release from Creditors' Reserve	–	–	–	–	(742)	742	–
Equity dividends paid	–	–	–	–	–	(783)	(783)
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	–	–	43	–	–	–	43
Purchase of Treasury shares	–	–	(17)	–	–	–	(17)
Purchase of Employee Benefit Trust shares	–	–	(252)	–	–	–	(252)
Share-based payment expense	–	–	–	–	–	1,218	1,218
Release from Creditors' Reserve	–	–	–	–	(3,057)	3,057	–
Equity dividends paid	–	–	–	–	–	(910)	(910)
At 31 December 2015	**171**	**2,661**	**(6,520)**	**(26)**	**–**	**61,931**	**58,217**

The notes on pages 29 to 50 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Goodwill	8	41,070	41,070
Intangible assets	8	1,107	1,575
Property and equipment	14	161	216
		42,338	42,861
Current assets			
Trade and other receivables	16	4,620	2,871
Deferred tax asset	6(d)	61	109
Cash and cash equivalents	17	14,073	15,192
		18,754	18,172
Total assets		61,092	61,033
Current liabilities			
Trade and other payables	18	2,554	3,690
Provisions	19	–	260
		2,554	3,950
Non-current liabilities			
Provisions	19	89	–
Deferred tax liability	6(d)	232	343
		321	343
Total liabilities		2,875	4,293
Net assets		58,217	56,740
Equity			
Share capital	21	171	171
Share premium		2,661	2,661
Employee Benefit Trust	21(a)	(6,520)	(6,294)
Treasury shares	21(b)	(26)	(26)
Creditors' reserve	24	–	3,057
Retained earnings		61,931	57,171
Total equity shareholders' funds		58,217	56,740

Ian Dighé
Executive Chairman
18 March 2016

The notes on pages 29 to 50 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Operating activities			
Profit/(loss) for the year after taxation		1,395	(4,827)
Adjustments to reconcile profit/(loss) to net cash flow from operating activities:			
Tax on continuing operations	6(a)	730	(679)
Net finance revenue		(22)	(58)
Depreciation	14	88	99
Loss on disposal of fixed assets		3	10
Amortisation of intangible assets	8	768	1,218
Share-based payment expense	23(a)	1,218	905
Loss on disposal of Miton Capital Partners Limited	12	–	11,990
Change in fair value of deferred contingent consideration payable		–	(3,410)
Increase in trade and other receivables		(1,205)	(83)
Decrease in trade and other payables		(357)	(737)
Decrease in provisions	19	(171)	(258)
Cash generated from operations		2,447	4,170
Income tax paid		(1,346)	(1,245)
Net cash flow from operating activities		1,101	2,925
Investing activities:			
Interest received		22	58
Purchase of property and equipment	14	(36)	(72)
Acquisition of PSigma Asset Management Holdings Limited	9	–	(1,672)
Acquisition of Darwin Investment Managers Limited	10	(420)	(645)
Consideration received on disposal of Miton Capital Partners Limited		–	4,614
Purchase of Matterley management contract	11	(650)	(750)
Net cash flow from investing activities		(1,084)	1,533
Financing activities:			
Purchase and release of Treasury shares and Employee Benefit Trust shares		(226)	(26)
Proceeds from shares issued		–	332
Dividend paid	22	(910)	(783)
Net cash flow from financing activities		(1,136)	(477)
(Decrease)/increase in cash and cash equivalents		(1,119)	3,981
Cash and cash equivalents at the beginning of the year		15,192	11,211
Cash and cash equivalents at the end of the year	17	14,073	15,192

The notes on pages 29 to 50 form part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

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 2015 were authorised for issue by the Board of directors on 18 March 2016 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 2015.

2. Accounting policies

Basis of preparation

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

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

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015, 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.

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

Functional currency

The functional and presentation currency of Miton Group plc 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.

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

2. Accounting policies continued

Segmental reporting

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

Interest income

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

Goodwill

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

Intangible assets

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

- Intangible assets arising on acquisition — 5 to 8 years
- Acquired software — 3 to 4 years

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

Property and equipment

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

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

Impairment of assets

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

2. Accounting policies continued

Financial assets

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

(i) Trade and other receivables

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

(ii) Cash and cash equivalents

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

Provisions

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

Pension schemes

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

Income taxes

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

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustments in respect of prior years.

Deferred tax is provided using the balance sheet liability method. It is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes with the following exceptions:

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

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

Leases

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

2. Accounting policies continued

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency exchange rate ruling at the balance sheet date and differences are recognised in other comprehensive income (OCI).

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

2. Accounting policies continued

Subsequent measurement

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

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

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

Judgements and key sources of estimation and uncertainty

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

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

(i) Impairment of non-financial assets

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

The Group's impairment test for goodwill and 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 13.

