Miton

Beyond
the credit boom . . .

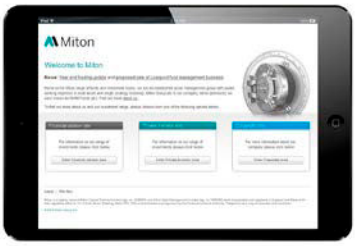
Miton Group plc

Half Year Report (Unaudited)

For the six months ended 30 June 2014

A multi-decade turning point

- A credit boom is a period characterised by the widespread availability of easy borrowing.
- Usually credit booms do not last long as extra inflationary pressures force up interest rates preventing over-extended leverage. But the recent credit boom was different for two principal reasons. It was global in scale and persisted for over 25 years.
- Credit booms distort markets. During credit booms asset prices tend to rise quickly so they favour the speculative over the prudent.
- The recent credit boom was with us for so long that investors came to view it as normal. However, now we are moving beyond the credit boom and investment trends are changing.
- A period of transition has been reached during which old credit boom conditions are giving way to a post-credit boom environment. In future this will be seen as a multi-decade turning point.
- Few funds appear well positioned for the investment trends beyond the credit boom. Miton's proposition is a straightforward combination of leading, talented fund managers along with largely unconstrained strategies that are carefully applied to take advantage of changing market trends.



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Business Highlights

- Acquisition of Darwin Investment Managers Limited (Darwin), majority owned by David Jane, completed on 12 September 2014 including the PFS Darwin Multi-Asset Fund (£47m).
- New multi-asset management team led by David Jane has led to improving performance and mitigating outflows. In time it is expected that this part of our business will return to growth.
- £212m of net inflows into equity funds more than offset £183m of net outflows from our defensively positioned multi-asset funds. The former included an additional £50m from a 'C' share issue in June for The Diverse Income Trust plc, taking its net assets above £300m.
- The sale of Miton Capital Partners Limited (MCPL) (based in Liverpool) completed on 31 March 2014.
- Full scope authorisation from the FCA to act as an Alternative Investment Fund Manager (AIFM).
- Consolidation at a unified location in the City of London with the associated operational benefits.
- In September 2014 Charles Stanley plc announced that it had agreed to sell the management contract for the FP Matterley Undervalued Assets Fund to Miton. This will strengthen Miton's UK Value Opportunities Fund which is managed by George Godber and Georgina Hamilton. This is one of our most promising areas of potential growth in the second half.
- Cash balances grew to £16.2m at the half year, up from £11.2m at the year end.

Assets under management	Adjusted Profit	Adjusted earnings per share
£2,643m[1,2]	£3.4m[1]	1.68p[1]
+ 31%	+ 89%	+ 58%

Notes [1] Data for the six months ended on 30 June 2014; percentage changes in relation to six months ended 30 June 2013

[2] Following sale of MCPL on 31 March 2014 with AuM of £438m.

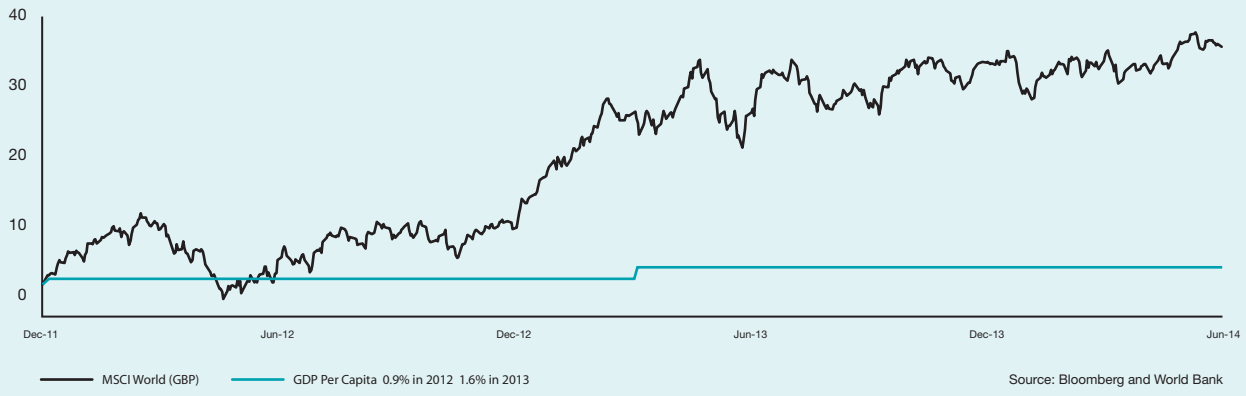
Contents

Miton differs in our perception of ...

Markets have diverged recently from the fundamentals.

Despite quantitive easing (QE) and abnormally low interest rates beyond the credit boom, world growth has been slower in recent years. Yet the same policies have had a contrasting effect on market indices, boosting them towards new highs.

Global Equity Market Performance since 2012 v World GDP Per Capita Growth



Source: Bloomberg and World Bank

During the boom, investment strategies tended to reflect the established market trends. But beyond the credit boom, these are not performing so well.

