

# Genuinely **active** investing

Miton Group plc  
Annual Report and Accounts **2018**



## Who We Are

Miton is a UK fund management group aiming to deliver compelling investment performance and excellent service.

**What we do:** We meet the needs of financial advisers and intermediaries by offering a range of high conviction, actively managed equity funds and outcome focused multi-asset funds for our clients. Our funds are UK domiciled and are distributed primarily to UK investors.

**What makes us different:** Miton's fund managers deliver high active share and are empowered to invest according to their convictions. By having a culture of openness, accountability and transparency, we aim to deliver better outcomes for our clients and contribute to the wider economic and societal well-being.

We believe in the value of

# genuinely active investing

### Strategic report

- 01 2018 Highlights
- 02 Company Overview
- 04 Product Overview
- 06 What Makes Us Different
- 08 Chairman's Statement
- 10 Our Strategic Objectives
- 12 Strategy in Action
- 14 Chief Executive Officer's Report
- 18 People and Culture
- 20 Financial and Operating Review
- 24 Principal Risks

### Governance report

- 26 Board of Directors
- 28 Chairman's Introduction
- 29 Corporate Governance Report
- 34 Audit & Risk Committee Report
- 36 Remuneration Committee Report
- 42 Nominations & Governance Committee Report
- 43 Directors' Report
- 44 Statement of Directors' Responsibilities
- 45 Independent Auditors' Report

### Financial statements

- 49 Consolidated Financial Statements
- 53 Notes to the Consolidated Financial Statements
- 72 Company Financial Statements
- 75 Notes to the Company Financial Statements

### Shareholder information

- 79 Shareholder Information and Financial Calendar
- 79 Secretary and Advisers
- 80 Investment Strategies
- 82 Product Range



# 2018 Highlights

## Key drivers of shareholders returns

*Product and performance*

**81%**

of funds and investment trusts are first or second quartile since launch/tenure\*

**£1,019m**

net inflows across the product range

European Opportunities remains

**best performing**  
fund in sector since launch

**2 new funds**

launched in 2018 for existing teams

\* See footnote 5 on page 4

*Results and profitability*

Adjusted profit before tax

**+34%**

to £9.16m (as reported)

Adjusted earnings per share (basic)

**+30%**

to 4.69p

**£25.5m**

of total cash at 31 December 2018

**2.0p**

dividend proposed

*Assets under Management ('AuM')*

**£4,376m**

closing AuM versus £3,823m for 2017

**+30%**

average AuM at £4,369m

single-strategy range AuM

**+26%**

at £2,994m

**£4,565m**

closing AuM at 28 February 2019

## Company Overview

The Group offers high conviction, UK domiciled funds operating from a central London location

**85%**

average active share for equity-focused funds<sup>^</sup>

**9**

equity-focused funds

**4**

multi-asset funds

**3**

investment trusts

**54**

full-time staff at the year end

**2**

new strategies launched during the year

<sup>^</sup> At 31 December 2018. Active share is a measure of the percentage of holdings in a fund that is different to the primary benchmark.

02

### Group structure

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

As at 31 December 2018, the Group had eight investment teams managing 11 open-ended funds, two unit trusts, three investment trusts and one segregated mandate.

MAM provides investment management services to all schemes managed by the Group with the exception of the FP Miton Income Fund which is managed by MTM. MTM also acts as the Alternative Investment Fund Manager ('AIFM') to three investment trusts managed by the Group.

During 2018 the Group employed 56 (2017: 53) members of staff based at the head office on 6th Floor, Paternoster House, 65 St Paul's Churchyard, London. In addition, the Group maintains a fully operational disaster recovery site in Reading.

### Products

The Group offers a diverse range of equity funds, multi-asset funds and investment trusts that aim to be different from the competition.

### Our platform

The Group manages a range of UK domiciled funds which are distributed primarily to UK investors. Miton operates out of one central location with the core operations being focused around a single, scalable operating platform.

The operating platform is designed to meet the needs of the fund management, distribution, compliance and operations teams in a robust and controlled environment.

### Distribution

The Group has a dedicated salesforce of seven individuals (2017: six) with six covering different geographic regions to provide comprehensive coverage to clients within the UK and managed by the Group's head of sales. The average relevant industry experience of the team is 22 years.

Our clients are principally fund of funds managers, advisers and discretionary managers based in the UK who in turn have stewardship of savings on behalf of individuals including pensioners.

The sales team is aided by a team of five sales support individuals (2017: four) who provide enhanced analysis of sales data and trends, customer service and the provision of product information.

The Group has continued to invest in its digital assets and hired a digital strategist to focus on developing this area. A new client relationship management ('CRM') system has been implemented to enhance the management of customer data and relationships. Technology continues to evolve; this trend drives the way in which we work and connect with our customers.

## 2018 Achievements

**March****£4bn** AuM reached

Two new products launched in Q1 (see page 5)

**April**

7th highest net retail sales in the UK – Q1 2018

Pridham Report

Miton Global Opportunities plc wins best mixed asset trust at the Money Observer Trust Awards 2018

**June****£4.5bn** AuM reached**July**

LF Miton US Opportunities Fund named Winner Best North America Fund at the Fund Manager of the Year awards 2018

LF Miton Worldwide Opportunities Fund wins Best Mixed Asset Fund at the Money Observer Fund Awards 2018

Miton named Best Fund Group – Equity – UK (All Companies) at the Citywire UK fund manager and fund group awards

**August**9th highest net retail sales in the UK – Q2 2018  
Pridham Report**September****£4.9bn** AuM reached**October**8th highest net retail sales in the UK – Q3 2018  
Pridham Report**December**9th highest net retail sales in the UK – Q4 2018  
Pridham Report

New CRM system implemented

LF Miton European Opportunities Fund passes three-year anniversary as the number one performing fund in the IA Europe ex UK sector since launch

**+£1.84bn**

2018 gross sales (2017: £1.0bn)

## Product Overview

# A diversifying product range designed to deliver clear outcomes

Strategy	AuM 2016 £m	AuM 2017 £m	AuM 2018 £m	Fund Manager(s)	Year of launch/ tenure	Quartile performance from launch/ tenure <sup>5</sup>
<b>Equity Funds</b>						
LF Miton UK Multi Cap Income	755	1,013	<b>1,265</b>	Gervais Williams/Martin Turner	2011	1
LF Miton UK Smaller Companies	161	184	<b>151</b>	Gervais Williams/Martin Turner	2012	1
FP Miton Income <sup>4</sup>	188	182	<b>161</b>	Eric Moore	2014	1
LF Miton UK Value Opportunities	290	389	<b>363</b>	Andrew Jackson	2016	1
LF Miton US Opportunities	238	381	<b>537</b>	Nick Ford/Hugh Grieves	2013	2
LF Miton US Smaller Companies <sup>1</sup>	–	–	<b>89</b>	Nick Ford/Hugh Grieves	2018	1
LF Miton European Opportunities	82	181	<b>364</b>	Carlos Moreno/Thomas Brown	2015	1
LF Miton Global Infrastructure Income	–	20	<b>17</b>	Jim Wright	2017	4
LF Miton Worldwide Opportunities	16	29	<b>47</b>	Nick Greenwood	2003	1
	1,730	2,379	<b>2,994</b>			
<b>Multi-Asset Funds</b>						
LF Miton Cautious Multi Asset	368	496	<b>504</b>	David Jane/Anthony Rayner	2014	2
LF Miton Defensive Multi Asset	78	77	<b>72</b>	David Jane/Anthony Rayner	2014	2
LF Miton Balanced Multi Asset <sup>2</sup>	–	–	<b>2</b>	David Jane/Anthony Rayner	2018	4
MI Miton Cautious Monthly Income <sup>4</sup>	210	266	<b>269</b>	David Jane/Anthony Rayner	2010	2
	656	839	<b>847</b>			
<b>Investment Trusts</b>						
The Diverse Income Trust plc	351	398	<b>352</b>	Gervais Williams/Martin Turner	2011	1
Miton UK MicroCap Trust plc	94	114	<b>89</b>	Gervais Williams/Martin Turner	2015	3
The Investment Company plc <sup>6</sup>	17	18	<b>–</b>	Gervais Williams/Martin Turner	2013	n/a
Miton Global Opportunities plc	57	75	<b>73</b>	Nick Greenwood	2004	1
	519	605	<b>514</b>			
<b>Segregated Mandate</b>						
MI Select Managers Equity <sup>3</sup>	–	–	<b>21</b>	Gervais Williams/Martin Turner	2018	n/a
	2,905	3,823	<b>4,376</b>			

1 Launched on 14 March 2018.

2 Launched on 29 January 2018.

3 Commenced on 21 March 2018.

4 Denotes a unit trust.

5 The quartile performance rankings are based on Investment Association sector classifications, with data sourced from FE Analytics in GBP using 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 funds. Performance for investment trusts is calculated on Net Asset Value ("NAV"), ranked against the relevant Morningstar category for each investment trust, and is sourced from Morningstar Direct. Performance for Miton Global Opportunities plc is quoted over ten years. All data is as at 31 December 2018 and the performance period relates to when the fund launched or the assumed tenure of the fund manager(s).