(ii) Share-based payments

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

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3. Group operating profit/(loss)

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

	Notes	2015 £000	2014 £000
Auditors' remuneration	3(b)	241	327
Staff costs	5	7,634	7,078
Operating lease rentals – land and buildings	25	606	400
Depreciation	14	88	99
Loss on disposal of fixed assets	14	3	10
Amortisation of intangible assets	8	768	1,218
Exceptional operating expenses	3(c)	317	9,364

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:

		2015 £000	2014 £000
Audit of the consolidated financial statements		77	70
Audit of the Company's subsidiaries		70	70
		147	140
Other fees to auditors	— tax compliance services	41	25
	— tax advisory services	32	97
	— other assurance services	21	65
		241	327

(c) Exceptional operating expenses

	2015 £000	2014 £000
Loss on disposal of Miton Capital Partners Limited (note 12)	–	11,990
Movement in fair value of deferred contingent consideration	–	(3,210)
Growth Share Plan implementation costs	–	309
Acquisition costs	–	275
Group restructuring costs	317	–
	317	9,364

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

The 2014 movement in fair value of deferred contingent consideration includes a charge of £430,000 arising from renegotiating the terms of the settlement of Tranche 1 of the deferred contingent consideration and a credit of £3,750,000 arising from a fair value adjustment for Tranche 2 of the deferred contingent consideration for PSigma.

The 2014 acquisition costs includes additional contractual payments due in respect of the acquisition of PSigma and costs relating to the acquisition of Darwin Investment Managers Limited ('Darwin').

4. Directors' emoluments

	2015 £000	2014 £000
Aggregate emoluments	**1,335**	1,428

5. Staff numbers and costs

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

	2015 No.	2014 No.
Fund management	**13**	16
Central services	**39**	39
	52	55

The aggregate payroll costs were as follows:

	2015 £000	2014 £000
Basic salaries	**4,632**	4,312
Performance related cash payments	**577**	729
Share-based payment expense	**1,218**	905
	6,427	5,946
Social security	**738**	785
Pensions	**469**	347
	7,634	7,078

6. Taxation

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

	2015 £000	2014 £000
Tax charged/(credited) in the Consolidated Statement of Comprehensive Income		
Current income tax		
UK corporation tax	**825**	791
Tax (over)/under provided in previous years	**(29)**	129
Total current income tax charge	**796**	920
Deferred tax		
Origination and reversal of temporary differences (note 6(d))	**(66)**	(1,599)
Total deferred tax credit	**(66)**	(1,599)
Income tax charge/(credit) reported in the Consolidated Statement of Comprehensive Income	**730**	(679)

6. Taxation continued

	2015 £000	2014 £000
Tax relating to items charged to equity		
Share-based payments	–	953

(b) Reconciliation of the total income tax charge/(credit)

The income tax charge/(credit) 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:

	2015 £000	2014 £000
Profit/(loss) before taxation	2,125	(5,506)
Profit/(loss) multiplied by the weighted average standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	430	(1,184)
Expenses not deductible for tax purposes	283	141
Accelerated capital allowances	(8)	2
Tax (over)/under provided in prior years	(29)	129
Utilisation of brought forward losses	56	14
Movement in temporary differences	(2)	220
Income not subject to tax	–	(1)
Total tax charge/(credit) (note 6(a))	730	(679)
Income tax charge/(credit) reported in the Consolidated Statement of Comprehensive Income	730	(679)

(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 23. If these options were to be exercised in the future should the market value of the Group's shares exceed the option price, the difference between the market value and the option price would represent a statutory corporation tax deduction in the tax computation of the Group in the year of exercise.

(d) Deferred tax

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

	2015 £000	2014 £000
Deferred tax asset		
Share-based payments	27	17
Trading losses	34	92
	61	109

6. Taxation continued

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

	2015 £000	2014 £000
Deferred tax liability		
Fair value of intangible assets on acquisition	**218**	315
Accelerated capital allowances	**14**	28
	232	343

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

	2015 £000	2014 £000
Amortisation and impairment of acquired intangible assets	**(94)**	(1,972)
Accelerated capital allowances	**(15)**	(7)
Utilisation of brought forward losses	**56**	14
Movement in temporary differences	**(2)**	220
Share-based payments	**(11)**	146
	(66)	(1,599)

7. Earnings per share

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

At the year end the issued ordinary share capital of the Company totalling 170,921,274 is reduced by the weighted average number of shares held by the Group's Employee Benefit Trust. These shares do not have dividend rights (note 21).