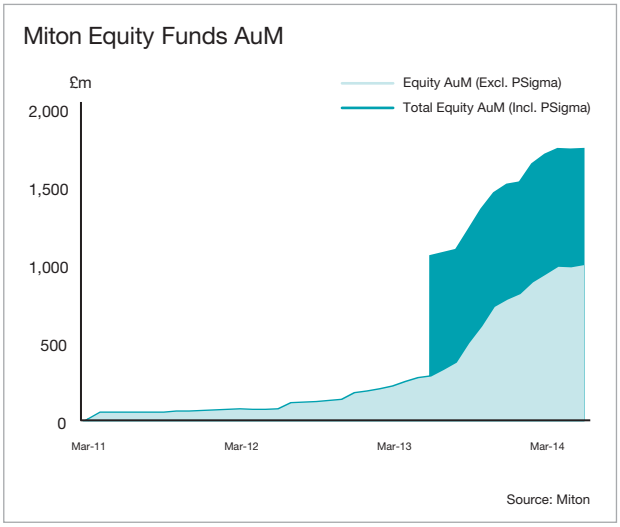
In contrast, those funds with strategies that anticipate the forthcoming market trends are better placed to deliver attractive and sustainable returns in future years.

In general Miton funds have the advantage of selecting the best investments from a wider universe because we stockpick on an absolute basis rather than relative to a mainstream benchmark.

...the forthcoming market trends,

Benchmarks can constrain the potential return of funds particularly when indices are flat-lining.

Miton has two complimentary specialisations: equity fund management (AuM: £1,795m) and multi-asset fund management (AuM: £848m).



Since Miton first launched its equity range of funds in 2011, the distinctive nature of our fund strategies has attracted almost £1bn of inflows.

We have recently made changes to our multi-asset fund management team as set out on page 4. One of our key objectives is the growth and development of this part of our business.

"It has been a sterling year for Miton, with the suite of funds managed by Gervais Williams delivering top-rated performance numbers, and the new launch of CF Miton UK Value Opportunities Fund also proving to be highly successful."

What Investment - judging panel

...the calibre of our people

A high-calibre multi-asset fund management team joined Miton in June 2014

The Darwin Investment Managers multi-asset fund management team joined Miton in June to run four Miton multi-asset funds, replacing Martin Gray. The Group's strategic objectives for multi-assets have remained unchanged, but it became clear that the Group's plans for the future differed from those of Martin Gray. After cordial discussions he decided to leave the Group. The change of fund manager was carefully planned and executed so that there was continuous management of our funds by a team with a consistent investment ethos.

David Jane (centre)

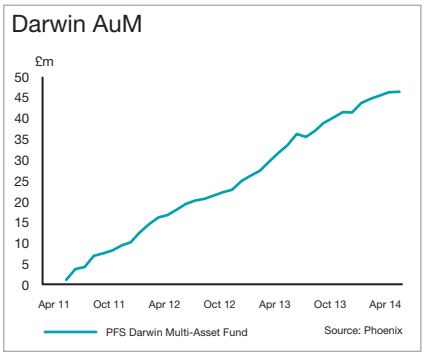
David has more than 25 years' experience in investment management. He was Head of Equities Investments at M&G. Prior to M&G, David was Head of Global Financials Research at AXA Investment Management and Director of Global Financials Research at Newton Investment Management. He founded Darwin Investment Managers Limited (Darwin) in 2010.

Anthony Rayner

Anthony is an experienced portfolio analyst who has worked alongside David since 2005 on UK Equity and multi-asset portfolios. His focus is on portfolio construction and risk, ensuring that intended risks are scaled and mitigated as appropriate.

Henna Hemnani

Henna joined the team in February 2013 and works as an analyst, researching new securities and monitoring existing positions.



David's principles of capital preservation and real returns are illustrated by his own Darwin fund's growth in AuM.

"Bringing someone of David's profile and experience underlines the strength of Miton's ambition in serving the needs of our clients."

Ian Dighé

Two additional Non-executive Directors were appointed in the half year:

Jim Davies
Non-executive

Jim joined the Board in January as a Non-executive Director and Senior Independent Director, having formerly chaired Miton Capital Partners Limited in Liverpool for a short period:

- His considerable experience in steadily growing a legal practice from a single office to one of the largest in the UK is very relevant to Miton's ambitions.
- He created a highly motivational business environment at DWF LLP.

Alan Walton
Non-executive

Alan joined the Board in May as a Non-executive Director and Chairman of the Audit Committee:

- He has vast experience across financial services at Deloitte where he was a partner in audit and corporate finance for 22 years.
- He has advised many financial institutions including a number of fund management companies.

"I'm passionate about relationships and culture. We must never take our customers for granted and the better we perform for them, the more our story will grow."

"We will continue to succeed if we provide our talented people with the freedom to operate at their best within a first class operating and regulatory environment."

Miton's fund range is listed on the rear cover with links to our website, which contains details of each fund and profiles of all our fund managers.

