



Genuinely active investing

Miton Group plc

Interim Report 2017



Genuinely active investing...

Our fund managers have freedom to add value through investing in a broader range of opportunities. We strive to deliver positive returns for our clients whilst closely managing volatility.

2017 Strategic objectives

Objective	Progress
1 Investment strategies and performance <i>Grow and diversify the Group's Assets under Management ('AuM') and underlying revenue generation</i>	<ul style="list-style-type: none">• Creating a corporate environment and culture where fund managers can flourish and deliver value for clients through long-term investment performance• Delivering a range of differentiated strategies with clear objectives that meet customer needs• Developing our range of products across both multi-asset and single strategy funds to build resilience in the business• Continuing to listen to clients, understand factors shaping client demand and launch products that meet their changing requirements
2 Distribution and customer service <i>Look after our clients' assets and provide the highest levels of customer service. Build on our brand and market share</i>	<ul style="list-style-type: none">• Continuing to seek out, cultivate and invest in the best talent at all levels of the business• Investing in and broaden our sales team by recruiting high quality individuals• Bringing our genuinely active funds to a wider client base• Invigorating our website and our clients' digital experience
3 Operations and efficiency <i>Strive for operational excellence and best practice in all we do</i>	<ul style="list-style-type: none">• Operating a scalable platform positioned for future growth without the need for significant increase in the fixed cost base• Controlling costs coupled with selective spending on areas that have the greatest growth prospects• Embracing regulation in a compliant and commercial manner
4 Shareholder returns <i>Increase value for our shareholders</i>	<ul style="list-style-type: none">• Growing our dividend by maintaining dividend cover levels• Maintaining sufficient capital to cover risks and be able to maximise opportunities when they arise• Structuring remuneration to align employee interests with our shareholders and clients



Go to www.mitongroup.com for more information

Cautionary note on forward-looking statements

This Interim Report has been prepared for the members of Miton Group plc ("Miton", the "Group" or the "Company"). The Group, its directors and any agents do not accept or assume responsibility to any other person in connection with this document and such liability is expressly disclaimed. The Interim 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 Interim Report is not a profit forecast. Miton does not undertake to publicly revise or update any forward-looking statement in this Interim Report, whether as a result of new information, future events or otherwise.

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Summary of Results

For the six months ended 30 June 2017

Key business drivers

Product & Performance	Assets under Management ('AuM')	Fee Margin & Profitability
80% of funds are first or second quartile [^]	£3,354m Closing AuM at 30 June 2017 (31/12/16 £2,905m)	Net management fee income of £10.3m (2016 half year £9.6m)
Successful launch of CF Miton Global Infrastructure Income Fund	Average AuM up by 13.4% at £3,157m (2016 full year £2,783m)	Net management fee margin 65.3bps (2016 full year 68.2bps)
1 year 1st quartile track record on CF Miton UK Value Opportunities Fund	Multi-asset fund range AuM up by 11.6% to £750m	£2.9m Adjusted profit (2016 half year £3.1m [†]) (2016 full year £5.1m)
3 year 1st quartile track record on FP Miton Income Fund	£3,490m Closing AuM at 31 August 2017	Total cash £18.2m (2016 half year £17.4m)

[^] Since launch or manager tenure up to 30 June 2017

Financial performance

	Unaudited six months to 30 June 2017 £m	Unaudited six months to 30 June 2016 £m	%	Audited year to 31 December 2016 £m
Closing AuM	3,354	2,542	+31.9 ▲	2,905
Average AuM ⁽¹⁾	3,157	2,792	+13.1 ▲	2,783
Net revenue	10.3	9.6	+7.3 ▲	19.0
Adjusted Profit before tax ⁽²⁾	2.9	3.1 [†]	(6.4) ▼	5.1
Profit before tax ⁽³⁾	2.4	2.9	(17.2) ▼	4.3
Cash generated from operations	1.9	4.4	(56.8) ▼	8.5
Total cash	18.2	17.4	+4.6 ▲	21.3
	pence	pence		pence
Adjusted earnings per share ⁽²⁾	1.53	1.67		2.67
Diluted adjusted earnings per share ⁽⁴⁾	1.35	1.48		2.40
Basic earnings per share	1.24	1.56		2.14
Diluted earnings per share	1.09	1.39		1.92

Notes

[†] The comparative period includes a write-back to share-based payments totalling £0.43m arising from the forfeiture of awards.

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

(2) Adjusted Profit and Adjusted earnings per share are calculated before the deduction of amortisation, exceptionals and taxation.

(3) Profit before tax includes £0.4m of exceptional operating expenses relating to redundancy and restructuring costs (31 December 2016: £0.598m relating to the implementation of a new remuneration structure for the investment team).

(4) Diluted adjusted earnings per share involves a dilution of 11.3% 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 30 June 2017 had vested and had been exchanged for Miton Group plc ordinary shares at that date.

Chief Executive's Statement



David Barron
Chief Executive

Introduction

I am delighted to present my first set of unaudited interim results as Miton's Chief Executive. The Group continues to deliver strong investment performance and net inflows. We have seen the growth from the end of 2016 continue to build into 2017 with our AuM reaching £3.35bn as at 30 June 2017. This progress has since continued with AuM at the end of August rising to £3.49bn.