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

(a) Reported earnings per share

Reported basic earnings per share has been calculated as follows:

	2015			2014		
	Profit £000	**Shares No.**	**Basic earnings per share pence**	Loss £000	Shares No.	Basic earnings per share pence
Net earnings attributable to ordinary equity shareholders of the parent company for basic earnings	**1,395**			(4,827)		
Basic earnings per share	**1,395**	**151,653,458**	**0.92**	(4,827)	147,701,855	(3.27)

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7. Earnings per share continued

Diluted basic earnings per share has been calculated as follows:

	2015			2014		
	Profit £000	Diluted Shares No.	Diluted Basic earnings per share pence	Loss £000	Diluted Shares No.	Diluted Basic earnings per share pence
Net earnings attributable to ordinary equity shareholders of the parent company for diluted basic earnings	1,395			(4,827)		
Diluted Basic earnings per share	1,395	184,819,738	0.75	(4,827)	162,307,233	(2.97)

(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:

	2015 £000	2014 £000
Profit/(loss) before taxation for the year	2,125	(5,506)
Add back:		
Exceptional operating expenses	317	9,364
Amortisation	768	1,218
VAT provision relating to prior years	(185)	185
Adjusted Profit before tax	3,025	5,261
Taxation:		
Tax (charge)/credit in the Consolidated Statement of Comprehensive Income	(730)	679
Tax effect of adjustments	(119)	(1,829)
Adjusted Profit after tax for the calculation of Adjusted earnings per share	2,176	4,111

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

	2015 pence	2014 pence
Adjusted earnings per share	1.43	2.78

Diluted Adjusted earnings per share was as follows:

	2015 pence	2014 pence
Diluted Adjusted earnings per share	1.18	2.53

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 2015, which will not fully vest until 2018, had vested and had been exchanged into Miton Group plc ordinary shares at 31 December 2015.

8. Intangible assets

	Intangible assets arising on acquisition £000	Acquired software £000	Sub-total £000	Goodwill £000	Total £000
Cost					
At 1 January 2014	33,183	159	33,342	106,914	140,256
Additions (notes 10,11)	1,100	–	1,100	1,686	2,786
Disposal (note 12)	(27,722)	(8)	(27,730)	(7,612)	(35,342)
At 31 December 2014	6,561	151	6,712	100,988	107,700
Additions (note 11)	300	–	300	–	300
At 31 December 2015	**6,861**	**151**	**7,012**	**100,988**	**108,000**
Amortisation and impairment					
At 1 January 2014	23,102	129	23,231	59,918	83,149
Amortisation during the year	1,208	10	1,218	–	1,218
Disposal (note 12)	(19,304)	(8)	(19,312)	–	(19,312)
At 31 December 2014	5,006	131	5,137	59,918	65,055
Amortisation during the year	758	10	768	–	768
At 31 December 2015	**5,764**	**141**	**5,905**	**59,918**	**65,823**
Net book value:					
At 31 December 2015	**1,097**	**10**	**1,107**	**41,070**	**42,177**
At 31 December 2014	1,555	20	1,575	41,070	42,645

9. Acquisition of PSigma Asset Management Holdings Limited

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

Consideration paid

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

The final Tranche 2 Deferred Consideration due by 4 October 2015 was £Nil as the AUM at 30 June 2015 was significantly below the minimum level of AUM for which any contingent consideration would be payable.

In 2014 an exceptional credit of £3,750,000 was recognised in the Consolidated Statement of Comprehensive Income.

10. Acquisition of Darwin Investment Managers Limited

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

Fair value of consideration payable	£000
Cash paid on completion	650
Equity instruments issued (1,655,424 ordinary shares of 0.1 pence)	702
Final cash paid on 27 March 2015	420
Total consideration paid	1,772

The fair value of the assets and liabilities acquired on 12 September 2014 was £1,772,000. Identifiable assets acquired were £86,000 and goodwill on acquisition was £1,686,000.

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

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

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

The management contract has been recorded 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.

12. Disposal of Miton Capital Partners Limited

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

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

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

13. Impairment of goodwill and intangible assets

The Group has determined that as at 31 December 2015 it had one (2014: 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 2015. The recoverable amount within the fund management CGU was determined by assessing the value in use using long-term cash flow projections for the CGU.

Data for the explicit forecast period of 2015-2019 is based on the 2016 budget and forecasts for 2017-2020. 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% (2014: 3%). The Board considers this rate fairly reflects the long-term nature of the business and the fact that there is no reason to believe it will not continue into the long term. To arrive at the net present value, cash flows have been discounted using a discount rate of 13.4% (2014: 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 18.5% 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 8.3% and would need to reduce by 3.2% per annum for the estimated recoverable amount to equal the carrying value.