6 The investment manager changed from Miton Asset Management Limited to Fiske plc on 29 March 2018.

### AuM by strategy

The Group continues to grow and expand the product range to meet investor demand through the creation of transparent, value for money products that have well-defined objectives.

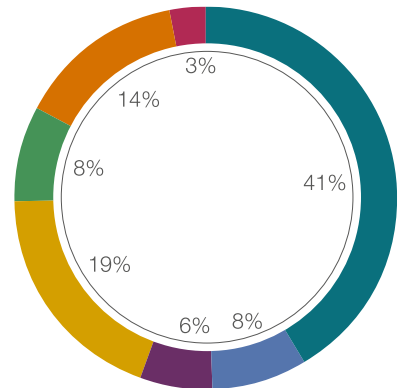
The Group's products can be grouped according to the following categories: equity funds, multi-asset funds and investment trusts. At the year end, equity funds accounted for 68% of the total AuM, multi-asset funds 19%, with investment trusts making up the remainder.

In 2018 the Group launched two additional funds for existing teams, the first being a balanced multi-asset fund for investors in the capital accumulation phase of their lives and the second being a US smaller companies fund focusing on capturing significant growth opportunities in the US.

The net inflows during the year represented 27% of opening AuM. This is testament to the differentiated proposition we offer clients and the desirable characteristics such as high active share, long-term orientation and an agnosticism to benchmark that many of our funds share.

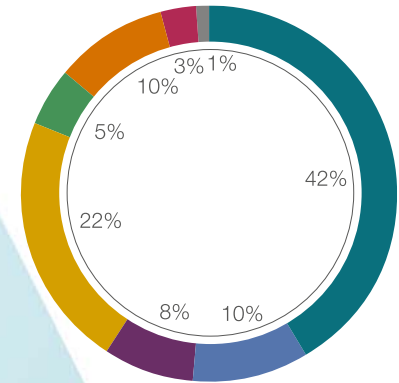
2018

£4,376m



2017

£3,823m



- UK income
- UK value
- UK smaller/micro companies
- Multi-asset
- European equity
- US equity
- Worldwide
- Global infrastructure



## What Makes Us Different

### We are straightforward

The objectives of our products are clearly defined.

We do not charge performance fees.

Our funds are all UK domiciled.

Our fund managers' objectives are aligned with those of our clients.

We focus on our core strengths.

# 81%

of Mitton funds had first or second quartile performance since launch/manager tenure

Clients are well informed on our funds through good access to our fund managers and regular commentary and contact with us.

Our sales team is geographically structured to provide comprehensive coverage throughout the United Kingdom.

The distribution team has a detailed approach to sales data and analyses it collectively on a monthly basis.

The average relevant industry experience of our sales team is 22 years.

We offer investment strategies with high active share that seek to achieve long-term outperformance.

Our product suite is complementary to many passive or large-cap focused strategies, and help clients build stronger portfolios.

Our investment teams have the freedom to follow their convictions without the constraints of benchmarks or firm-wide investment frameworks.

### Our distribution is relationship-centric

### We offer differentiated investment strategies

# £1bn

net sales in 2018

# 85%

average active share for equity funds<sup>^</sup>

<sup>^</sup> at December 2018. Excludes LF Mitton Worldwide Opportunities



We have scope to add products

We continue to focus on adding to our stable of products in a controlled manner.

We are a nimble business able to capitalise on opportunities aligned to our strategy.

Natural scope for expansion of the product range by existing teams.

We continue to build shareholder value

A more diversified revenue base and increased profitability.

Share price has risen by 23% in the year.

Dividends have grown by an average of 44% over the past three years.

During the year, the Group purchased and cancelled 5.5 million ordinary shares at a cash cost of £2.7 million.

We have the potential to increase scale

Our operating platform has been designed to facilitate increased scale in the assets we manage.

Spending initiatives are focused on areas that add value to our platform and help us achieve our goals.

There is significant capacity in many of our existing strategies.

**2** new products launched in 2018

**8** strategies as at 31 December 2018

**+39%** basic earnings per share in the year



## Chairman's Statement

After my first full year as Chairman of Miton Group plc, I am pleased to see continued development against our strategic objectives.

# A year of positive progress



Jim Pettigrew | Chairman

It has been a year of significant growth for the business. Pleasingly, we have seen great momentum across much of the fund range, with record net inflows, along with an increase in profitability of the Group.

Despite the uncertainty in markets, Miton's trajectory remains clear. We continue to foster a culture that puts our customers at the heart of our business model. We aim to be recognised as a leading active investment management business, and we seek to deliver premium value for our clients through superior investment performance over the medium to longer-term.

### Assets under Management ('AuM')

At 31 December 2018 the Group had AuM of £4,376 million, an increase of 14% for the year. AuM is split between single-strategy, multi-asset funds and investment trusts. Average AuM rose by 30%, to £4,369 million, up from £3,361 million.

### Investment performance

Miton's investment performance remains strong with 81% of funds in the first or second quartile of their respective sectors, since launch or fund manager tenure (2017: 87%).

The Group's focus, as ever, is on sustained performance over the medium to longer-term, with a view to minimising permanent capital losses and managing downside risk. Given our

medium to long-term focus, one can expect some periods when strategies either outperform or underperform their sectors, or market indices.

### Results

2018 was a profitable year for the Group, driven largely by the rise in average AuM. This contributed to an increase in profit before tax of 43% to £8.9 million.

September 2018 saw the cessation of the Growth Share Plan ('GSP'), under which equity was issued to participants where funds had achieved growth and profitability. We introduced a structural change to the Group's cost base as all fund managers are now rewarded via a revenue-based structure. This will result in greater clarity of earnings and no future shareholder dilution.

The Group continues to pursue its financial objectives to increase profitability over time by growing AuM through the provision of attractive returns to clients. Miton's message centres on offering value for money funds with clearly defined objectives.

In 2018 we increased our marketing efforts and invested in our digital assets to promote the differentiated characteristics of our products. In 2019, we look to build our brand further and reach more clients.

The Group is robustly financed with no debt and cash balances as at 31 December 2018 of £25.5 million.

“We aim to be recognised as a leading investment management business, and we seek to deliver premium value for our clients.”

Jim Pettigrew | Chairman

### Charitable activity

During the year Miton continued its support of the National Youth Advisory Service ('NYAS'), a rights based charity providing a variety of services for children, young people and adults in the UK. I am pleased to report that in 2018 the Group committed further support to NYAS in the years to come.

### Dividends

The Board is recommending an annual dividend payment for 2018 of 2.0p per share, representing an increase of 43% on 2017. Over the past three years, the Group's dividend has increased by an average of 44% per annum.

If approved by the shareholders at the Annual General Meeting on 15 May 2019, the dividend will be paid on 21 May 2019 to shareholders on the register at the close of business on 12 April 2019.

From 2019 the Group will introduce an interim dividend to ensure smoother returns to shareholders.

The Group seeks to maintain its progressive dividend policy with a focus on growing the dividend over time reflecting its profitability.

We also recognise that the retention of a material level of profit within the business is important for stability, future endeavours and organic growth. The Directors' intention is therefore to maintain a strong balance sheet with sufficient capital resources to support the business and to grow organically whilst taking a long-term view.