The average AuM for the six months to 30 June 2017 was £3.16bn. Net revenues were £10.3m contributing to an Adjusted Profit before tax of £2.9m. This represented a small decrease compared to the comparative period last year, but is consistent with our expectations of making positive progress for the year as a whole. The small decrease was due to two factors:

- non-repetition of a write back to share-based payments of £0.43m that benefited last year;
- higher administrative expenses as expected due to the new fund manager remuneration plan which results in a higher charge to the Statement of Comprehensive Income but no future dilution to shareholders.

In April the directors declared a final dividend of 1p per ordinary share in respect of the 2016 financial year which was paid on 4 May 2017. The Group's cash generation remains robust with cash at the period end of £18.2m (2016 HY: £17.4m).

Business update

Miton is continuing to build a distinctive presence in the UK by creating, managing and distributing a range of differentiated, strongly performing multi-asset and single strategy products. We manage these from a scalable operating platform within a strong control environment.

As the investment management industry changes, we believe the place for a genuinely active manager is greater than ever. Passive strategies offer a cost-effective solution to many investors and continue to take market share. They will exert pressure, both on margin and on the very viability of some historic active strategies.

However, by delivering good performance from our active strategies, by growing our presence and brand awareness in the UK market and by adding capabilities where we can be distinctive, we believe we will continue to grow and be relevant to the needs of our clients.

During the period we continued to diversify. In March 2017 we launched the CF Miton Global Infrastructure Income Fund. There is a continuing demand for strategies that can deliver growing income, and by investing globally in infrastructure an

active manager can add value in an asset class that has good long-term return characteristics. Our offering is a differentiated global equity income fund managed by an experienced manager with a robust process.

Distribution

We continue to increase our presence and brand awareness in the UK market. Our focus remains on meeting the needs of advisers, funds of funds and wealth managers who undertake their own asset allocation and require active funds, which have clear risk and return characteristics, and advisers who need a multi-asset proposition with each product delivering a clear outcome.

We saw positive net flows in 24 out of 26 weeks during the first half and have now seen positive flows for each of the past four quarters. The total net inflows for the rolling 12 months to 30 June 2017 are £286m.

We have added further capability to our sales team via new hires and are reinvigorating our website. We undertook a targeted advertising campaign for the first time on the launch of our CF Miton Global Infrastructure Income Fund, highlighting the strong performance of our range of single strategy funds since launch, and our "Genuinely Active" positioning.

AuM development

We aim to convert our strong investment performance into positive fund flows and the net inflows over the six months were £195m. Since the start of the year we have seen the FTSE rise by 2.42% to reach 7,313 on 30 June 2017. This market increase, coupled with the strong investment performance of our fund management teams has added £254m in AuM growth. We saw growth in both our single strategy and multi-asset ranges.

Pleasingly the Group's product range continued to deliver good performance with 80% of our funds being in the first or second quartile of their respective sectors since the manager's tenure.

Board developments

As noted in the Group's Annual Report, Ian Dighé moved to Non-Executive Chairman from 16 March 2017 and a search has been conducted for a new Non-Executive Chairman. We are pleased to announce that Jim Pettigrew has agreed to join the Board as Non-Executive Chairman. Jim has significant leadership experience in asset management and financial services firms. It is expected Jim will take up his position in November 2017, which is subject to regulatory approval. Ian Dighé will stand down at this time.

Regulation

There is much comment about the impact of regulation in our industry. Miton benefits from being a straightforward business: our funds are all relatively new, are designed for current consumers' needs, we operate largely in a single jurisdiction and do not have legacy investment processes.

With the implementation of MiFID II taking effect on 3 January 2018 and ongoing discussions regarding the outcomes of the FCA Asset Management Study, Miton's focus has been to ensure that it continues to balance the requirements of meeting its regulatory obligations with its commercial objectives. We believe that being a small organisation that is ambitious to gain market share gives us an advantage of being more easily able to adapt to the changing regulatory environment. Miton will continue to design products with an outcome focus and aim to make the investor journey as smooth as possible - meeting investor expectations is central to the continued growth of our firm.

Outlook

The shift to individual and consumer driven demand is a dominant factor shaping product and distribution and we believe that this trend will lead to an increased demand for 'outcome' orientated products where individuals and their advisers invest in strategies that can contribute to the delivery of their desired outcomes. The asset management industry continues to adapt as demographics, regulatory change and technological advancements exert their influences.

We have streamlined the business, creating a scalable operating platform for future growth without the need for a significant increase in our fixed cost base. We are optimistic that as the business continues to diversify and grow, this will translate into accelerating shareholder value.

Summary

We look forward to the full year results with confidence. The outlook for markets remains uncertain and there is potential for increased volatility due to external events. We remain focused on delivering good investment returns and service for our clients and providing relevant products which we believe are well structured to meet their changing needs.

I would like to thank all the staff at Miton for their hard work and diligence in aiding us to provide the highest standard of transparent and straightforward service to our clients. We take the responsibility of looking after our clients' assets very seriously and without the knowledge and skill of our staff at all levels across the business we would not be in the robust position we are in today.