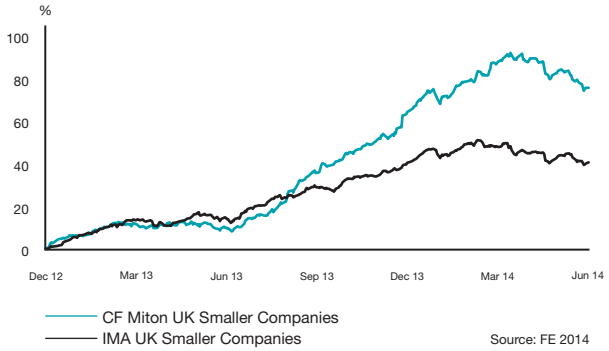
and how we've differentiated our funds...

Performance with an eye to managed volatility

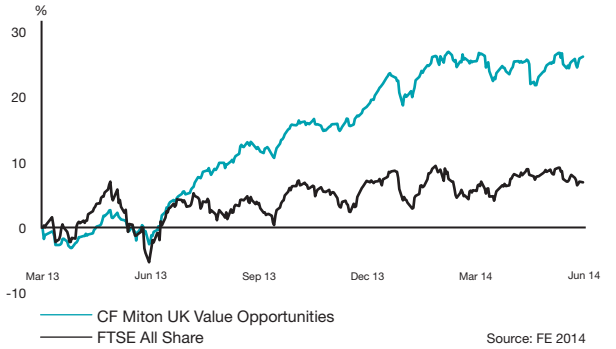
A number of our funds have a history of premium returns along with lower volatility than others, making them a highly attractive proposition for investors.

Performance of the CF Miton Special Situations Portfolio v IMA Flexible since inception

Performance of the CF Miton UK Smaller Companies Fund v IMA UK Smaller Companies since inception



Performance of the CF Miton UK Value Opportunities Fund v FTSE All Share index since inception



Our funds and fund managers are gaining recognition:

Gervais Williams, assisted by co-manager **Martin Turner**, has delivered exceptional returns and consistent performance across a number of Miton funds to gain this coveted award.

George Godber and **Georgina Hamilton**, who manage the CF Miton UK Value Opportunities fund, won the Best New Launch award from What Investment. It has grown to over £100m in just 14 months.

...with an aim to better address our clients' agenda.

Miton's business is investment-led with fund managers contributing in key areas:

- design and investment specification for new funds
- communicating how our funds differ from others
- meeting with advisors and clients
- speaking regularly to the media to reach out to investors and further develop our public profile

Our Sales and Marketing team works closely with fund managers

- This year we strengthened our sales team with the addition of two new hires, allowing us to better support our intermediary clients across the North of England, Scotland, Northern Ireland and the Midlands.
- These appointments expand our reach so we can deliver a high quality service, in person, to professional investors right across the country.

Our key priorities are to:

- **deliver attractive returns - whilst also giving close attention to each fund's potential drawdowns**
- **ensure clients understand the reasoning for our distinctive perspective**
- **keep our clients right up-to-date with the positioning of our funds**

We also place a heavy emphasis on ensuring our operations are *highly efficient*...

Scale and efficiency are central to our objectives at Miton. Over the six month period we:

- completed the roll-out of the Bloomberg AIM system across all funds. The portfolio order management system is fully integrated with pre- and post- trade compliance to further our objective of being best in class
- combined our Bloomberg AIM rollout with the experience and expertise acquired with PSigma to fully meet the exacting new Alternative Investment Fund Manager (AIFM) requirements – particularly for the investment trusts we manage
- moved the entire Group to a single London office, with all teams in one location
- re-assigned our Reading office as an out-of-London Disaster Recovery site

Due to our size and structure we can implement change rapidly and decisively.

...and that our governance is effective too

Governance is embedded throughout the organisation and is about escalating issues at an early stage. Over the six month period we:

- reorganised and improved our operating forums for decision-making
- introduced a new groupwide system for compliance training
- embedded new procedures to meet the AIFM requirements
- implemented a new fund manager retention scheme to align fund managers' interests more closely with those of shareholders and end investors
- recruited into new operational roles to increase efficiency, further manage risk and improve governance standards

Financial Highlights

		Unaudited Six months to 30 June 2014 £m	Unaudited Six months to 30 June 2013 £m	Audited Year to 31 December 2013 £m
Assets under Management:	end of period[1]	**2,643**	2,019	3,098
	average	**2,953**	1,921	2,446
Net Revenue		**9.6**	6.0	15.0
Adjusted Profit before Tax[2]		**3.4**	1.8	4.7
Statutory (Loss)/Profit before Tax[3]		**(10.0)**	0.4	0.7
Cash generated from operations		**1.9**	2.1	5.5
Total Cash Balances as at period end		**16.2**	12.5	11.2
		pence	pence	pence
Earnings per share: basic and diluted		**(6.20)**	0.22	0.51
Adjusted earnings per share[4]		**1.68**	1.06	2.82

Notes:

1 Sale of MCPL on 31 March 2014 resulted in £438m of AuM outflow.

2 Adjusted Profit before Tax is before amortisation, exceptional items and taxation.

3 Statutory (Loss) before tax includes exceptional operating costs of £12.5m which include the loss on sale of Miton Capital Partners Limited of £12.0m, which arises as the result of non-cash write-offs of goodwill and intangible assets as detailed in Note 4 on page 19.