### Outlook

The second half of 2018 saw several uncertainties arise connected to the economic and political landscape. The factors driving these uncertainties will continue in 2019, along with challenging market conditions. It is the Board's belief that the commitment, enthusiasm and skills of Miton's people, along with its robust financial strength, will serve it well during these times.

### Investment performance

of funds first or second quartile\*

81%

2017: 87%

### Proposed dividend per share

2.0p

2017: 1.4p

Effective communication of the Miton brand is key to our success and the ability to capitalise on the progress of recent years. Many of our genuinely active products blend well with passive products and offer transparent objectives for our clients and their advisers. Whilst we recognise the significant challenges in the economic landscape, we continue with our strategy to raise our presence in the UK.

We are encouraged by the achievements of 2018, and the momentum it brings to 2019. We look forward to realising the full potential Miton has to offer – for its clients and shareholders alike.

**Jim Pettigrew**  
Chairman

\* See footnote 5 on page 4.



# Our Strategic Objectives

## Strategic priorities

### Investment strategies and performance

#### Objective

Deliver differentiated strategies with clear objectives that meet our clients' needs

Grow and diversify the Group's AuM

#### Progress in 2018

- Strong investment performance across the Group's product range
- Successful launch of the US Smaller Companies Fund, ending the year with £89m of AuM
- Further diversified our product range with the launch of the Balanced Multi Asset Fund on 29 January 2018 and a sub-advised mandate on 7 February 2018
- AuM growth across both multi-asset funds (1%) and equity funds (26%)

### Distribution and customer service

Provide the highest levels of transparent and straightforward customer service

Build our brand and market share

- Strong net inflows across our core open-ended business
- Grew our sales, marketing and client services team headcount to improve client experience
- 180 new distributor relationships established in the year (2017: 79)
- Continued to update and enhance the Group's digital assets and website
- New sales CRM system implemented

### Operations and efficiency

Operational excellence and best practice execution

- Continued to adhere to a disciplined approach to cost control
- Adjusted operating margin above the prior year
- Created a separately identifiable human resources function
- New lease on head office agreed and completed in the year
- Physical IT infrastructure upgraded in the year

### Shareholder returns

Increase shareholder value

- Adjusted profit before tax for the year increased by 34%
- Adjusted EPS increased by 30%
- Share price increased by 23% in the year
- Increased the dividend by 43%
- Limited shareholder dilution via the completion of a share buyback in the year and the settlement of part of the third and final exchange of Growth Shares via a surplus of shares held in the Group's Employee Benefit Trust

## Future focus

- Continue to diversify the Group and launch differentiated products designed to deliver clear outcomes and meet our clients' changing requirements
- Continue to develop and grow our early-stage investment products
- Foster an environment and culture where fund managers can flourish to deliver value for our clients through long-term investment performance
- Provide best-in-class risk management and compliance support

- Continue to seek out, cultivate and invest in the best talent across all levels of the business
- Further investment in our distribution capabilities to create new relationships
- Continue to ensure client communications are clear and transparent
- Widen the Group's digital offering and develop our digital assets
- Ensure our products represent value for money and are competitively priced

- Continue to maintain disciplined cost control coupled with selective expenditure on growth opportunities
- Straightforward, accountable decision-making
- Undertake a third party internal controls assurance report on our investment management business
- Invest in our operating platform to ensure it keeps pace with regulatory change
- Grow the business and ensure this outpaces the growth in overheads (operational gearing)

- Create resilience in the Group's revenue generation and broaden the base of the business
- Continue to grow the Group's operating cash flow
- Ensure the Group's KPIs are embedded across our remuneration policies
- Maintain appropriate levels of cash to be able to act upon investment opportunities and support the business in the event of a downturn
- Continue to grow the operating margin and exhibit economies of scale

## KPIs

### Investment performance

# 81%

of funds 1st or 2nd quartile at year end  
1st: 56.3% 2nd: 25.0% 3rd: 6.2% 4th: 12.5%

### AuM

# +14%

2018: £4,376m  
2017: £3,823m  
2016: £2,905m

### Net inflows

# £1,019m

2017: £494m  
2016: £1m  
2015: £463m

### Adjusted operating margin

# 33.3%

2017: 31.2%  
2016: 26.8%

### Dividend per share

# 2.0p

2017: 1.4p  
2016: 1.0p

### Adjusted earnings per share (basic)

# +30%

2018: 4.69p  
2017: 3.60p  
2016: 2.67p

## Risks

### Internal

- Key personnel risk (the loss of, or inability to recruit and retain key personnel)
- Failure to sustain strong investment performance

### External

- Factors impacting performance, such as a market setback or geopolitical turbulence
- Regulatory changes impacting the Group's ability to achieve desired performance levels

### Internal

- Key personnel risk
- Failure to adequately predict or foresee client requirements/service levels

### External

- A pronounced shift in investor demographics/client demand away from active-based investing or certain asset classes
- Regulatory changes affecting the Group's ability to reach new clients and distribution channels
- Exogenous changes to UK distribution trends via platforms/IFAs

### Internal

- Deficiencies in internal processes and/or systems
- Fraudulent staff behaviour, employee misconduct

### External

- Cost fluctuations from changes in the regulatory environment
- Third party risk/deterioration in service levels
- Security breaches
- Cyber security threats and associated spend requirements

### Internal

- Large redemptions from key clients at short notice

### External

- Increased costs due to external influences
- Changes in investor demographics/client demand for active investment products
- Turbulence in the marketplace affecting the UK economy and the Group's AuM growth

## Strategy in Action

# Distribution and **customer** service

Comprehensive coverage to clients  
within the UK combined with  
exceptional service

Our team develop quality long-term relationships with our clients and provide direct access to our fund managers in a straightforward fashion.

In 2018, a new client relationship management ('CRM') system was implemented to enhance the management of customer data and relationships.

We continued to invest in our digital assets, hiring a digital strategist during the year.

Technology continues to evolve; this trend drives the way in which we work and connect with our clients.

Miton's brand and positioning is fundamental to communicating the attractiveness of our active management approach and in reaching both new and existing clients. External research undertaken during the year showed significant progress in brand awareness. In 2019, we shall undertake further investment in this area, being key to our longevity as a business.

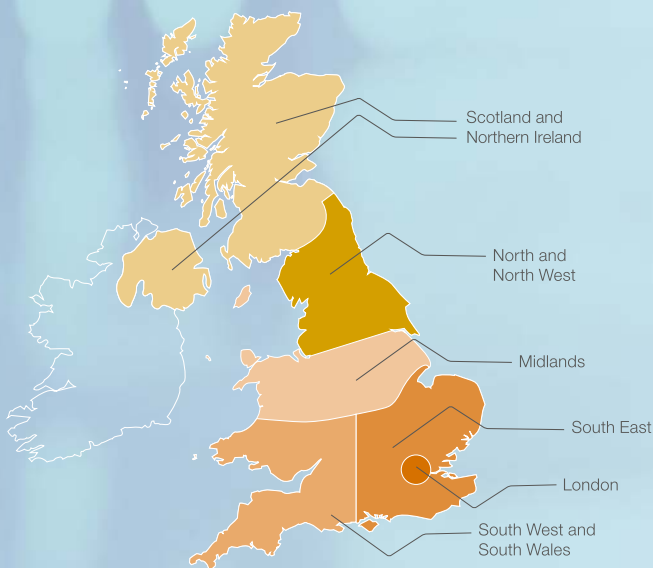
# +26%

AuM growth in single-strategy equity funds

# 14.5%

AuM growth in 2018

## Distribution coverage



**180 new distributor relationships**

created in the year (2017: 79)

**7 sales individuals**

(2017: 6) covering different geographic regions, see map

**5 sales support**

(2017: 4) providing enhanced analysis of sales data, trends, customer service and product information

## Chief Executive Officer's Report

I am pleased to report another strong year for Miton. We have seen continued flows into our funds, have delivered good long-term investment performance across a broad range of strategies and strong returns to shareholders.

# A record year of net inflows for the Group



David Barron | Chief Executive Officer

At Miton we aim to offer differentiated investment strategies for our clients. We position our business as 'genuinely active investing', an approach that invests without benchmark constraint in a wider range of companies and instruments with the ultimate goal of achieving better outcomes for clients supported by a strong focus on customer service and a scalable operating platform.