14. Property and equipment

	Leasehold improvements £000	Furniture and equipment £000	Total £000
Cost			
At 1 January 2014	–	544	544
Additions	19	53	72
Disposals	–	(247)	(247)
At 31 December 2014	19	350	369
Additions	25	11	36
Disposals	–	(7)	(7)
At 31 December 2015	**44**	**354**	**398**
Depreciation			
At 1 January 2014	–	291	291
Provided during the year	11	88	99
Disposals	–	(237)	(237)
At 31 December 2014	11	142	153
Provided during the year	8	80	88
Disposals	–	(4)	(4)
At 31 December 2015	**19**	**218**	**237**
Net book value:			
At 31 December 2015	**25**	**136**	**161**
At 31 December 2014	8	208	216

15. Investments in Group companies

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

Principal activities	Subsidiary
FCA regulated investment management companies	Miton Asset Management Limited
	Miton Trust Managers Limited
	Darwin Investment Managers Limited (de-authorised 12 January 2016)
Holding company and central services provider	Miton Group Service Company Limited *
Intermediate holding company	PSigma Asset Management Holdings Limited
Marketing company	Miton (Hong Kong) Limited
Trustee company	Miton ESOP Trustee Limited *
Non-trading companies	Miton Investment Company Limited (dormant) *
	Miton Capital Limited (dormant) *
	MAM Funds Limited (dormant)
	Exeter Asset Management Limited (in solvent members' voluntary liquidation) *
	Midas ESOP Limited (in solvent members' voluntary liquidation) *
	MAMSB Limited (in solvent members' voluntary liquidation) *
	PSigma Asset Management Limited (de-authorised 27 January 2015, in solvent members' voluntary liquidation)

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

* Directly held subsidiaries of Miton Group plc.

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16. Trade and other receivables

	2015 £000	2014 £000
Trade receivables	**3,432**	2,369
Prepayments	**518**	380
Other receivables	**126**	122
Income tax receivable	**544**	–
	4,620	2,871

17. Cash and cash equivalents

	2015 £000	2014 £000
Cash at bank and in hand	**14,073**	15,192

Within cash at bank is £Nil (2014: £3,057,000) held for the account of creditors to the Company as disclosed in note 24. This amount was held in a separate escrow account.

18. Trade and other payables

	Notes	2015 £000	2014 £000
Trade payables		**774**	1,328
Other taxation and social security		**193**	186
Accruals		**1,587**	1,397
Deferred contingent consideration	10,11	**–**	770
Income tax payable		**–**	9
		2,554	3,690

19. Provisions

Current	**Restructuring provision £000**	**Other provisions £000**	**Fund management provisions £000**	**Total £000**
At 1 January 2014	398	–	120	518
Provided	–	260	–	260
Utilised	(398)	–	(95)	(493)
Released	–	–	(25)	(25)
At 1 January 2015	–	260	–	260
Utilised	–	(32)	–	(32)
Released	–	(228)	–	(228)
At 31 December 2015	**–**	**–**	**–**	**–**

Non-current				
At 1 January 2015	–	–	–	–
Provided	–	89	–	89
At 31 December 2015	**–**	**89**	**–**	**89**

Non-current provisions at the end of the year related to dilapidations for the offices at 6th Floor, Paternoster House, London.

Provisions in 2014 related to a VAT provision in respect of prior years and to office relocation costs.

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20. Financial risk management objectives and policies

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

- Credit risk
- Liquidity risk
- Market price risk
- Foreign exchange risk
- 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.

Credit risk

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

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

Maximum exposure to credit risk

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

Financial assets	Notes	2015 £000	2014 £000
Trade receivables	16	**3,432**	2,369
Other receivables	16	**126**	122
Cash and cash equivalents	17	**14,073**	15,192
		17,631	17,683

Fair value measurement

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

Liquidity risk

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

As at 31 December 2015	<6 months £000	6–12 months £000	12–18 months £000	>18 months £000
Undiscounted maturity of liabilities	2,554	–	–	321
As at 31 December 2014				
Undiscounted maturity of liabilities	3,180	770	–	343

20. Financial risk management objectives and policies continued

Market price risk

Market price risk is the risk that changes in market prices will adversely affect the Group's income due to a decline in the underlying value of assets under management, resulting in lower fees. The objective of market price risk management is to manage and control market price exposure, while optimising the return on risk. Group funds include single strategy and multi-asset equity portfolios. At 31 December 2015 UK and global equities represented 83% (2014: 80%) of the Group's aggregated assets under management. Approximately 6% (2014: 5%) related to cash and currencies and 8% (2014: 9%) 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% (2014:10%) in value, the impact on net revenue over 12 months would be a reduction of £1.5m (2014: £1.1m).

Foreign exchange risk

At 31 December 2015 the Group held the equivalent of £6,000 of cash denominated in foreign currency (2014: £6,000) and as such is not exposed to significant foreign exchange risk.