4 Adjusted earnings per share is based on Adjusted Profit and excludes charges for amortisation and exceptional items.

Chairman's Statement

Ian Dighé
Executive Chairman

Adjusted Profit before Tax in the first half increased from £1.8m to £3.4m as the benefits of year-on-year AuM growth combined with operational gearing came through. The Group ended the half year with £16.2m of cash balances, which approximates to 10p per share.

At the end of the half year AuM stood at £2.64bn. There were £183m of net outflows from our defensively positioned multi-asset funds over the period, but these were more than offset by £212m of net inflows into our range of equity funds. Also £438m of AuM was sold on 31 March 2014 as a result of the disposal of Miton Capital Partners Limited, for which we received £4.0m of initial consideration in the first half. Subsequent to Martin Gray's resignation from Miton in June, it was decided to move our Reading operations to London. The Group now has all the operational benefits of a single unified location in the City.

Following the half year end, there have been some further outflows from our defensively positioned multi-asset funds given the relatively firm markets and change of fund manager. However the coincident appointment of David Jane and two colleagues from Darwin Investment Managers Limited (Darwin) has been well received by clients. Service levels remain strong and the asset values of the multi-asset funds have started appreciating in recent months. In time we anticipate that renewed inflows into these funds will more than offset any further outflows, so this part of our business will return to growth.

At the end of the year Bill Mott, who joined us with the PSigma acquisition last year, will retire. This news has led to some redemptions within the PSigma Income fund in the first months of the second half. However we anticipate further inflows elsewhere, most particularly into the CF Miton UK Value Opportunities Fund now that this fund has grown beyond £100m in AuM.

Organic growth will be supplemented with the purchase of the management contract for the FP Matterley Undervalued Assets Fund, which currently has £91m in AuM, from Charles Stanley plc. In addition, the completion of the acquisition of Darwin on 12 September 2014 provides an additional £47m of AuM.

We are delighted to welcome two additional Non-executive Directors who were appointed in January and May respectively. Jim Davies was previously founder and Managing Partner of national law firm DWF LLP. Alan Walton was formerly a corporate finance partner of Deloitte, specialising in financial services. I am particularly grateful for the contribution they have already made.

We have addressed the challenges of the first half and our business remains strong. The enhanced operational capabilities of the Group were underlined in July when we received full scope authorisation from the FCA to act as an Alternative Investment Fund Manager (AIFM) for our clients. The Group's distinctive market position, along with our demonstrable operational strengths, highly-regarded fund managers and performance culture put us in a strong position to grow AuM over the coming years.

Ian Dighé
Executive Chairman
24 September 2014

Financial Review

Assets under Management

On 30 June 2014 assets under management (AuM) were £2.64bn (30 June 2013: £2.02bn; December 2013: £3.10bn) following the sale of Miton Capital Partners Limited (MCPL or Liverpool) on 31 March 2014 which resulted in AuM reducing by £438m as shown in the summary below.

Fund Flows Summary

	Audited Opening AuM 1 January 2014 £m	Inflows £m	Outflows £m	Net flows £m	Other (including market) £m	MCPL sale on 31 March 2014 £m	**Unaudited Closing AuM 30 June 2014 £m**
Equity funds	907	365	(203)	162	17	–	**1,086**
Multi-asset funds	1,373	75	(258)	(183)	(54)	(288)	**848**
Total funds	2,280	440	(461)	(21)	(37)	(288)	**1,934**
Investment trusts	380	50	–	50	(6)	(56)	**368**
Other	438	–	–	–	(3)	(94)	**341**
Total	3,098	490	(461)	29	(46)	(438)	**2,643**

Revenue

Net revenue increased from £6.0m in H1 2013 to £9.6m in H1 2014. The average net revenue margin for the first half was 65bp compared with 63bp for H1 2013 as the more recently launched funds have matured.

Costs

With the growth of the Group over the last year and the substantial upgrade of our operating capabilities, administration expenses increased to £5.8m in the period from £3.9m in H1 2013. The changes have included:

- expansion of the fund range and fund management team
- development of sales and marketing functions
- evolution of our investment trust and AIFM resources
- implementation of a new Bloomberg portfolio management system and associated operations
- enhanced risk management processes and procedures
- upgraded compliance and HR functions

The Group now has a highly effective platform for growth.

Disposal

The MCPL sale resulted in an exceptional loss of £12.0m (£10.3m after taking into account a deferred tax credit of £1.7m). Notes 4 and 5 on pages 19 and 20 provide more detail of the loss which is largely due to the non-cash write-offs of goodwill (£7.6m) and intangible assets (£8.4m). For intangible assets there now only remains £0.8m to be amortised over the next two years. This is already evident in the lower amortisation charge for the period of £0.9m compared with £1.5m in H1 2013.

For the three months ended 31 March 2014, the funds managed from Liverpool generated net revenue of £701,000 and there were attributable costs before tax and amortisation of £448,000.