David Barron

Chief Executive
20 September 2017

“Whether clients are looking for outcome orientated multi-asset solutions or truly active single strategy funds, Miton is attracting a growing interest from a wide range of clients and this will enable us to further grow our presence in our key markets”



Product Range

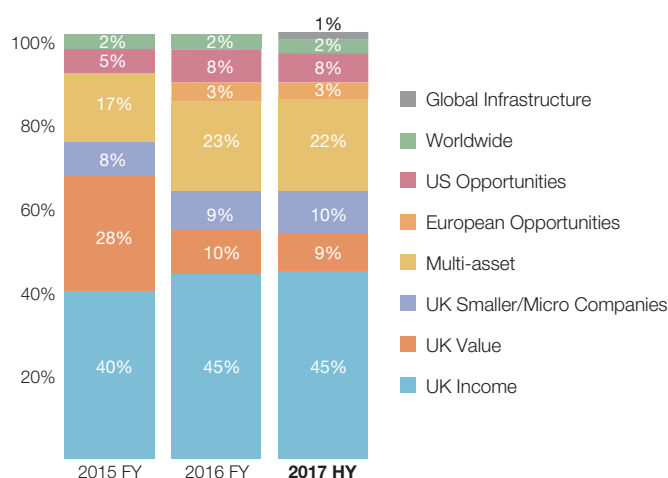
Miton Group plc is the AIM listed parent company of the fund management group operating through two FCA regulated entities: Miton Asset Management Limited and Miton Trust Managers Limited.

Our goal is to make more money for more investors through genuinely active investing and a relentless pursuit of exceptional standards. The Group's investment teams 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.

Miton has eight investment teams managing nine open-ended funds (OEICs), two unit trusts and four investment trusts from one central London office. Our fund managers are independently minded and allocate capital in line with their convictions.

The Group continues to broaden the fund range. The first half of 2017 saw the launch of a new strategy investing in listed global equity infrastructure assets.

AuM by strategy



	AuM 30 Jun 2017 £m	AuM 31 Dec 2016 £m	AuM 30 Jun 2016 £m	Fund Manager(s)	Year of launch	Quartile performance from launch / tenure [^]
Equity Funds						
CF Miton UK Multi Cap Income	902	755	641	Gervais Williams / Martin Turner	2011	1
CF Miton UK Smaller Companies	195	161	143	Gervais Williams / Martin Turner	2012	2
FP Miton Income*	192	188	177	Eric Moore	2007	1
CF Miton UK Value Opportunities	324	290	388	Andrew Jackson	2013	1
CF Miton US Opportunities	287	238	184	Nick Ford / Hugh Grieves	2013	1
CF Miton European Opportunities	114	82	65	Carlos Moreno / Thomas Brown	2015	1
CF Miton Global Infrastructure Income ⁽¹⁾	14	-	-	Jim Wright	2017	3
	2,028	1,714	1,598			
Multi-Asset Funds						
CF Miton Cautious Multi Asset	411	368	320	David Jane / Anthony Rayner	1997	1
CF Miton Defensive Multi Asset	76	78	82	David Jane / Anthony Rayner	1996	2
MI Miton Cautious Monthly Income*	244	210	63	David Jane / Anthony Rayner	2010	1
CF Miton Worldwide Opportunities	19	16	13	Nick Greenwood	2003	1
	750	672	478			
Net Asset Value						
Investment Trusts						
The Diverse Income Trust plc	385	351	319	Gervais Williams / Martin Turner	2011	1
The Investment Company plc	18	17	17	Gervais Williams / Martin Turner	1868	4
Miton UK MicroCap Trust plc	108	94	83	Gervais Williams / Martin Turner	2015	4
Miton Global Opportunities plc	65	57	47	Nick Greenwood	2004	2
	576	519	466			
	3,354	2,905	2,542			

⁽¹⁾ Launched on 23 March 2017.

* Denotes a Unit Trust.

[^] The quartile performance rankings above are based on FE Analytics as at 30 June 2017 in GBP, Sterling Class B shares, net income reinvested, mid to mid basis for OEIC funds and bid to bid for FP Miton Income and MI Miton Cautious Monthly Income. Performance for Investment Trusts is based on Net Asset Value.

Financial Review

Results for the half year

The average Assets under Management ('AuM') for the period were £3,157m (2016 FY: £2,783m), an increase of 13.4% on the year to 31 December 2016, reflecting the significant net inflows and market/investment performance achieved in both the first and second quarters of the year.

AuM by asset class

	Opening AuM 1 January 2017 £m	Net flows £m	Market/ investment performance £m	Closing AuM 30 June 2017 £m
Equity funds	1,714	150	164	2,028
Multi-asset funds	672	41	37	750
Investment Trusts	519	4	53	576
Total	2,905	195	254	3,354