Interest rate risk

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

Working capital

The Group monitors the level of its working capital on an ongoing basis. The Group uses detailed financial information provided by its forecasting model and by regular review of its consolidated management information. The regulated companies use a 'cash buffer plus margin' approach when determining the maintenance of cash and capital within the businesses. More details are provided in the Strategic Report on pages 6 to 11.

Regulatory capital requirements

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

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

The primary objective of the Group's capital management is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to provide a suitable base to sustain the future development of the business, while ensuring compliance with regulatory capital requirements. The Group's capital consists of share capital and reserves of £58,217,000 (2014: £56,740,000).

21. Share capital

Authorised:	2015 £000	2014 £000
250,000,000 ordinary shares of 0.1 pence each	250	250

Allotted, called up and fully paid: No. of shares	2015 ordinary shares 0.1 pence each No. 000	2014 ordinary shares 0.1 pence each No. 000
At 1 January	170,921	164,091
Issued for the acquisition of PSigma Asset Management Holdings Limited	–	3,320
Issued for the acquisition of Darwin Investment Managers Limited	–	1,655
Issued on exercise of share options	–	1,855
At 31 December	170,921	170,921

21. Share capital continued

Allotted, called up and fully paid: Value of shares	2015 ordinary shares 0.1 pence each £000	2014 ordinary shares 0.1 pence each £000
At 1 January	171	164
Issued for the acquisition of PSigma Asset Management Holdings Limited	–	3
Issued for the acquisition of Darwin Investment Managers Limited	–	2
Issued on exercise of share options	–	2
At 31 December	171	171

The Group's employee benefit trust held 19,930,572 (2014: 19,080,572) of the shares listed above.

Share placing on acquisition of PSigma Asset Management Holdings Limited

On 6 October 2014, the Group issued 3,320,000 shares for Tranche 1 of the deferred consideration.

Share placing on acquisition of Darwin Investment Managers Limited

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

a) Employee Benefit Trust ('EBT')

19,930,572 shares are held by the Group's employee benefit trust, of which 19,898,064 shares relate to MEI awards and 32,508 shares relate to MEI awards which have lapsed or been forfeited. The EBT has not been consolidated in the Group's financial statements, the fair value of the shares at issue and purchase of £6.52m (equating to 32.7p 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.

b) Treasury shares

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 £0.026m.

22. Dividends paid and proposed

Dividend on ordinary shares declared and paid during the year:

	2015 £000	2014 £000
Final dividend for 2015 — 0.60p per share (2014: 0.54p)	910	783

Dividend on ordinary shares proposed for approval by shareholders (not recognised as a liability at the Consolidated Statement of Financial Position date).

	2015 £000	2014 £000
Final dividend for 2016 — 0.67p per share (2015: 0.60p)	1,012	910

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23. Share-based payment

(a) 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 22.

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

2015	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	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
Exercised during the year	–	–	–	–
Forfeited during the year	–	–	–	–
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

2014	MEI	MIP	Total number of equity incentives	Weighted average exercise price (p)
Reference	(i)	(ii)		
Outstanding at 1 January	19,080,572	3,105,000	22,185,572	38.68
Granted during the year	–	510,000	510,000	31.18
Exercised during the year	–	(1,855,000)	(1,855,000)	17.79
Forfeited during the year	(1,457,508)	–	(1,457,508)	50.00
Outstanding at 31 December	17,623,064	1,760,000	19,383,064	39.64
Exercisable at 31 December	–	500,000	500,000	10.00

The average market share price for 2015 was 25.83p (2014: 38.90p).

The Growth Share Plan ('GSP' or the 'Plan') was launched in 2014 and a summary of the status of the GSP at 31 December 2015 and changes during 2015 is shown below:

	2015	2014
Reference	(iii)	(iii)
Outstanding at 1 January	900	–
Granted during the year	75	900
Outstanding at 31 December	975	900
Vested at 31 December	–	–

The above table refers to the number of growth shares granted during the year, which according to the rules of the Plan may accrue value and qualify to be convertible into Miton Group plc ordinary shares once vesting occurs. For further information please refer to the Directors' Remuneration Report on page 20. The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2015 was £1,218,000 (2014: £905,000) of which £696,000 related to the GSP (2014: £217,000). This expense was in respect of equity-settled share awards only, as the Company has no cash-settled share options.

23. Share-based payment continued

(i) Management Equity Incentive ('MEI')

The MEI is designed to incentivise executive directors and managers of the business. During 2015 the Group granted seven awards over 2,275,000 ordinary 0.1p shares (2014: Nil) 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 £132,000 (2014: £Nil), of which £10,000 was charged to the Consolidated Statement of Comprehensive Income in the year (2014: £Nil).