Other non-recurring costs

The other two non-recurring exceptional items during the period relate to:

i) the introduction of the Miton Growth Share Plan (£0.3m), the first growth shares for which were issued to fund managers in January; and

ii) changes to the multi-asset fund management team and the acquisition of Darwin Investment Managers Limited (£0.2m) referred to in the Chairman's Statement.

Adjusted Profit before Tax

Adjusted Profit before Tax of £3.4m for the period increased significantly compared with £1.8m in H1 2013, benefitting from the Group's operational gearing.

Reconciliation of Adjusted Profit before Tax

	£m	**Six months to 30 June 2014 £m**	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Net revenue		**9.6**	**6.0**	**15.0**
Administration expenses		**(5.8)**	**(3.9)**	**(9.6)**
Share-based payment charge		**(0.4)**	**(0.3)**	**(0.7)**
Adjusted Profit before tax[1]		**3.4**	**1.8**	**4.7**
Amortisation of intangible assets		**(0.9)**	**(1.5)**	**(3.0)**
Exceptional non-recurring items[2]		**(12.5)**	**–**	**(1.0)**
Sale of MCPL	(12.0)			
Growth Share Plan	(0.3)			
Acquisition of Darwin	(0.2)			
Statutory (Loss)/Profit before Tax		**(10.0)**	**0.3**	**0.7**

[1] Adjusted Profit before Tax represents profit before amortisation, exceptional items and taxation.

[2] See Note 4 in Notes to the Consolidated Financial Statements.

Earnings per Share

Adjusted earnings per share for the period was 1.68p: an increase of 58% over 1.06p for H1 2013. Statutory earnings per share of (6.20)p (H1 2013: 0.22p) were impacted by the exceptional non-recurring costs relating to the sale of MCPL, the implementation of the Growth Share Plan and the acquisition of Darwin.

Cash

At 30 June 2014 cash balances had increased to £16.2m compared with £11.2m at the start of the year, helped by proceeds from the MCPL sale. After making deductions for regulatory capital requirements, the creditors reserve and other provisions, the Group's free cash as at 30 June 2014 was £8.9m. The creditors reserve of £3.4m arose from the capital reduction in 2013 and will no longer need to be held on the balance sheet after 2015.

Consolidated Statement of Comprehensive Income

for the period ended 30 June 2014

	Notes	**Unaudited Six months to 30 June 2014 £000**	Unaudited Six months to 30 June 2013 £000	Audited Year to 31 December 2013 £000
Revenue		**15,253**	11,757	27,999
Fees and commission expense		**(5,655)**	(5,727)	(13,040)
Net revenue		**9,598**	6,030	14,959
Administration expenses		**(5,804)**	(3,887)	(9,594)
Share-based payment charge	10	**(392)**	(311)	(683)
Amortisation of intangible assets		**(895)**	(1,487)	(2,974)
Operating profit before exceptional items		**2,507**	345	1,708
Exceptional items*	4	**(12,540)**	—	(1,051)
Operating (loss)/profit after exceptional items		**(10,033)**	345	657
Finance revenue		**22**	25	44
(Loss)/Profit for the period before tax		**(10,011)**	370	701
Taxation	5	**979**	(75)	7
(Loss)/Profit from operations for the period after tax		**(9,032)**	295	708
		pence	pence	pence
Earnings per share: basic and diluted	6	**(6.20)**	0.22	0.51

*The exceptional items largely relate to the non-cash write-off of goodwill and intangible assets following the sale of MCPL.

No other comprehensive income was recognised during 2014 or 2013, therefore the profit or loss is also the total comprehensive income. All items in the above statement derive from continuing operations.

Consolidated Statement of Changes in Equity

for the period ended 30 June 2014

	Share Capital £000	Share Premium £000	MEI Treasury Shares £000	Capital Redemption Reserve £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 period	–	–	–	–	–	(9,032)	(9,032)
Shares issued on exercise of options	2	651	–	–	–	(322)	331
Share-based payment charge	–	–	–	–	–	392	392
Deferred tax direct to equity	–	–	–	–	–	(922)	(922)
Reduction in creditors reserve	–	–	–	–	(404)	404	–
Dividend	–	–	–	–	–	(782)	(782)
At 30 June 2014 (Unaudited)	**166**	**651**	**(6,294)**	**–**	**3,395**	**52,202**	**50,120**
At 1 January 2013	**148**	**24,594**	**(4,694)**	**11,562**	**–**	**24,678**	**56,288**
Profit for the period	–	–	–	–	–	295	295
Shares purchased for MEI	–	–	(500)	–	–	–	(500)
Shares issued on exercise of options	1	261	–	–	–	(158)	104
Share-based payment charge	–	–	–	–	–	311	311
Deferred tax direct to equity	–	–	–	–	–	(70)	(70)
Dividend	–	–	–	–	–	(596)	(596)
At 30 June 2013 (Unaudited)	**149**	**24,855**	**(5,194)**	**11,562**	**–**	**24,460**	**55,832**
At 1 January 2013	**148**	**24,594**	**(4,694)**	**11,562**	**–**	**24,678**	**56,288**
Profit for the year	–	–	–	–	–	708	708
Shares purchased for MEI	–	–	(1,600)	–	–	–	(1,600)
Shares issued on placing	7	2,308	–	–	–	–	2,315
Shares issued on acquisition of PSigma	5	1,495	–	–	–	–	1,500
Shares issued on exercise of options	4	1,325	–	–	–	(1,059)	270
Share-based payment charge	–	–	–	–	–	683	683
Deferred tax direct to equity	–	–	–	–	–	565	565
Creation of creditors reserve	–	–	–	–	3,799	(3,799)	–
Capital reduction	–	(29,722)	–	(11,562)	–	41,284	–
Dividend	–	–	–	–	–	(596)	(596)
At 31 December 2013 (Audited)	**164**	**–**	**(6,294)**	**–**	**3,799**	**62,464**	**60,133**