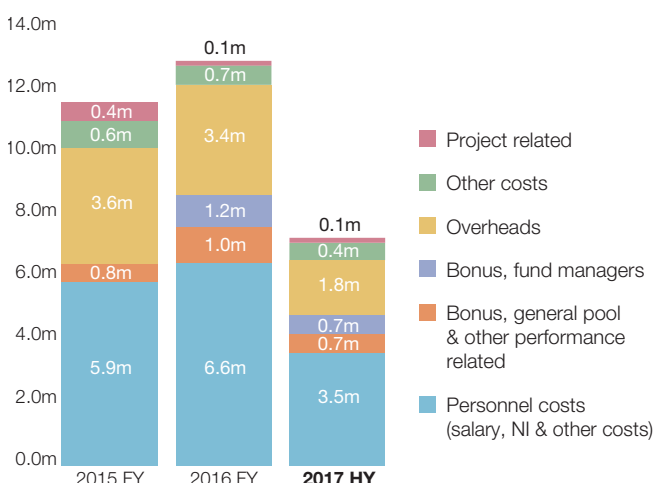
Net management fees and margins

	Unaudited Six months to 30 June 2017	Unaudited Six months to 30 June 2016	Audited Year to 31 December 2016
Average AuM* (£m)	3,157	2,792	2,783
Net management fees (£m)	10.3	9.6	19.0
Net management fee margin (bps)	65.3	68.8	68.2

*Calculated on a monthly basis based on the closing AuM.

Net management fee margins reduced to 65.3bps (2016 FY: 68.2bps) as anticipated in the 2016 Annual Report. The Group continues to diversify, with new strategies initially contributing at lower founder investor margins.

Administration expenses



At the half year administration expenses totalled £7.1m, an increase on the comparative period of 15%. Fixed personnel costs were in line with expectations, including budgeted salary rises and new hires across the Group.

Overheads were up slightly on the comparative period and included a targeted spend on the Group's website totalling £0.1m. As previously highlighted variable bonus provisions were comparatively higher due to the new fund manager reward scheme implemented on 1 July 2016. Any deferral amounts paid to participants are amortised over the three year deferral period.

Share-based payments

Share-based payments were in line with expectations for the period. The comparative period includes a non-cash write-back arising from the forfeiture of awards in accordance with IFRS totalling £0.43m (see note 10).

Exceptional costs

Exceptional restructuring costs were incurred in the period totalling £0.4m (2016 HY: £0.04m related to costs associated with the new remuneration structure for the investment team).

Adjusted Profit and Profit before tax

	2017 HY £m	2016 HY £m	2016 FY £m
Net revenue	10.3	9.6	19.0
Administrative expenses	(7.1)	(6.2)	(13.1)
Share-based payments	(0.3)	(0.2)	(0.7)
Adjusted Profit before tax	2.9	3.1	5.1
Amortisation	(0.1)	(0.1)	(0.3)
Exceptional costs	(0.4)	(0.1)	(0.6)
Profit before tax	2.4	2.9	4.3

Profit before tax for the half year was lower than the comparative period at £2.4m (2016 HY: £2.9m). The reduction is primarily due to the credit to the share-based payment charge in 2016, detailed above, along with exceptional restructuring costs incurred so far in 2017 (see note 4). Adjusting for both of these factors profit before tax grew by 12% in 2017, which is a higher rate of growth than the net revenues in the period.

Balance sheet and capital

At the period end the cash balances of the Group were £18.2m (2016 HY: £17.4m). The cash balances reduced from the closing year end position of £21.3m primarily due to the seasonal nature of the Group's cash spend on variable compensation awards coupled with the payment of the annual dividend totalling £1.5m on 4 May 2017.

In addition to this, on 23 February 2017 the Group completed the share buyback that was announced on 22 December 2016. The Group acquired and cancelled 6,606,900 ordinary shares at a cash cost of £2.6m.

Cash generated from operations is lower than the comparative period due to the exceptional costs and resulting lower profitability. In addition to this, 2016 saw favourable working capital movements coming through from 2015.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Notes	Unaudited Six months to 30 June 2017 £000	Unaudited Six months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Revenue		13,115	12,174	24,067
Fees and commission expenses		(2,821)	(2,557)	(5,079)
Net revenue		10,294	9,617	18,988
Administration expenses		(7,104)	(6,247)	(13,122)
Share-based payment expense	10	(262)	(240)	(739)
Amortisation of intangible assets		(140)	(150)	(290)
Exceptional operating expenses	4	(403)	(42)	(598)
Operating profit		2,385	2,938	4,239
Finance revenue		–	8	11
Profit for the period before taxation		2,385	2,946	4,250
Taxation	5	(498)	(585)	(1,002)
Profit for the period after taxation and attributable to equity holders of the parent		1,887	2,361	3,248
		pence	pence	pence
Basic earnings per share	6(a)	1.24	1.56	2.14
Diluted earnings per share	6(a)	1.09	1.39	1.92