(ii) Management Incentive Plan ('MIP')

The MIP is designed to incentivise executive directors and managers of the business. During 2015 the Group granted one award over 25,000 ordinary 0.1p shares (2014: 510,000) 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 2015 (2014: 1,855,000 exercised at varying dates throughout the year).

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 £5,000 (2014: £127,000) of which £2,000 was charged to the Consolidated Statement of Comprehensive Income in the year (2014: £34,000).

(iii) Growth Share Plan ('GSP')

The GSP is designed to incentivise and retain fund managers. It allows successful participants to share in the growth in value of the relevant profit and assets under management for which they are responsible. During 2015, awards over 75 growth shares were granted (2014: 900), which will only vest subject to the satisfaction of various performance conditions and continued employment.

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

Vesting will occur in accordance with the table outlined below assuming profitability has been achieved and AuM has increased in the relevant FMU. At or following vesting, the holder may convert the growth shares into Miton Group plc shares according to a specified valuation formula and the 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 £102,000 (2014: £3,055,000) of which £11,000 was charged to the Consolidated Statement of Comprehensive Income in the year (2014: £217,000).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

23. Share-based payment continued

b) Exercise dates of outstanding equity incentives

Exercise dates	MIP	MEI	Total
Exercisable up to 18 May 2021 @ 10p per share	500,000	–	500,000
Exercisable up to 9 May 2018 @ 33p per share	–	6,558,786	6,558,786
Exercisable up to 30 April 2016 @ 33p per share	–	1,000,000	1,000,000
Exercisable up to 30 April 2016 @ 50p per share	–	1,000,000	1,000,000
Exercisable up to 10 May 2019 @ 50p per share	–	728,754	728,754
Exercisable between 28 February 2016 and 7 July 2023 @ 10p per share	300,000	–	300,000
Exercisable between 23 January 2016 and 7 July 2023 @ 10p per share	150,000	–	150,000
Exercisable between 13 March 2016 and 7 July 2023 @ 10p per share	300,000	–	300,000
Exercisable between 21 March 2016 and 10 May 2019 @ 50p per share	–	4,372,524	4,372,524
Exercisable between 7 December 2016 and 7 December 2023 @ 20p per share	130,000	–	130,000
Exercisable between 31 March 2017 and 10 May 2021 @ 33p per share	–	1,213,000	1,213,000
Exercisable between 31 March 2017 and 10 May 2021 @ 48.25p per share		750,000	750,000
Exercisable between 31 March 2017 and 10 May 2021 @ 50.325p per share	–	750,000	750,000
Exercisable between 31 March 2017 and 31 March 2024 @ 35p per share	50,000	–	50,000
Exercisable between 6 April 2017 and 6 April 2024 @ 35p per share	200,000	–	200,000
Exercisable between 1 May 2017 and 1 May 2024 @ 35p per share	130,000	–	130,000
Exercisable between 31 March 2018 and 10 May 2021 @ 57.1875p per share	–	1,250,000	1,250,000
Exercisable between 31 March 2019 and 10 May 2024 @ 33p per share	–	2,275,000	2,275,000
Exercisable between 21 January 2018 and 28 January 2025 @ 25p per share	25,000	–	25,000
	1,785,000	**19,898,064**	**21,683,064**

Conversion dates for outstanding Growth Share Plan incentives

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

Conversion dates	Growth Shares
Convertible between September 2016 and October 2028	300
Convertible between September 2017 and October 2029	300
Convertible between September 2018 and October 2030	300
Convertible between September 2019 and October 2031	75
	975

Subsequent to the year end an additional 100 growth shares were issued on 15 January 2016.

23. Share-based payment continued

At 31 December 2015 all options that were outstanding can be summarised within a range of exercise prices as follows:

	2015			2014		
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	**19,683,064**	**3.84**	**37.33**	17,383,064	3.68	37.91p
50.01p to 200p	**2,000,000**	**5.36**	**54.61**	2,000,000	5.36	54.61p
Weighted average	**21,683,064**	**3.98**	**38.93**	19,383,064	3.85	39.63p

(c) Assumptions for fair value estimates

Management Incentive Plan ('MIP')

The fair value of awards granted in 2015 was based on the following assumptions:

	Award 1
Grant date	22 Jan 2015
Number of options granted	25,000
Share price at grant date	37.125p
Annualised volatility	60%
Risk free interest rate at award date	3.03%
Expected dividend yield	2.1%
Term to vesting from grant date	36 months
Exercise price	25p
Expected life of option from grant date	4 years

Management Equity Plan ('MEI')

The fair value of awards granted in 2015 was based on the following assumptions:

	Award 1
Grant date	29 Sept 2015
Number of options granted	2,275,000
Share price at grant date	26.0p
Annualised volatility	43.85%
Risk free interest rate at award date	2.48%
Expected dividend yield	2.3%
Term to vesting from grant date	36 months
Exercise price	33p
Expected life of option from grant date	4 years

The expected life of the equity incentives is based on historical data and is not necessarily indicative of exercise patterns that may occur. The annualised volatility is 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.