Consolidated Statement of Financial Position

as at 30 June 2014

	Notes	**Unaudited as at 30 June 2014 £000**	Unaudited as at 30 June 2013 £000	Audited as at 31 December 2013 £000
Non-current assets				
Goodwill		**39,385**	34,544	46,996
Intangible assets		**798**	11,581	10,111
Property and equipment		**273**	91	253
		40,456	46,216	57,360
Current assets				
Trade and other receivables		**4,385**	1,477	3,646
Cash and cash equivalents	7	**16,153**	12,481	11,211
		20,538	13,958	14,857
Total assets		**60,994**	60,174	72,217
Current liabilities				
Trade and other payables		**6,284**	1,403	6,414
Income tax payable		**734**	600	418
Provisions	8	**106**	226	518
		7,124	2,229	7,350
Non-current liabilities				
Other payables		**3,750**	–	3,750
Deferred tax liabilities		**–**	2,113	984
		3,750	2,113	4,734
Total liabilities		**10,874**	4,342	12,084
Net assets		**50,120**	55,832	60,133
Equity				
Share capital	9	**166**	149	164
Share premium		**651**	24,855	–
MEI treasury shares		**(6,294)**	(5,194)	(6,294)
Capital redemption reserve		**–**	11,562	–
Creditors reserve		**3,395**	–	3,799
Retained earnings		**52,202**	24,460	62,464
Total equity		**50,120**	55,832	60,133

Consolidated Statement of Cash Flows

for the period ended 30 June 2014

	Notes	**Unaudited Six months to 30 June 2014 £000**	Unaudited Six months to 30 June 2013 £000	Audited Year to 31 December 2013 £000
Operating activities				
(Loss)/Profit before Tax for the period		**(10,011)**	370	701
Adjustments to reconcile (loss)/profit to net cash flow from operating activities:				
Net finance revenue		**(22)**	(25)	(44)
Depreciation		**47**	23	74
Amortisation of intangible assets		**895**	1,487	2,974
Share-based payment charge		**392**	311	683
Intangible assets written off on disposal of MCPL	4	**16,029**	–	–
Consideration receivable on disposal of MCPL		**(4,150)**	–	–
(Increase)/decrease in trade and other receivables		**(920)**	162	1,696
Increase/(decrease) in trade and other payables		**52**	(267)	(915)
(Decrease)/increase in provisions	8	**(412)**	(4)	288
Cash generated from operations		**1,900**	2,057	5,457
Income tax paid		**(445)**	(539)	(1,131)
Net cash flow from operating activities		**1,455**	1,518	4,326
Investing activities				
Interest received		**22**	25	44
Purchase of property and equipment		**(81)**	(21)	(233)
Purchase of intangible assets		**–**	–	(17)
Acquisition of PSigma		**–**	–	(5,250)
Consideration received on disposal of MCPL		**4,000**	–	–
Net cash flow from investing activities		**3,941**	4	(5,456)
Financing activities				
Purchase of treasury shares		**–**	(500)	(1,600)
Proceeds from share issue		**328**	104	2,586
Dividend paid	3	**(782)**	(596)	(596)
Net cash flow from financing activities		**(454)**	(992)	390
Increase in cash and cash equivalents		**4,942**	530	(740)
Cash and cash equivalents at the beginning of the period		**11,211**	11,951	11,951
Cash and cash equivalents at the end of the period	7	**16,153**	12,481	11,211

Notes to the Consolidated Financial Statements

For the period ended 30 June 2014

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 2013.

The interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Listing Rules of the Financial Conduct Authority.

The accounting policies applied in these interim financial statements are consistent with those applied in the Group's most recent annual financial statements, except for the adoption of new standards and interpretations effective as of 1 January 2014 as listed below. None of these will have a material impact on the Group's financial statements in the period of initial application.

		Effective date
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014

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 interim report.

The Group's 2013 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 unaudited financial statements were approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 24 September 2014.

The full year accounts to 31 December 2013 were approved by the Board of Directors on 21 March 2014 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 figures for the six months ended 30 June 2014 and the six months ended 30 June 2013 have not been audited.

2. Segmental information

The Group operates as one business segment, Fund Management, which offers a number of fund management products through a variety of distribution channels. It therefore does not present information on different segments.