No other comprehensive income was recognised during 2017 or 2016. Therefore, the profit for the period is also the total comprehensive income.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Notes	Share Capital £000	Share Premium £000	Employee Benefit Trust £000	Treasury Shares £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £000
At 1 January 2017		178	2,661	(6,530)	(11)	–	65,216	61,514
Profit for the period		–	–	–	–	–	1,887	1,887
Release of Treasury shares		–	–	–	7	–	–	7
Settlement for forfeiture of options		–	–	–	–	–	(220)	(220)
Share-based payment	10	–	–	–	–	–	262	262
Deferred tax direct to equity		–	–	–	–	–	43	43
Cancellation of Ordinary Shares	9	(7)	–	–	–	7	(2,554)	(2,554)
Equity dividends paid	3	–	–	–	–	–	(1,509)	(1,509)
At 30 June 2017 (Unaudited half year)		171	2,661	(6,530)	(4)	7	63,125	59,430
At 1 January 2016		171	2,661	(6,520)	(26)	–	61,931	58,217
Profit for the period		–	–	–	–	–	2,361	2,361
Release of Treasury shares		–	–	–	16	–	–	16
Employee Benefit Trust		–	–	(10)	–	–	–	(10)
Share-based payment	10	–	–	–	–	–	240	240
Settlement for forfeiture of options		–	–	–	–	–	(59)	(59)
Deferred tax direct to equity		–	–	–	–	–	(3)	(3)
Equity dividends paid	3	–	–	–	–	–	(1,012)	(1,012)
At 30 June 2016 (Unaudited half year)		171	2,661	(6,530)	(10)	–	63,458	59,750
At 1 January 2016		171	2,661	(6,520)	(26)	–	61,931	58,217
Profit for the year		–	–	–	–	–	3,248	3,248
Release of Treasury shares		–	–	–	15	–	–	15
Employee Benefit Trust		–	–	(10)	–	–	–	(10)
Share-based payment	10	–	–	–	–	–	1,215	1,215
Settlement of options		–	–	–	–	–	(159)	(159)
Share issues on exchange of Growth Shares	9	7	–	–	–	–	(7)	–
Equity dividends paid	3	–	–	–	–	–	(1,012)	(1,012)
At 31 December 2016 (Audited)		178	2,661	(6,530)	(11)	–	65,216	61,514

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Non-current assets				
Goodwill		41,070	41,070	41,070
Intangible assets		677	957	817
Other investments		100	100	100
Property and equipment		60	120	86
Deferred tax asset		100	23	44
Trade and other receivables		5	–	–
		42,012	42,270	42,117
Current assets				
Trade and other receivables		2,766	2,591	2,415
Cash and cash equivalents	7	18,239	17,400	21,288
		21,005	19,991	23,703
Total assets		63,017	62,261	65,820
Current liabilities				
Trade and other payables		(3,200)	(2,176)	(3,953)
		(3,200)	(2,176)	(3,953)
Non-current liabilities				
Trade and other payables		(15)	–	–
Provisions	8	(235)	(138)	(187)
Deferred tax liability		(137)	(197)	(166)
		(387)	(335)	(353)
Total liabilities		(3,587)	(2,511)	(4,306)
Net assets		59,430	59,750	61,514
Equity				
Share capital	9	171	171	178
Share premium		2,661	2,661	2,661
Employee Benefit Trust		(6,530)	(6,530)	(6,530)
Treasury shares		(4)	(10)	(11)
Capital redemption reserve		7	–	–
Retained earnings		63,125	63,458	65,216
Total equity shareholders' funds		59,430	59,750	61,514

Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Unaudited Six months to 30 June 2017 £000	Unaudited Six months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Operating activities				
Profit after taxation		1,887	2,361	3,248
Adjustments to reconcile profit to net cash flow from operating activities:				
Tax on continuing operations	5	498	585	1,002
Finance revenue		-	(8)	(11)
Depreciation		40	44	86
Loss on disposal of fixed assets		2	-	1
Amortisation of intangible assets		140	150	290
Share-based payment expense	10	262	240	1,215
(Increase)/decrease in trade and other receivables		(334)	1,484	1,661
(Decrease)/increase in trade and other payables		(633)	(418)	934
Increase in provisions	8	48	49	98
Cash generated from operations		1,910	4,487	8,524
Income tax paid		(640)	-	(42)
Net cash flow from operating activities		1,270	4,487	8,482
Investing activities:				
Interest received		-	8	11
Purchase of property and equipment		(17)	(3)	(12)
Investments held for deferred remuneration		(19)	-	-
Purchase of other investments		-	(100)	(100)
Net cash flow from investing activities		(36)	(95)	(101)
Financing activities:				
Release of Treasury Shares		7	6	15
Employee Benefit Trust		-	-	(10)
Settlement of options		(220)	(59)	(159)
Cancellation of Ordinary Shares		(2,561)	-	-
Dividend paid	3	(1,509)	(1,012)	(1,012)
Net cash flow from financing activities		(4,283)	(1,065)	(1,166)
(Decrease)/increase in cash and cash equivalents		(3,049)	3,327	7,215
Opening cash and cash equivalents		21,288	14,073	14,073
Closing cash and cash equivalents	7	18,239	17,400	21,288

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

1. Basis of accounting

These interim condensed and consolidated financial statements do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. They have been prepared on the basis of the accounting policies as set out in the Group's Annual Report for the year ended 31 December 2016.

The interim unaudited consolidated financial statements to 30 June 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Listing Rules of the Financial Conduct Authority.

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

The Group's 2016 Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and is available on the Miton Group plc website (www.mitongroup.com).

These interim unaudited consolidated financial statements were approved by the Board of Directors on 20 September 2017.

The full year accounts to 31 December 2016 were approved by the Board of directors on 15 March 2017 and have been delivered to the Registrar of Companies. The report of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. The results for the six months ended 30 June 2017 and the six months ended 30 June 2016 have not been audited.

2. Segmental reporting

The Group has only one operating segment, fund management, which is derived from clients in the United Kingdom and Europe. Therefore, no segmental reporting is presented. The Group has one cash-generating unit.