### Business performance

At the end of September 2018 Assets under Management ('AuM') stood at £4.9 billion. Markets during the latter part of the year were more difficult and we finished the year with AuM of £4.4 billion, an increase of 14% on last year. The key metric of average AuM (a better guide of our profitability) for the year was £4.4 billion, up from £3.4 billion in the previous year, an increase of 30%.

The net management fee margin (the retained revenue of the firm after deducting the costs of fund administration, external Authorised Corporate Directors ('ACD') and any enhanced fee arrangements), was 63.0bps compared with 64.9bps last year. This continues to reflect the Group's evolving product mix - for further detail see page 21.

The adjusted operating margin increased from 31.2% to 33.3%, however, as noted below, the increased remuneration costs will impact this for future years while the Group continues to

grow, diversify and increase the levels of AuM being managed.

The final tranche of Growth Shares were exchanged into Miton Group plc ordinary 0.1p shares in September 2018. With effect from 1 October 2018, all fund manager remuneration is recognised in personnel costs rather than through the issuance of shares, shareholder dilution and share-based payments. The annual remuneration cost will now move in line with the revenues and performance of the Group; the incremental annualised additional expense to the profit and loss account is estimated to be £1.8 million.

This unification of the remuneration arrangements means that there is greater clarity on the free-cash generation of the business. Historically, we have undertaken share buybacks to mitigate the dilutive impact of the Growth Share Plan ('GSP').

Over the past three years the Group has issued 22.369 million new shares and allocated 3.668 million shares from the Group's Employee Benefit Trust in settlement of the conversion of Growth Shares. These settlements reflect the success of the underlying strategies run by the fund managers who participated in the GSP. During 2017 and 2018, 20.655 million shares were purchased and cancelled at a cash cost of £8.6 million.



“Investment performance continues to be strong over the longer term. The heightened volatility in markets in the latter part of the year has taken the shine off the shorter-term records of some strategies but overall the performance record of our funds is strong.”

David Barron | Chief Executive Officer

Gross inflows for the year

£1,843m

2017: £1,132m

Net inflows for the year

£1,019m

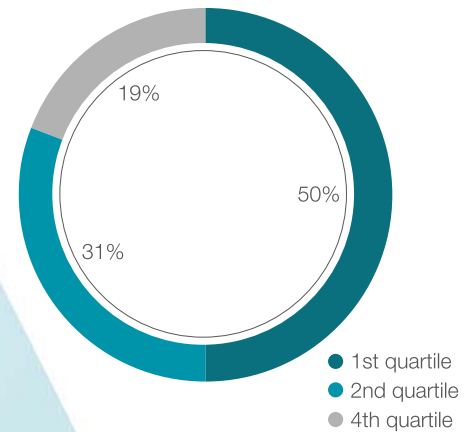
2017: £494m

Average Assets under Management

£4,369m

2017: £3,361m

Performance since tenure (No. funds)



## Chief Executive Officer's Report continued

“By the key measures of the health of an asset management business, long-term investment performance and the willingness of clients to invest more with a firm, Miton is well-placed.”

David Barron | Chief Executive Officer

### Investment flows

We saw strong net inflows of over £1 billion and in September 2018 our AuM reached a peak of £4.9 billion. This was achieved across a range of strategies. The LF Miton UK Multi Cap Income Fund saw net inflows of £400 million and was amongst the leading funds in the highly-competitive UK Equity Income sector, and at the year-end it had assets of £1.3 billion. At a time when many investors were eschewing investment into UK equity markets it was notable that this fund saw net inflows every month of the year and achieved a market share of 6% in its sector. In many ways this fund represents a template for our 'genuinely active' style.

Even though an asset class may be out-of-favour, we believe with sufficient differentiation in our approach we can continue to provide solutions that clients value. We have no defined house investment style and we are neither large cap nor small cap. Some of our strategies may focus on more undervalued situations, others look for companies with genuine growth opportunities, but all have high active share and are unconstrained by benchmarks.

LF Miton Multi Cap Income was the first single-strategy fund we launched in 2011. It is pleasing that several of the more recently launched single-strategy funds have seen strong inflows. LF Miton US Opportunities Fund has returned 105.3% since launch in March 2013 and has seen strong inflows and good returns, which have been delivered, with little or no exposure to the major technology stocks ('FAANGS') that have been responsible for so much of the rise of the broader market indices.

LF Miton European Opportunities was launched on 14 December 2015 and therefore has reached the important milestone of

achieving a three-year performance track record. Since its launch, it is the best performing fund in the IA Europe ex UK sector out of 107 funds.

We are confident that several of our other single-strategy funds are well-placed to grow when their style returns to favour or they build longer track records.

Our multi-asset range continued to see positive inflows over the year. We believe offering both single-strategy funds and more outcome-based funds enables the Group to address the UK market with a more balanced business.

Many advisers are looking for investment partners who will offer a broad multi-asset product range and strong client service. On 29 January 2018 we launched the LF Miton Balanced Multi Asset Fund to take the range of multi-assets funds to four. Our experienced team have a strongly differentiated approach that is both scalable and transparent. We believe regulation and industry dynamics mean that many advisers will look to use a smaller number of fund providers who can deliver strong solutions to meet their clients' needs. Our directly invested range of four funds make us an attractive partner for an increasing range of advisers.

Several of our strategies and funds were recognised with various awards during the period. LF Miton US Opportunities won Best North America Fund at the Investment Week Fund Manager of the Year Awards 2018. The Diverse Income Trust and Miton Global Opportunities won Best Trust in the UK Income and Flexible Investment categories respectively in the Investment Week Investment Company of the Year Awards 2018.

Miton is positioned to meet the needs of investors and savers in the UK and is unburdened with legacy approaches. It was gratifying to see that we ranked in the top ten management groups for net retail inflows, as measured by the Pridham Report, in all four quarters of 2018. This is testimony to both the quality of the fund range we manage and the strength of our distribution in the UK.

Our fund flows are increasingly diversified with three investment teams seeing net inflows in excess of £200 million into their respective strategies during the year. As our business develops we expect to see this trend of diversification continue.

### Regulation

A significant amount of work went into preparation for MiFID II. We took the decision to seek to agree a specific charge with our clients to cover external research. We have recently decided that we will take the costs of the research for our multi-asset funds, which tends to be more macro-economic, through the profit and loss account. The cost of this is estimated to be £0.2 million.

As we have mentioned in the past, individuals are having to take greater responsibility for their retirement and savings provision. The asset management industry is central to a market economy. The ability of individuals to retire well or of businesses to finance their needs depends on the asset management sector working for customers and allocating capital efficiently. The regulator consistently emphasises the importance of culture of firms, and we believe our genuinely active approach, defined as it is by individual discretion, empowerment and high levels of personal accountability makes good business sense, as well as fitting with the current regulatory agenda.

There will be further regulatory initiatives, including implementation of many of the findings of the FCA's Asset Management Study. We are confident that we are well-placed to implement these without any significant impact on our business.

### Strategy

Our business is distributing UK domiciled funds to a client base that is predominantly UK based, be they advisers or discretionary managers. This gives our business a simplicity and focus, and at a time of some uncertainty over the relationship of the UK with other markets we do not have the structural complexity of some of our competitors.

We have significant scope for growth by taking further market share in the UK; we aim to achieve this by growing our existing funds and by launching new and differentiated strategies with clear objectives that meet our clients' needs.

During the year we launched two funds, these being the LF Miton US Smaller Companies Fund and the LF Miton UK Balanced Fund which bring our range of funds up to 16. Indeed, over the last five years we have successfully launched five new products.

The capacity within our existing strategies gives us significant scope for growth. Over the past three years we have added both European and Global Infrastructure capabilities and have the capacity to bring-on and invest in further new strategies. We do not currently seed funds and wish to ensure that new strategies receive sufficient distribution attention to start well and that new strategies can really help our clients achieve their goals. We see good opportunities to expand but do not need to offer all strategies to all clients to succeed.

We continue to invest in our brand and our ability to reach a wider group of clients. We have enhanced our website and added to our digital resource, whilst improving our CRM and sales infrastructure. We believe it is important to maintain our profile in the UK, and so even though market levels are down from their highs, we will continue our investment in distribution and marketing on a sensible scale.