3. Dividend

The dividend for the year ended 31 December 2013 was paid on 15 May 2014, being 0.54p per share. The trustees of the Employee Benefit Trust waived their rights to this dividend, leading to a total distribution of £782,000, which is reflected in the Consolidated Statement of Changes in Equity.

4. Exceptional items

The following table lists three material non-recurring items which are disclosed as exceptional items in the Consolidated Statement of Comprehensive Income in order to provide clear representation of their nature.

	Notes	Six months to 30 June 2014 £000	£000	Six months to 30 June 2013 £000	Year to 31 December 2013 £000
Sale of Miton Capital Partners Limited (MCPL)					
Goodwill and intangible assets written off	(i)	**16,029**			
Disposal proceeds	(ii)	**(6,150)**			
Net assets of MCPL on disposal		**2,000**			
Legal and other fees		**121**			
Loss on sale of MCPL			**12,000**		
Introduction of Growth Share Plan	(iii)		**343**		
Changes to multi-asset fund management team and Darwin acquisition	(iv)		**197**		
Acquisition of PSigma					619
Group restructuring					432
Total exceptional items			**12,540**	-	1,051

i. The sale of MCPL (Liverpool business) is part of the Group's single operating segment or cash-generating unit, being Fund Management. Therefore the goodwill written off in relation to the sale of MCPL (£7.6m) has been calculated by applying that proportion of total Group net revenue which related to the business sold during the nine month period ending 31 March 2014 to the total goodwill balance at 31 March 2014. Intangible assets written off (£8.4m) are those directly relating to the business sold. The tax credit for the period referred to in Note 5 on page 20 includes a deferred tax credit of £1.7m relating to the write-off of intangible assets.

ii. Disposal proceeds include £650,000 received in July 2014 relating to a negotiated early settlement of deferred contingent consideration of up to £1m which was previously agreed as payable on the first and second anniversary of the completion of the sale of MCPL subject to the performance of AuM.

iii. Growth shares were issued for the first time under the Growth Share Plan on 14 January 2014. The costs of the introduction of the Miton Group plc Growth Share Plan comprise employer's National Insurance contributions of £220,000 and professional fees of £123,000.

iv. The costs relating to changes to the multi-asset fund management team and the acquisition of Darwin Investment Managers Limited comprise redundancy costs of £112,000 and professional fees of £85,000.

Notes to the Consolidated Financial Statements continued

At 30 June 2014

5. Taxation

	Six months to 30 June 2014 £000	Six months to 30 June 2013 £000	Year to 31 December 2013 £000
Current tax charge	**844**	500	909
Deferred tax credit	**(139)**	(425)	(916)
Deferred tax credit on write-off of intangible assets (note 4)	**(1,684)**	–	–
Tax (credit)/charge	**(979)**	75	(7)

6. Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. 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 period plus the weighted average number of any potential dilutive ordinary shares that would be issued on their conversion to ordinary shares during the period. Diluted earnings per share is not materially different from basic earnings per share.

(a) Earnings Per Share

	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
Net (loss)/profit attributable to ordinary equity holders of the parent for basic earnings (£000)	**(9,032)**	295	708
Weighted average shares in issue (No. 000)	**145,712**	135,719	139,969
Basic and diluted EPS (pence)	**(6.20)**	0.22	0.51

(b) Adjusted Earnings Per Share (Adjusted EPS)

Adjusted EPS 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.

	Six months to 30 June 2014 £000	Six months to 30 June 2013 £000	Year to 31 December 2013 £000
(Loss)/profit for the period before taxation	**(10,011)**	370	701
Adjustments:			
Exceptional non-recurring items	**12,540**	–	1,051
Amortisation of intangible assets	**895**	1,487	2,974
Adjusted Profit	**3,424**	1,857	4,726
Taxation:			
Tax in the Statement of Comprehensive Income	**979**	(75)	7
Tax effect of adjustments	**(1,948)**	(349)	(791)
Adjusted Profit after Tax for the calculation of Adjusted Earnings Per Share	**2,455**	1,433	3,942
Adjusted Earnings Per Share	**1.68**	1.06	2.82

7. Cash and cash equivalents

	30 June 2014 £000	30 June 2013 £000	31 December 2013 £000
Cash at bank and in hand	**16,153**	12,481	11,211
Included within the above are cash deposits held in a segregated account for the benefit of creditors following the capital reconstruction in December 2013	**3,395**	–	3,799

8. Provisions

	Restructuring £000	Fund Management £000	Total £000
At 1 January 2014	398	120	518
Provided	–	–	–
Utilised	(292)	(95)	(387)
Released	–	(25)	(25)
At 30 June 2014	106	–	106
At 1 January 2013	110	120	230
Utilised	(4)	–	(4)
At 30 June 2013	106	120	226
At 1 January 2013	110	120	230
Provided	322	–	322
Utilised	(24)	–	(24)
Released	(10)	–	(10)
At 31 December 2013	398	120	518

The remaining provisions at 30 June 2014 are expected to be settled by the end of 2014.