3. Dividend

The dividend for the year ended 31 December 2016 was paid on 4 May 2017, being 1.00p per share. The Trustees of the Group's Employee Benefit Trust waived their rights to part of this dividend leading to a total distribution of £1,509,232, which is reflected in the Interim Unaudited Consolidated Statement of Changes in Equity (2016 FY: £1,011,638).

4. Exceptional operating expenses

	Unaudited Six months to 30 June 2017 £000	Unaudited Six months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Group restructuring costs	403	–	–
New fund manager remuneration plan – implementation costs	–	42	123
– acceleration of share-based payment (non-cash)	–	–	475
	403	42	598

5. Taxation

	Unaudited Six months to 30 June 2017 £000	Unaudited Six months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Corporation tax charge	539	585	1,051
Deferred tax credit	(41)	–	(49)
Tax charge reported in the Consolidated Statement of Comprehensive Income	498	585	1,002

6. Earnings per share

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

The weighted average of issued ordinary share capital of the Company is reduced by the weighted average number of shares held by the Group's Employee Benefit Trust ('EBT').

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

In January 2017 the Company undertook a share buyback that was completed on 23 February 2017. The Company acquired a total of 6,606,900 ordinary 0.1p shares, which were cancelled in the period.

(a) Reported earnings per share

Reported basic and diluted earnings per share has been calculated as follows:

	Unaudited Six months to 30 June 2017	Unaudited Six months to 30 June 2016	Audited Year to 31 December 2016
Profit attributable to ordinary equity shareholders of the parent company for basic earnings (£000)	1,887	2,361	3,248
Weighted average shares in issue (No.000)	152,481	150,974	152,038
Weighted average shares in issue – diluted (No.000)	172,512	169,851	169,166
Basic earnings per share (pence)	1.24	1.56	2.14
Diluted earnings per share (pence)	1.09	1.39	1.92

(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 and exceptional items.

Adjusted Profit for calculating adjusted earnings per share:

	Unaudited Six months to 30 June 2017 £000	Unaudited Six months to 30 June 2016 £000	Audited Year to 31 December 2016 £000
Profit before tax for the period	2,385	2,946	4,250
Add back:			
Exceptional operating expenses (see note 4)	403	42	598
Amortisation	140	150	290
Adjusted Profit before tax	2,928	3,138	5,138
Taxation:			
Tax in the Consolidated Statement of Comprehensive Income (see note 5)	(498)	(585)	(1,002)
Tax effect of adjustments	(104)	(38)	(81)
Adjusted Profit after tax for the calculation of Adjusted earnings per share	2,326	2,515	4,055

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

6. Earnings per share continued

Adjusted earnings per share was as follows using the number of shares calculated at note 6(a):

	Unaudited Six months to 30 June 2017 pence	Unaudited Six months to 30 June 2016 pence	Audited Year to 31 December 2016 pence
Adjusted earnings per share	1.53	1.67	2.67
Diluted Adjusted earnings per share	1.35	1.48	2.40

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 30 June 2017, which will not fully vest until September 2018, had vested and had been exchanged into Miton Group plc ordinary 0.1p shares at 30 June 2017.

7. Cash and cash equivalents

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Cash at bank and in hand	18,174	17,400	21,288
Cash held in nominee	65	–	–
At 30 June 2017 (Unaudited)	18,239	17,400	21,288

Cash held in nominee relates to funds held on behalf of participants in the Group's remuneration schemes.

8. Provisions

Non-current	Total £000
At 1 January 2017	187
Provided	48
At 30 June 2017 (Unaudited)	235
At 1 January 2016	89
Provided	49
At 30 June 2016 (Unaudited)	138
At 1 January 2016	89
Provided	98
At 31 December 2016 (Audited)	187

Non-current provisions relate to dilapidations for the Group's offices at 6th Floor, Paternoster House, 65 St Paul's Churchyard, London.

9. Share capital

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Authorised:			
250,000,000 ordinary shares of 0.1 pence each	250	250	250
		No of ordinary shares 0.1 pence each No. 000	Value of ordinary shares 0.1 pence each £000
Allotted, called up and fully paid:			
At 1 January 2017		177,528	178
Cancelled		(6,607)	(7)
At 30 June 2017 (Unaudited)		170,921	171
At 1 January 2016 and 30 June 2016 (Unaudited)		170,921	171
At 1 January 2016		170,921	171
Issued on exchange of Growth Shares		6,607	7
At 31 December 2016 (Audited)		177,528	178

On 22 December 2016 the Group provided an instruction to Peel Hunt to acquire up to 6,606,900 ordinary shares to mitigate the dilution impact arising from the conversion of awards under the Growth Share Plan ('GSP'). The buyback commenced in January 2017 and was completed on 23 February 2017 at a cost of £2,554,355. All shares purchased as part of the process were cancelled.

10. Share-based payment

The total expense recognised for share-based payments during the period ended 30 June 2017 was £261,833 (2016 HY: £240,000). The comparative period included a credit of £428,000 associated with the forfeiture of awards in the first half of 2016, as discussed on page 5. The share-based payment expense was in respect of equity-settled share awards only, as the Company has no cash-settled share options.