### Brexit

Our business is straightforward. Our funds are UK domiciled and the majority of our clients are UK-based. Many of the immediate post Brexit concerns that larger competitors may be wrestling with do not therefore impact our operations. Nonetheless, Brexit has introduced significant uncertainty and has changed the perception of UK markets and equities, especially amongst overseas investors. However, opportunities may arise once there is greater clarity on the UK's future relationship with the European Union.

### Outlook

Trading in the last three months of the financial year was more subdued which has continued into 2019. There are specific factors relating to the UK, which impact both markets and investor willingness to invest. Our gross fund flows in the first three quarters of 2018 averaged £170.9 million, and in the final quarter were £111.5 million, whilst redemptions averaged £66.1 million per month. This points to a more cautious stance by clients which has continued into the early part of this financial year. Nonetheless, we have benefited from the improved stock markets in January and February resulting in our AuM standing at £4,565 million at 28 February 2019.

It is important, however, to differentiate between the shorter-term external factors and the longer-term momentum in the business, which is positive.

By the key measures of the health of an asset management business, long-term investment performance and the willingness of clients to invest more with a firm, Miton is well-placed. Miton has a strong balance sheet with good cash resources, a profitable business and offers a range of differentiated strategies that are well-suited to the current environment. The strength of our strategies, the effectiveness of our distribution and our scalable platform give me confidence in the future.

### Adjusted earnings per share (basic)

# 4.69 pence

2017: 3.60 pence

The strategy of diversifying the business has continued to deliver and we see further opportunities to attract talented individuals.

Finally, we would like to thank our clients and their advisers for their continuing trust in us and for investing in our funds and strategies. We would like to also thank our colleagues for their hard work, their dedication and desire to do the right thing for clients. Each role in our firm is important and delivering good client outcomes depends on investment management, distribution and our support and control teams working together effectively.

**David Barron**  
Chief Executive Officer



## People and Culture

Every person at Miton has a valuable contribution to make. We focus on **enabling individuals to flourish** in all parts of the business to achieve great client outcomes

We believe in treating our team members as individuals to enable them to reach their unique potential.

### Leadership

The Group undertakes quarterly interactive staff updates and biannual staff surveys as part of our commitment to transparency in all parts of the business. These initiatives have strengthened the employee voice and a sense of cross-team unity of purpose.

### Ethics and behaviour

Our values and behavioural competency framework set out the approach and conduct we believe will help us achieve our goals.

As part of our ongoing investment in training and development, and to boost engagement with the behaviours set out in our competency framework, we completed a series of workshops on culture and ethics for all employees, in which the links between conduct risk, accountability, culture and behaviours were considered in the context of our own workplace. The output of these workshops has informed training plans for 2019.

### Employee benefits and retention

Enabling individuals to flourish means empowering everyone with the resources they need to perform well and feel confident. To attract and retain the best talent, and in particular to help build security for those in the early stages of their working life, we have continued to benchmark our reward structures.

In 2018 we further expanded our range of benefits to include a Medicash plan, better financial provision for new parents, increased holiday entitlements in line with tenure and clearer flexible working opportunities. The Group's retention levels have been encouraging with staff turnover standing at 7.3% (2017: 9.6%).

### Diversity and inclusion

Being able to attract people from all backgrounds allows employers to access a broader spectrum of thoughts and creativity and ultimately long-term value creation.

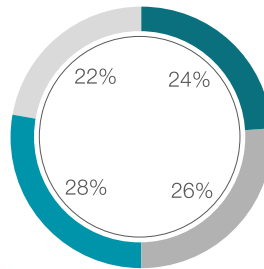
Miton recognises that gender is an important element to diversity. We continue to foster diversity and inclusivity with the emphasis being on the long-term priority of addressing the gender mix within the Group.

Beyond our internal efforts with regard to current diversity and opportunity, we recognise that wider societal engagement may support the broadening of the demographic of our sector's population over time and improves the balance of opportunity and contribution as a result.

With this in mind, Jim Davies and David Barron have championed our continued support of NYAS as our corporate charity, whose important work can make a real difference to the life outcomes of children in care in the UK.

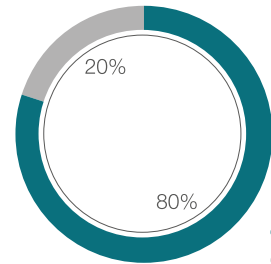


**Age diversity %**  
at 31 December 2018



- 20-29
- 30-39
- 40-49
- 50+

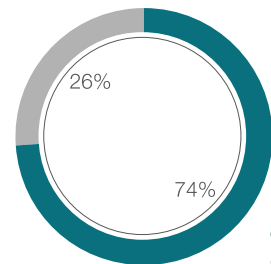
**Gender diversity – Senior Management %**  
at 31 December 2018



- Male
- Female

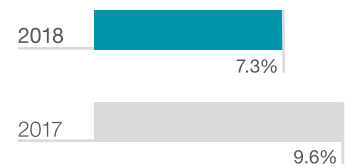


**Gender diversity – Firmwide %**  
at 31 December 2018



- Male
- Female

**Employee turnover %**



Values:

**Unconstrained**

We are genuinely active in mind and deed: we are agile.

**Assertive**

We have the courage of our convictions.

**Collegiate**

Our people recognise that Miton is greater than the sum of its parts.

**Open**

We are personal, accessible, responsive.

**Responsible**

We strive to act in the best interests of our clients.

## Financial and Operating Review

# Higher average AuM in 2018 has delivered robust profitability

We continue to strengthen our infrastructure and quality of earnings.



Piers Harrison | Chief Operating Officer

### Assets under Management ('AuM')

AuM ended the year 14% ahead of the comparative period at £4,376 million. Having reported AuM of £4,868 million at the end of September, heightened market volatility in the last quarter of the year saw a reversal of the investment gains of the first nine months. The market falls were, however, offset by strong net inflows of £1 billion for the 12 months.

Average AuM for 2018 was £4,369 million, an increase of £1 billion (30%) on the previous year.

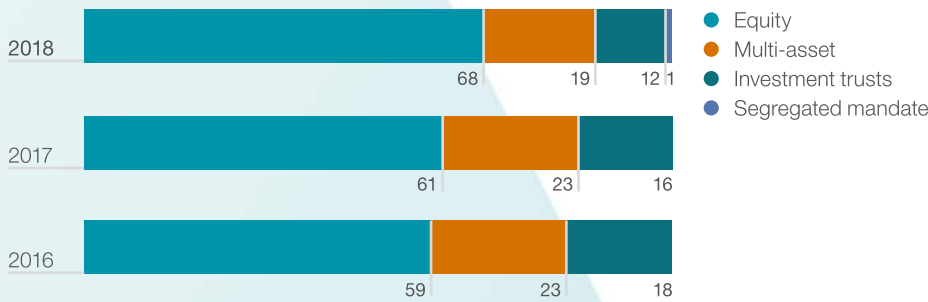
AuM and flows	2018 £m	2017 £m	% change
Opening AuM	3,823	2,905	
Net flows	1,019	494	
Market/investment performance	(466)	424	
Closing AuM	4,376	3,823	+14%
Average AuM	4,369	3,361	+30%

Positive net flows were experienced in both the equity and multi-asset fund ranges. In February, the Group onboarded a small segregated mandate.

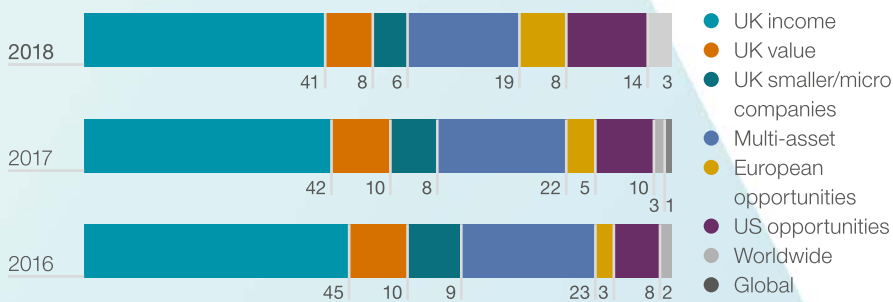
The investment trusts saw a fall in AuM arising from the agreed transfer of The Investment Company plc mandate on 29 March 2018 and a redemption option for shareholders in the Miton UK MicroCap Trust plc completing on 15 May 2018.