23. Share-based payment continued

Growth Share Plan ('GSP')

The fair value of the awards granted in 2015 was based on the following assumptions:

Grant date	11 June 2015
Number of growth shares issued	75
Annualised volatility	20.9%
Risk free interest rate at award date	2.631%
Discount rates	17.5%
Minimum term to vesting from grant date	33 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 2015 was 27.0p (2014: 20.0p). The mid-market value varied between 20.0p and 30.0p (2014: 20.0p and 49.0p) per share during the year.

24. Creditors' reserve

As part of a capital reduction in November 2013 the Group put into escrow an amount of cash in respect of existing and expected liabilities totalling £4,058,000 to comply with the terms of the Court Order. All liabilities have been settled in full in the ordinary course of business and following Court approval on 21 December 2015 the reserve was released in full. At 31 December 2015 £Nil (2014: £3,057,000) was held in the escrow account.

25. Obligations under non-cancellable operating leases

At 31 December 2015 the Group had future commitments under non-cancellable operating leases for land and buildings and office equipment as set out in the periods below:

	2015 £000	2014 £000
Not more than one year	**417**	99
After one year but not more than five years	**683**	175
	1,100	274

Company Financial Statements

31 December 2015

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 parent Company financial statements of Miton Group plc for the year ended 31 December 2015 which comprise the Company Statement of Changes in Equity, Company Statement of Financial Position and the related notes 1 to 11. 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 Directors' Responsibilities Statement set out on page 52, the directors are responsible for the preparation of the parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- 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 the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of Miton Group plc for the year ended 31 December 2015.

Amarjit Singh
(Senior statutory auditor)
For and on behalf of Ernst & Young LLP Statutory Auditor – London
18 March 2016

Company Statement of Changes in Equity

for the year ended 31 December 2015

	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 2014	164	–	(6,294)	–	5,658	3,799	20,765	24,092
Profit for the year after tax	–	–	–	–	–	–	1,263	1,263
Equity dividends paid	–	–	–	–	–	–	(783)	(783)
Shares issued for the acquisition of PSigma Asset Management Holdings	3	1,254	–	–	–	–	–	1,257
Shares issued for the acquisition of Darwin Investment Managers	2	700	–	–	–	–	–	702
Purchase of Treasury Shares	–	–	–	(26)	–	–	–	(26)
Shares issued on exercise of options	2	707	–	–	–	–	(377)	332
Share-based payment expense	–	–	–	–	–	–	688	688
Release from creditors' reserve	–	–	–	–	–	(742)	742	–
At 1 January 2015	**171**	**2,661**	**(6,294)**	**(26)**	**5,658**	**3,057**	**22,298**	**27,525**
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)
Share-based payment expense	–	–	–	–	–	–	521	521
Release from creditors' reserve	–	–	–	–	–	(3,057)	3,057	–
As at 31 December 2015	**171**	**2,661**	**(6,520)**	**(26)**	**5,658**	**–**	**25,386**	**27,330**

The Company's profit after taxation for the year ended 31 December 2015 was £420,000 (2014: £1,263,000).

The notes on pages 56 to 59 form part of these financial statements.

Company Statement of Financial Position

as at 31 December 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Intangible assets	2	**1,097**	1,082
Investments in subsidiaries	3	**28,943**	28,943
		30,040	30,025
Current assets			
Trade and other receivables	4	**415**	191
Cash and cash equivalents	5	**1,046**	3,094
		1,461	3,285
Creditors: amounts falling due within one year			
Creditors	6	**3,864**	5,380
Provisions	7	**–**	185
		3,864	5,565
Net current liabilities		**(2,403)**	(2,280)
Total assets less current liabilities		**27,637**	27,745
Creditors: amounts falling due greater than one year			
Provisions	7	**(89)**	–
Deferred tax liability		**(218)**	(220)
Non-current liabilities		**(307)**	(220)
		27,330	27,525
Capital and reserves			
Share capital	8	**171**	171
Share premium		**2,661**	2,661
Employee Benefit Trust		**(6,520)**	(6,294)
Treasury shares		**(26)**	(26)
Merger reserve		**5,658**	5,658
Creditors' reserve		**–**	3,057
Retained earnings		**25,386**	22,298
Total equity shareholders' funds		**27,330**	27,525

These accounts were approved and authorised for issue by the Board on 18 March 2016 and signed on its behalf by:

Ian Dighé
Executive Chairman

The notes on pages 56 to 59 form part of these financial statements.

Notes to the Company Financial Statements

At 31 December 2015

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 18 March 2016.

New 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 2015.