An exceptional non-cash cost of £475,258 was recognised in the second half of 2016 as a result of discontinuing the GSP for all but one team. The total charge for equity-settled share-based payments for 2016 amounted to £1,214,741.

i) Management Equity Incentive ('MEI')

Following Ian Dighé stepping down from the role of Executive Chairman on 16 March 2017 to become Non-Executive Chairman, the Trustees of the Group's Employee Benefit Trust acquired Mr Dighé's interests in awards over the following ordinary 0.1p shares on 19 May 2017 for a cash consideration of £220,000:

- Award over 2,186,262 shares at a subscription price of 33p per share which could be exercised up until 40 days after the date on which the Company publishes its preliminary results for the year ending 31 December 2018; and
- Award over 2,186,262 shares at a subscription price of 50p per share which could be exercised up until 40 days after the date on which the Company publishes its preliminary results for the year ending 31 December 2018.

In the period to 30 June 2017 the Group granted three awards over 250,000 ordinary 0.1p shares (2016 HY: 1 award over 100,000 ordinary 0.1p shares) which will vest subject to market and non-market conditions.

The fair value of awards granted under the MEI is estimated as at the date of grant using the Black-Scholes model with assumptions for dividend yields, share price and composite volatility. The fair value of options granted in the period was £14,973 (2016 HY: £7,189) of which £2,168 was charged to the Consolidated Statement of Comprehensive Income in the period (2016 HY: £589).

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2017

10. Share-based payment continued

Awards over 25,000 ordinary 0.1p shares were forfeited during the period (2016 HY: 3,213,000) by employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for prior periods was reduced by £457 (2016 HY: £203,877) in accordance with accounting standards.

At the period end there were 9,697,524 awards outstanding (31 December 2016: 13,845,048) of which 5,872,524 were exercisable (31 December 2016: 8,745,048).

ii) Management Incentive Plan ('MIP')

Awards over 130,000 ordinary 0.1p shares were forfeited during the period (2016 HY: 50,000) by employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for prior periods was reduced by £29,092 (2016 HY: £5,705) in accordance with accounting standards.

At the period end there were 730,000 awards outstanding (31 December 2016: 860,000) of which 530,000 were exercisable (31 December 2016: 530,000).

iii) Growth Share Plan ('GSP')

As noted in the Group's 2016 Annual Report, the GSP was discontinued from 1 July 2016 as the principal reward and retention mechanism for new fund managers and for those where no value had accrued at that date.

At the period end there was one Fund Management Unit ('FMU') remaining in the GSP (31 December 2016: 1).

In the comparative period awards over 300 subsidiary growth shares were forfeited due to employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for the comparative half year period was reduced by £218,689 in accordance with accounting standards.

Conversion dates for outstanding Growth Share Plan incentives

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

Conversion dates	Growth Shares
Convertible between September 2017 and October 2029	100
Convertible between September 2018 and October 2030	100
	200

As at 30 June 2017 the estimated accrued value of the remaining 200 Growth Shares in issue calculated according to the Plan rules was £7.1m.

Shareholder Information and Advisers

2017 full year results announced	March 2018
Annual General Meeting	May 2018
2018 half year results announced	September 2018
Closing mid-market share price on 30 June 2017	36.8p
Stock code	MGR; or Bloomberg: MGR LN
Listing details	The Company's ordinary shares are quoted on the Alternative Investment Market ('AIM') of the London Stock Exchange. The price of the ordinary shares appears within the AIM section of the Financial Times.

Registrars

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

Nominated Adviser and Broker

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

Auditors

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

Bankers

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

HSBC
165 Fleet Street
London
EC4A 2DY

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Registered Office

Miton Group plc
6th Floor, Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Directors

I Dighé

Non-Executive Director
Chairman

D Barron

Chief Executive Officer

P Harrison

Chief Operating Officer

G Williams

Senior Executive Director

J Davies OBE DL FRSA

Non-Executive Director

Senior Independent Director

K Hart

Non-Executive Director

Chairman of Remuneration Committee

A Walton

Deputy Chairman

Chairman of Audit Committee

Chairman of Nominations Committee

Company Secretary

R Bennett

Company Registration number: 5160210

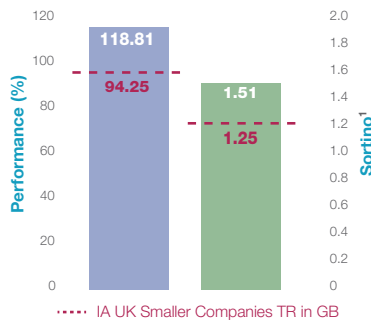
Our Product Range as at 20 September 2017

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

Equity

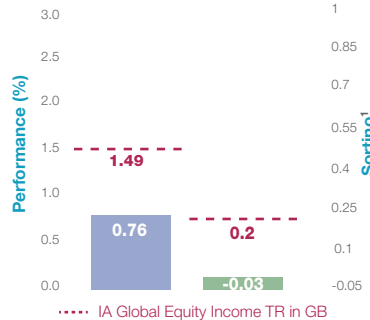
CF Miton UK Smaller Companies Fund

Performance and Sortino ratio since inception: 14/12/2012 to 30/06/2017



CF Miton Global Infrastructure Income Fund³

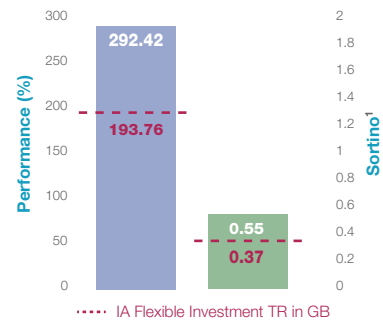
Performance and Sortino ratio since inception: 23/03/2017 to 30/06/2017