AuM by asset class and fund type	2018 £m	2017 £m	% change
Equity funds	2,994	2,379	+26%
Multi-asset funds	847	839	+1%
Investment trusts	514	605	-15%
Segregated mandate	21	–	
Total	4,376	3,823	+14%

**AuM by asset class %**



**AuM by strategy %**



**Assets under Management**

**£4,376m**

2017: £3,823m

**Adjusted profit before tax**

**£9.2m**

2017: £6.8m

**Closing cash balances**

**£25.5m**

2017: £19.9m

**Number of products**

**16**

2017: 15

**Equity funds**

In 2018 the Group saw net flows into the equity funds becoming increasingly diversified with the more nascent funds contributing significantly to the total net inflows of £927 million achieved in the year.

The AuM of the LF Miton US Opportunities Fund increased by 41% to end the year at £537 million. The LF Miton European Opportunities Fund, launched in December 2015, ended the year with £364 million of AuM, an increase of 101% on the comparative period.

In March, the Group added to its US product range with the launch of the LF Miton US Smaller Companies Fund, drawing on the team's track record in this area of the market. The fund gained significant traction, and at 31 December 2018 it had AuM of £89 million.

**Multi-asset funds**

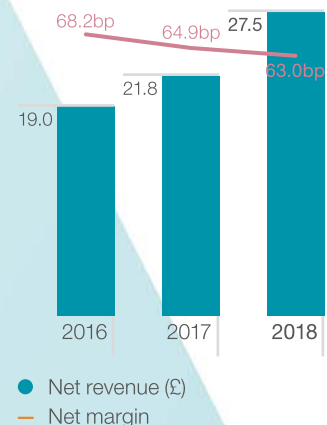
The multi-asset range of funds saw net inflows of £95 million for the year with the total AuM managed by the team increasing by 1% to £847 million. In January, a balanced multi-asset fund was launched in the IA Mixed Investment 40%–85% shares sector.

**Net management fees and margins**

Net management fees for the year were £27.5 million (2017: £21.8 million) reflecting the increase in the average AuM achieved in the year.

The net management fee margin reduced to 63.0bps (2017: 64.9bps). The Group continues to launch new products with founder share classes. This, coupled with increased costs associated with OCF caps while the funds gain critical mass, results in an overall contribution of these products at lower margins in the period after launch.

**Net management fees and margins**



## Financial and Operating Review continued

### Administration expenses

Administration expenses (excluding share-based payments) increased by 26% to £18.1 million. Staff costs continue to represent the major component totalling £12.7 million (2017: £10.1 million).

As detailed on page 37, staff costs consist of two core elements structured around fixed and variable awards.

Fixed compensation (comprising base salaries, pension, NI, and indirect costs of employment) rose by 3% to £6.9 million. Variable compensation (discretionary bonuses and rewards to fund managers and related national insurance costs ('NI')) increased by 71% to £5.8 million.

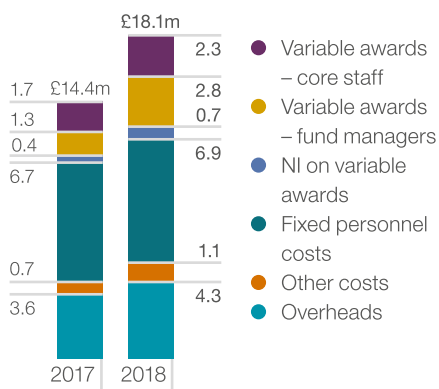
The increase in variable compensation reflects the robust underlying performance of the Group, as well as strong longer-term investment performance. Additionally, from 1 October 2018 all fund managers were rewarded through the fund manager remuneration scheme, which is a cash-based reward rather than a share-based plan.

In 2019, a further increase in variable staff costs is anticipated to reflect a full year of expense under the fund manager remuneration scheme and the rising amortisation of deferred bonuses.

Overheads rose by £0.7 million to £4.3 million. Key initiatives in the year were increased investment in digital marketing and customer relationship management systems. In September the Group appointed joint brokers which contributed to the increase in professional fees. Levies of £0.1 million were paid in the year (2017: £Nil) to the Financial Services Compensation Scheme.

Other costs consist principally of depreciation and irrecoverable VAT.

### Administration expenses (£m)



In addition to the increased variable costs already noted, the Group's income statement in 2019 will also reflect IFRS 16 which will be applied from 1 January 2019. IFRS 16 requires operating leases to be capitalised unless the lease term is 12 months or less or the underlying asset value is immaterial. Operating lease expenses in the income statement will be replaced by a depreciation expense on the recognised right of use asset and an interest expense as the lease liabilities unwind. This change is not expected to have a material impact on the Group's profitability.

See note 2 to the Consolidated Financial Statements for further detail.

### Adjusted profit and profit before tax

The adjusted profit increased to £9.2 million from £6.8 million in the comparative year; this represented an increase of 34%. The increase reflects the higher net revenues generated by the Group which was driven by the elevated levels of AuM achieved throughout the year.

The table below reconciles adjusted profit before tax and profit before tax.

	2018 £m	2017 £m
Net revenue	27.5	21.8
Administrative expenses	(18.1)	(14.4)
Share-based payments	(0.3)	(0.6)
Adjusted profit before tax	9.2	6.8
Amortisation	(0.3)	(0.3)
Exceptional costs	-	(0.4)
Profit before tax	8.9	6.2

### Share-based payments

The share-based payment expense decreased from £0.6 million to £0.3 million reflecting the cessation of the Growth Share Plan ('GSP') in October 2018. Included within this current year expense, £0.2 million related to the GSP (2017: £0.4 million).

### Exceptional costs

There were no exceptional costs during the year (2017: £0.4 million predominantly relating to changes in the Board structure).

### Earnings per share

The adjusted earnings per share was 4.69p, representing an increase of 30% (2017: 3.60p). This is an alternative performance measure, see page 23 for further detail. Diluted adjusted earnings per share was 4.61p (2017: 3.38p).

Basic and diluted earnings per share are calculated on profit after tax. For the year ended 31 December 2018 these were 4.54p and 4.47p respectively (2017: 3.27p and 3.06p).

The theoretical dilution has fallen as a result of the cessation of the GSP. Dilution arises from the Management Equity Incentive ('MEI') and the Management Incentive Plan ('MIP') (note 21) where the exercise prices are below the average share price during the year of 53.57p (2017: 38.64p).

### Dividend

The Board is proposing to increase the annual dividend by 43% to 2.0p per share (2017: 1.4p). The Group seeks to maintain a progressive dividend policy. Further detail is contained in the Chairman's Statement on page 9.

The proposed dividend payment totals £3.1 million (2017: £2.1 million) equating to a dividend cover of 2.2 times (profit after taxation divided by proposed dividend amount) (2017: 2.3 times).

### Balance sheet and cash management

At 31 December 2018 the cash balances of the Group totalled £25.5 million (2017: £19.9 million). The Group continues to be cash generative, with the higher closing cash balances being a result of the increased profitability achieved in the year.

During 2018 the Group completed one (2017: two) share buyback programme to ameliorate the dilutive impact of shares issued to participants under the GSP. On 13 December 2018 the Group acquired and cancelled 5,502,180 ordinary 0.1p shares at a cash cost of £2.6 million (2017: 15,152,963 ordinary 0.1p shares at a cash cost of £6 million).

### Outlook

The Group recognises the volatility now faced by the business caused by the current macro environment and the impact it may have on the average AuM. These risks and uncertainties have been reflected through the impairment testing and going concern analysis.

The business operates under one jurisdiction, all funds are UK domiciled and are not passported outside of the UK. The Group is positioned to sell products inside the UK, to UK-based clients, which lessens the risk Brexit poses to the Group's operating model.



## Alternative Performance Measure ('APMs')

The Directors use the following APMs in evaluating the performance of the Group and for planning, reporting and incentive-setting purposes.