Notes to the Consolidated Financial Statements continued

At 30 June 2014

9. Share capital

Authorised:	30 June 2014 £000	30 June 2013 £000	31 December 2013 £000
250,000,000 ordinary shares of 0.1 pence each	**250**	250	250

Allotted, called up and fully paid:	No. of ordinary shares 0.1 pence each No. '000	Value of ordinary shares 0.1 pence each £000
At 1 January 2014	164,090	164
Issued on exercise of share options	1,855	2
At 30 June 2014	165,945	166
At 1 January 2013	148,328	148
Issued on exercise of share options	1,073	1
At 30 June 2013	149,401	149
At 1 January 2013	148,328	148
Issued on placing	7,470	7
Issued on acquisition of PSigma	4,838	5
Issued on exercise of share options	3,454	4
At 31 December 2013	164,090	164

10. Share-based payments

The fair value of the share incentives granted in the period to 30 June 2014 was £3.0m (2013: £nil). Of the total £392,000 (2013: £311,000) share-based payment charge in the period, £107,000 (2013: £nil) relates to incentives granted in the period.

The share incentives granted in the period relate wholly to growth shares in Miton Group Service Company Limited issued under the Miton Group plc Growth Share Plan with vesting periods of between three and five years. Participants are able to hold growth shares for up to 15 years following the date of issue. The fair value was calculated at the date of issue using a Monte Carlo simulation and adjusted discounted cash flow model using assumptions regarding volatility, growth in AuM, timing of exercise, employee exit and forfeiture rates and share price. As at the date of issue the fair value at grant date of £3.0m was allocated over the vesting periods referred to above.

For both the MEI and MIP awards, the fair value was estimated as at the grant date using a Black–Scholes model and based on employee exit and forfeiture rates, dividend yields, share price, composite volatility and performance conditions. The expected life of the incentives has been estimated taking account of the extent to which the exercise price was above or below the share price at the grant date. The annualised volatility has been based on historical trends, which have been assumed to indicate future volatility. The risk free interest rate has been based on the UK gilts rate with a maturity corresponding to the expected life of the option.

11. Subsequent Events

The acquisition of PSigma Asset Management Holdings Limited

In July 2013 Miton Group plc announced the acquisition of the entire issued share capital of PSigma Asset Management Holdings Limited (PSigma) from Punter Southall Group Limited. The Tranche 1 deferred consideration payable in 2014 was originally agreed to be settled by the issue of new ordinary shares at a maximum undiscounted amount of £2,500,000. It has recently been agreed that this will now be settled by a payment of £1,672,000 in cash and the issue of 3,320,000 Miton Group plc new ordinary shares.

The acquisition of Darwin Investment Managers Limited

On 9 June 2014 Miton Group plc announced the acquisition of the entire issued share capital of Darwin Investment Managers Limited (Darwin). The consideration comprises a mixture of cash and ordinary shares in Miton Group plc and will be between £1,350,000 and £2,050,000 dependent upon the growth of Darwin's assets under management and the value of Miton's multi-asset funds over two years. Following FCA approval, the acquisition completed on 12 September 2014 on which date initial cash consideration of £650,000 was paid and 1,655,424 new ordinary shares in Miton Group plc were issued.

FP Matterley Undervalued Assets Fund

On 4 September 2014 it was agreed that Miton Group plc would purchase the management contract of the FP Matterley Undervalued Assets Fund (£91m) from Charles Stanley plc.

Financial Calendar

2014 full year results announced	March 2015
Annual General Meeting	May 2015
2015 half year results announced	September 2015
Closing mid-market share price on 30 June 2014	39.5p
Stock code	MGR
Listing details	The Company's ordinary shares are quoted on the Alternative Investment Market. The price of the ordinary shares appears daily under the AIM section in the Financial Times and The Daily Telegraph.

Contact Details of the Secretary and Advisers

Company Secretary and Registered Office
Roger Bennett
51 Moorgate
London
EC2R 6BH
Tel: 0203 714 1500

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

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

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

Company registration number 5160210

Our Investment Range

Equity

CF Miton UK Smaller Companies Fund

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

The Investment Company plc*

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

The Diverse Income Trust plc*

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

CF Miton UK MultiCap Income Fund

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

PSigma Income Fund

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

CF Miton UK Value Opportunities Fund

The CF Miton UK Value Opportunities Fund aims to achieve capital growth by focusing on the very best value opportunities in the market, while trying to avoid stocks which look great value on the surface but on closer inspection are expensive.

CF Miton US Opportunities Fund

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

PSigma American Fund

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

PSigma Global Equity Fund

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

* investment trust

Multi-asset

CF Miton Special Situations Portfolio

The CF Miton Special Situations Portfolio is a global macro, multi-asset fund that aims to achieve long-term returns above inflation over the course of a full investment cycle.

PFS Darwin Multi-Asset Fund

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

CF Miton Strategic Portfolio

The CF Miton Strategic Portfolio is a global cautious fund that prioritises capital preservation and low volatility across all market cycles.

CF Miton Total Return Fund

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

Funds of Investment Trusts

CF Miton Worldwide Opportunities Fund

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

Miton Worldwide Growth Investment Trust 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

www.mitongroup.com

Miton Group plc, 51 Moorgate
London EC2R 6BH