Fund of Investment Trusts

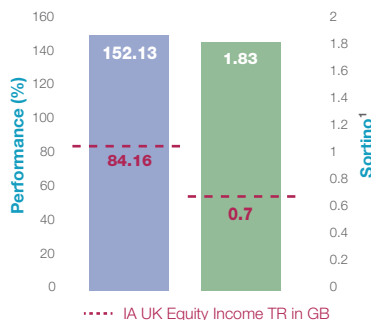
CF Miton Worldwide Opportunities Fund

Performance and Sortino ratio since inception: 30/04/2003 to 30/06/2017



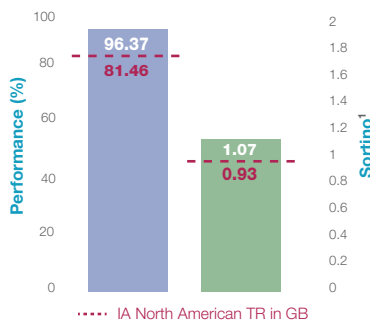
CF Miton UK Multi Cap Income Fund

Performance and Sortino ratio since inception: 14/10/2011 to 30/06/2017



CF Miton US Opportunities Fund

Performance and Sortino ratio since inception: 18/03/2013 to 30/06/2017



Multi-asset

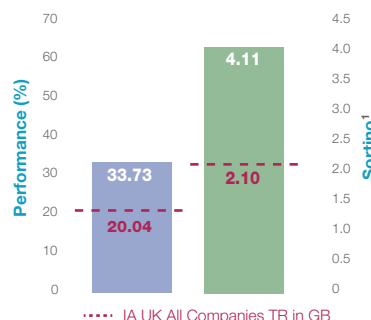
CF Miton Cautious Multi Asset Fund

Performance and Sortino ratio since tenure: 09/06/2014 to 30/06/2017



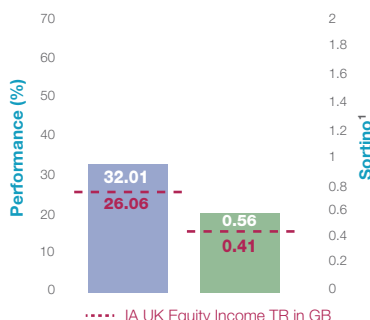
CF Miton UK Value Opportunities Fund

Performance and Sortino ratio since tenure: 01/07/2016 to 30/06/2017



FP Miton Income Fund

Performance and Sortino ratio since tenure: 15/07/2014 to 30/06/2017



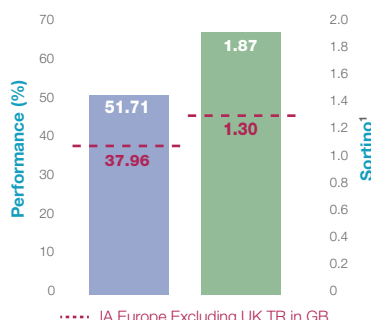
CF Miton Defensive Multi Asset Fund

Performance and Sortino ratio since tenure: 09/06/2014 to 30/06/2017



CF Miton European Opportunities Fund

Performance and Sortino ratio since inception: 14/12/2015 to 30/06/2017

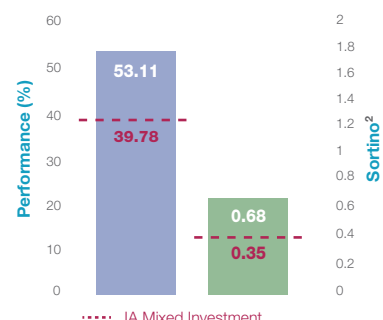


Notes

- Sortino calculation is based upon the B accumulation share class/units, net income reinvested, and calculated using weekly data points. The final figure note above is annualised.
- Sortino calculation is based upon the B accumulation share class/units, net income reinvested, and calculated using monthly data points. The final figure note above is annualised.
- Fund launched on 23/03/2017.

MI Miton Cautious Monthly Income Fund

Performance and Sortino ratio since inception: 09/06/2011 to 30/06/2017



Equity

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 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 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.

CF Miton Global Infrastructure Income Fund

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

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.

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.

Multi-asset

CF Miton Cautious Multi Asset Fund

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

CF Miton Defensive Multi Asset Fund

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

MI Miton Cautious Monthly Income Fund

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

Closed ended funds

The Diverse Income Trust plc

The Company's investment objective is to provide shareholders with an attractive and growing level of dividends coupled with capital growth over the long term. The Company invests in quoted or traded UK companies with a wide range of market capitalisations and long-term bias toward small cap and mid cap equities.

The Investment Company plc

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

Miton Global Opportunities plc

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



www.mitongroup.com

Miton Group plc
6th Floor Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