	Unit	Reconciliation	Used in management appraisals	Aligned with shareholder returns	Strategic KPI (page 10)
<p><b>Adjusted profit before tax</b>  <b>Definition:</b> Profit before interest, taxation, depreciation and amortisation, share-based payments and exceptional items.</p> <p><b>Purpose:</b> Encompasses all operating expenses in the business, including fixed and variable staff cash costs. Provides a proxy for cash generated and is the key measure for the profitability of the Group.</p>	£	Page 22	•	•	•
<p><b>Adjusted operating margin</b>  <b>Definition:</b> Adjusted profit before tax divided by net revenue.</p> <p><b>Purpose:</b> Used to determine the efficiency of operations and the ratio of operating expenses to revenues generated in the year.</p>	%	Page 22	•	•	•
<p><b>Cash generated from operations</b>  <b>Definition:</b> Profit before taxation adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals and items of income or expense associated with investing or financing cash flows.</p> <p><b>Purpose:</b> Provides a measure in demonstrating the amount of cash generated from the Group's ongoing regular business operations.</p>	£	Page 52		•	
<p><b>Assets under Management ('AuM')</b>  <b>Definition:</b> The value of assets that are managed by the Group.</p> <p><b>Purpose:</b> Management fee income is calculated based on the level of AuM managed. The AuM managed by the Group is used to measure the Group's relative size against the industry peer group.</p>	£	Page 4	•	•	•
<p><b>Net management fee</b>  <b>Definition:</b> The net revenue of the Group. Calculated as gross management fee income, after deducting the cost of fund accounting, external Authorised Corporate Directors ('ACD') and any enhanced fee arrangements.</p> <p><b>Purpose:</b> Provides a consistent measure of the profitability of the Group and its ability to grow and retain clients, after removing amounts paid to third parties.</p>	£	Pages 21, 49		•	
<p><b>Net management fee margin</b>  <b>Definition:</b> Net management fees divided by average AuM.</p> <p><b>Purpose:</b> A measure used to demonstrate the blended management fee rate earned from the AuM managed by the Group. A basis point ('bps') represents one hundredth of a percent. This measure is used within the asset management sector and provides comparability of the Group's net revenue generation.</p>	bps	Page 21	•	•	
<p><b>Adjusted earnings per share (basic)</b>  <b>Definition:</b> Profit after tax excluding amortisation and exceptional items, divided by the weighted average number of shares in issue in the year.</p> <p><b>Purpose:</b> Provides a clear measure to shareholders of the profitability of the Group from its underlying operations. The exclusion of amortisation and exceptional items provides a consistent basis for comparability of results year on year.</p>	p	Page 60	•	•	•

**Piers Harrison**  
Chief Operating Officer

# Principal Risks

Consistent with many businesses operating in the financial services sector, the Group faces a range of risks and uncertainties that could impact its ability to deliver the strategic objectives.

The governance framework described on pages 32 and 33 sets out how the Group seeks to mitigate, as far as possible, its key risks.

The Group maintains a detailed risk register. Risks are assessed based on the following considerations:

- severity of each risk considering reputational impact, financial impact, and likelihood
- existence of internal controls and risk mitigation factors
- the overall effectiveness of the Group's control environment

The Audit & Risk Committee and the Board have conducted a robust assessment of the identified principal risks.

## Key risk

## Description

## How we manage the risk

### Reputational risk

Reputational risk can arise from the failure of any key control or from the risks detailed below. The risk is that a failure has a detrimental impact on the Miton brand and underlying confidence of clients, stakeholders or suppliers.

The control environment and risk management practices detailed below help to mitigate the risk of events arising that may have a negative reputational impact. A culture of integrity and core values is embedded in all our business activities. The Group holds regular business updates which are attended by all staff.

### Economic and market risk

Economic and market risk arises in relation to the investments held by funds managed by the Group and the revenue generated from the management charge on the value of those assets.

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

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or can only do so at a significantly increased cost.

The Group's objective in managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities as they fall due, under both normal and adverse conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to maintain unencumbered cash balances in excess of its regulatory capital requirements, which are based on annual expenditure requirements identified through a rigorous forecasting process.

### Regulatory risk

The Group operates in a complex and dynamic regulatory environment. Risks arise from legal and regulatory obligations.

The Group may be subject to regulatory sanction or loss of reputation from a failure to comply with regulations.

The management of legal and regulatory risk is the responsibility of the Senior Executive Group ('SEG'), supported by the various operating committees that are in place.

The governance and compliance teams are responsible for tracking legal and regulatory developments to ensure that the Group is well prepared for changes.

As well as developing policies, delivering training and performing monitoring checks, they also provide advice to ensure the Group remains compliant with legal and regulatory requirements.

## Key risk

## Description

## How we manage the risk

**Credit risk**

The Group is subject to credit risk arising as a result of counterparty exposure in the Group's receivables balances from fund management clients and in relation to cash balances placed with banking institutions.

The creditworthiness of all relevant counterparties is monitored closely. A diversification policy is in place in order to allocate significant cash deposits between suitable institutions. The Trading & Research Oversight Committee is responsible for assessing the appropriateness of counterparties transacting on behalf of the funds managed by the Group.

**Operational risk**

The risk of loss arising from a failure in internal systems, procedures or in outsourced functions. The fundamental elements of the operational structure are people, information technology including cyber risk, and outsourced services.

The Group seeks to attract and retain the best qualified individuals.

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

The Group seeks to mitigate cyber risk through robust processes and controls, penetration testing and staff training. The Group achieved its Cyber Essentials PLUS accreditation on 19 December 2017.

**Key employee risk**

The Group's products are managed by a number of fund managers within clearly defined teams. The departure of a fund manager, or team, could result in a loss of revenue for the Group and therefore a loss of profitability due to client redemptions or loss of mandates resulting in a fall in AuM.

The Group seeks to diversify its product offering, and therefore revenue stream, in order to address this risk as well as having in place appropriate incentive schemes to retain and reward key employees. Where appropriate, the Group maintains a policy to have two named fund managers on each strategy.

The Group has robust remuneration mechanisms in place for all employees (see pages 36 to 41 for further detail).

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

**Investment performance risk**

The Group acknowledges that there may be periods of weaker investment performance (either in a particular fund or generally) that may result in significant investor redemptions.

The Group understands that during such periods of under-performance it is more difficult to attract new clients to these strategies and to retain existing AuM.

In such a scenario this would impact the ability of the Group to grow its AuM, revenue and profitability. The Board and SEG review investment performance on a regular basis, along with input from the Fund Risk & Investment Performance Committee and the Product Review Committee to assess the Group's mix of products. Regular interaction is also maintained with supporting stakeholders such that they understand the performance of the fund(s) in which they are invested.

**Investor concentration risk**

A redemption or a series of redemptions by key clients could pose a risk to net revenue and profit. The resultant loss of AuM caused by a departure of a significant investor may increase the volatility of earnings for the Group.

The Group endeavours to diversify its product range and client base in order to lessen the risk of such a scenario.