The Company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2015. The transition to FRS 102 has not affected the reported financial position or financial performance. The transition to FRS 102 has not resulted in any changes in accounting policies or comparatives in the financial statements.

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

The Company accounting policies are as per the Group policies stated on pages 29 to 33. 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 2015 as the Company has adequate cash reserves and distributable reserves in its subsidiaries.

Investments in subsidiaries

Investments in subsidiaries 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.

1. Accounting policies continued

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).

2. Intangible assets

	Intangible assets arising on acquisition £000
Cost	
At 1 January 2015	1,100
Additions	300
At 31 December 2015	**1,400**
Amortisation during the year	
At 1 January 2015	18
Amortisation during the year	285
At 31 December 2015	**303**
Net book value:	
At 31 December 2015	**1,097**
At 31 December 2014	1,082

3. Investments in subsidiaries

	Unlisted subsidiaries £000
Cost and Net book value	
At 31 December 2015	**28,943**
At 31 December 2014	28,943

4. Trade and other receivables

	2015 £000	2014 £000
Amounts due from Group companies	**–**	1
Other debtors	**298**	129
Prepayments and accrued income	**117**	61
	415	191

5. Cash and cash equivalents

	2015 £000	2014 £000
Cash at bank and in hand	**1,046**	3,094

Within cash at bank is £Nil (2014: £3,057,000) held for the account of creditors to the Company as disclosed in note 24 to the consolidated financial statements. This amount was held in a separate escrow account.

6. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	–	11
Other creditors	26	48
Other taxation and social security	–	3
Accruals and deferred income	49	–
Amounts due to Group companies	3,779	4,404
Corporation tax	10	144
Deferred contingent consideration	–	770
	3,864	5,380

7. Provisions

Current	2015 £000	2014 £000
At 1 January	185	388
Provided in the year	–	185
Released in the year	(185)	–
Utilised in the year	–	(388)
At 31 December	–	185

Non-current	2015 £000	2014 £000
At 1 January	–	–
Provided in the year	89	–
At 31 December	89	–

Non-current provisions at the end of the year related to dilapidations for offices at 6th Floor, Paternoster House, London.

The provision at the end of 2014 relates to a VAT provision in respect of prior years. This was released in full in the year.

8. Share capital

Allotted, called up and fully paid: No. of shares	2015 ordinary shares 0.1 pence each No. 000	2014 ordinary shares 0.1 pence each No. 000
At 1 January	170,921	164,091
Issued for the acquisition of PSigma Asset Management Holdings Limited	–	3,320
Issued for the acquisition of Darwin Investment Managers Limited	–	1,655
Issued on exercise of share options	–	1,855
At 31 December	170,921	170,921

Allotted, called up fully paid: Value of shares	2015 ordinary shares 0.1 pence each £000	2014 ordinary shares 0.1 pence each £000
At 1 January	171	164
Issued for the acquisition of PSigma Asset Management Holdings Limited	–	3
Issued for the acquisition of Darwin Investment Managers Limited	–	2
Issued on exercise of share options	–	2
At 31 December	171	171

9. Share-based payment

The share-based payments as at 31 December 2015 and 31 December 2014 are as detailed in note 23 to the consolidated financial statements.

10. Management Equity Incentive ('MEI')

During 2015 the Company granted seven awards over 2,275,000 ordinary 0.1p shares (2014: Nil) which will vest subject to continued employment.

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

11. Management Incentive Plan ('MIP')

During 2015 the Group granted one award over 25,000 ordinary 0.1p shares (2014: 510,000) which will only vest subject to market and non-market conditions.

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

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting (the "Meeting") of the Company will be held at 10.30am on 12 May 2016 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 2015

That the Company's annual audited accounts for the year ended 31 December 2015, 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 0.67p per ordinary share in the capital of the Company.

5. Directors' remuneration report

That the directors' Remuneration Report for the year ended 31 December 2015, which is set out in the Annual Report of the Company for the year ended 31 December 2015, be approved.

6. Directors' re-election

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

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

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

SPECIAL BUSINESS:

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

7. 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 11 August 2017) 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 11 August 2017) 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 11 August 2017), 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
18 March 2016

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

Shareholder Information and Financial Calendar

Annual General Meeting	12 May 2016
2016 half year results announced	September 2016
2016 full year results announced	March 2017
Closing mid-market share price on 31 December 2015	27p
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
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Capita Registrars Limited
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33 Old Broad Street
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3rd Floor
280 Bishopsgate
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165 Fleet Street
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EC4A 2DY

Barclays Bank Plc
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Peel Hunt LLP
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120 London Wall
London
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Company registration number 5160210

Our Product Range as at 18 March 2016

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 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.

PFS Miton Cautious Monthly Income Fund

The PFS 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.

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.

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 3 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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