# Board of Directors

## Executive Directors



David Barron



Gervais Williams



Piers Harrison

Current role	Chief Executive Officer	Senior Executive Director	Chief Operating Officer
Appointment	03/09/2013	01/03/2011	11/09/2015
Past roles	<p>David joined Miton in 2013 as Director of Investment Trusts and Product Strategy and was appointed Chief Executive Officer in March 2017. He has over 30 years of experience in the City, of which 20 have been focused on asset management. David was previously at JP Morgan Asset Management where he became Managing Director and Head of the Investment Trust business, the largest in the UK, and a member of the senior management team of the UK business. Before joining Fleming Investment Management in 1995, David worked in corporate finance at Hambros Bank and Merrill Lynch &amp; Co.</p>	<p>Gervais has been an equity portfolio manager since 1985. He spent five years with Throgmorton Investment Management (later part of the Framlington Group), three years with Thornton Investment Management (part of Dresdner Bank) and 17 years with Gartmore Group Ltd, where he was Head of UK Small Companies. He was a member of the EU Taskforce whose review, published in 2015, considered the decline in the number of smaller company IPOs. During 2017 he was also a member of the panel working with the Chancellor on the Patient Capital Review.</p>	<p>Prior to joining Miton in 2013, Piers was the Deputy Finance Director and Head of Operational Risk with Neptune Investment Management Ltd. Before that, Piers specialised in the financial services sector and in 2008 became a partner in Matterley, a fund management business whose interests were acquired by Charles Stanley Group Plc in September 2009. He is a Fellow of the Institute of Chartered Accountants in England &amp; Wales having trained and qualified with Saffery Champness in 2001.</p>
Brings to the Board	<p>David has led a market-leading asset management business through periods of significant change and has wide experience of developing and executing strategy in the asset management sector. He has experience as a director on the boards of a number of public companies. He is a member of the Institute of Chartered Accountants of Scotland and holds an MBA from INSEAD.</p>	<p>Extensive investment experience, particularly in UK smaller companies. Well versed in AIM-listed companies, he understands the forces shaping changes to the investment industry. He won Investor of the Year as awarded by Grant Thornton at their Quoted Company Awards in both 2009 and 2010. Gervais has published three books: 'Slow Finance', 'The Future is Small' and 'The Retreat of Globalisation' setting out his investment philosophy. He was awarded Fund Manager of the Year 2014 by What Investment.</p>	<p>Extensive operational and practical experience of the fund management industry and a rigorous approach to operational risk management.</p>
Other key commitments	<p>Member of the Council of Lancaster University and Chairman of Dunedin Income Growth Trust plc.</p>	<p>Director of the Investment Association, Chairman of the Quoted Companies Alliance and a Member of the AIM Advisory Group.</p>	<p>None.</p>

## Non-Executive Directors



Jim Pettigrew

Chairman  
Non-Executive Director

30/11/2017

A Chartered Accountant and former President of the Institute of Chartered Accountants of Scotland. Jim qualified with Ernst & Young before undertaking a number of senior roles including Group Finance Director of ICAP plc, Chief Operating Officer at Ashmore Group plc and Chief Executive Officer of CMC Markets PLC. Jim has also held non-executive directorships with Aberdeen Asset Management plc, AON UK Ltd, Hermes Fund Managers Ltd, Crest Nicholson Holdings plc and The Edinburgh Investment Trust PLC.

Jim has the drive and vision required to build on the Group's business model and deliver the best outcomes for our clients and stakeholders. He has over 30 years' experience in business and finance gained from executive and non-executive roles, principally within financial services. With his financial, investment and strategic expertise, Jim provides perspective and guidance in his role as Chairman.

Chairman of CYBG PLC, Chairman of RBC Europe Limited, Chairman of Scottish Financial Enterprise and Co-Chair of the Financial Services Advisory Board and Senior Independent Non-Executive Director of Rathbone Brothers Plc.



Jim Davies OBE DL FRSA

Non-Executive Director  
Senior Independent Director

24/01/2014

Jim was Managing Partner of law firm DWF LLP which he co-founded in 1977. DWF LLP has subsequently grown to be an international legal business with 26 offices worldwide employing over 2,700 people. He was awarded an honorary fellowship of Liverpool John Moores University in 2003. In 2010 he was appointed a Deputy Lieutenant of Merseyside. He was awarded an OBE in the 2015 New Years' Honours List for services to Charity and the Community in Merseyside. He was appointed High Sheriff of Merseyside for the year 2016-2017.

Outstanding business development and management skills.

Director of a number of private companies.



Katrina Hart

Non-Executive Director  
Chairman Remuneration Committee

23/02/2011

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

Katrina spent 14 years in the City advising, analysing and commentating on a broad range of businesses operating in the wealth and asset management sectors. She accumulated an in-depth understanding of the dynamics and operational drivers of the fund management industry. Katrina's additional non-executive roles enrich her knowledge of the investment company sector.

Non-Executive Director of Polar Capital Global Financials Trust plc, AEW UK REIT plc, and Keystone Investment Trust Plc.



Alan Walton

Non-Executive Director  
Deputy Chairman  
Chairman Audit & Risk Committee  
Chairman Nomination & Governance Committee

14/05/2014

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

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

None.

## Corporate Governance

# Chairman's Introduction



Jim Pettigrew | Chairman

The Group is committed to maintaining robust infrastructure and systems to support the business' growth aspirations.

### Board committee attendance

Director	Scheduled Board meetings	Audit & Risk Committee	Remuneration Committee	Nomination & Governance Committee
David Barron	6 (6)	–	–	1 (1)
Jim Davies	6 (6)	3 (3)	5 (5)	1 (1)
Piers Harrison	6 (6)	–	–	–
Katrina Hart	6 (6)	3 (3)	5 (5)	1 (1)
Jim Pettigrew	6 (6)	–	4 (5)	1 (1)
Alan Walton	6 (6)	3 (3)	5 (5)	1 (1)
Gervais Williams	6 (6)	–	–	–

### The Board

The Board is responsible for the strategy, values and long-term trajectory of the Group. It has overall responsibility for the Group's operations and is accountable to shareholders for ensuring that the Group is appropriately managed and governed.

Executive and Non-Executive Directors underpin the integrity of the business and endeavour to ensure transparency in the Group's activities and the delivery of the strategic objectives.

### Risk management

The Board takes seriously its duty to ensure the adequacy and effectiveness of the internal governance arrangements. The Board consistently reviews its governance framework along with the effectiveness of internal controls, including financial, operational and compliance systems and risk management.

A robust internal control framework is important to support a growing business. The Group maintains defined lines of responsibility and job descriptions and is committed to maintaining its robust infrastructure and systems to support the business in a structured environment.

Board meetings are designed to effectively deal with the risks of the business in the process of executing the Group's strategy. Our principal risks are outlined on pages 24 and 25.

### Culture

Miton's culture is shaped by its leadership, its core values, and is the responsibility of the Board. At the heart of our culture are the notions of transparency and accountability to our clients. Investment firms have a unique responsibility to manage the savings of investors, to engender trust and act with the highest standards of integrity. The Group's culture and values are described in more detail on pages 18 and 19.

An important element of ensuring risk is managed throughout the business is maintaining a culture of openness, accountability and empowerment. The Group monitors its culture in several ways, one specifically being bi-annual employee surveys. Results are made available to all colleagues and specific progress is tracked and discussed at the Board. We recognise this to be a fluid process, with our aspiration being to ensure the best working environment for all our staff. During the year, parental leave and long service awards were enhanced.

### Compliance with the UK Corporate Governance Code

On 8 March 2018 the London Stock Exchange published its revised rules for AIM quoted companies. Rule 26 requires AIM Listed companies to apply a recognised corporate governance code on a comply or explain basis.

Since 2014, the Group has chosen to operate in accordance with the Quoted Companies Alliance ('QCA') Corporate Governance Code ('Code') for small and mid-sized companies. During the year the QCA published an updated Code which is constructed around ten broad principles.

The Board has chosen to report against the new QCA Code, and the following report sets out how the Group has applied the ten principles to be compliant with the disclosure requirements.

### Jim Pettigrew

Chairman  
 15 March 2019

# Corporate Governance Report

## Principle 1

### Establish a strategy and business model which promotes long-term value for shareholders

The Group seeks to deliver differentiated investment strategies with clear objectives that meet the long-term needs of our clients. By positioning our business as offering 'genuinely active investing' we aim to achieve better outcomes for our clients. By delivering on this, we will grow the Assets under Management and further diversify the business, creating long-term value for our clients and shareholders.

The Group continues to seek out, cultivate and invest in the best talent across all areas of the business. The Group aims to provide the highest levels of transparent and straightforward customer service from a scalable platform operating in a robust and controlled environment. Effective communication of the Miton brand is key to communicating the attractiveness of our active management approach and in reaching a wider group of clients.

The strategic objectives of the Group are set out on pages 10 and 11, and the relevant KPIs and progress made against these during the current financial year are assessed. The Strategic report on pages 1 to 25, which includes the Chairman's Statement, Chief Executive Officer's Report and the Financial and Operating Review, describe the progress, and performance made during the current financial year and the future growth prospects of the Group.

## Principle 2

### Seek to understand and meet shareholder needs and expectations

The Executive Directors, together with the Group's joint brokers, are available to meet with existing and potential shareholders to gain an understanding of their views and to provide an update on the Group's business strategy and progress. Meetings are held with major shareholders after the announcement of both the annual and half-year results, and at other appropriate times during the year. The Board receives regular reports and feedback from the Executive Directors and the Group's joint brokers of any meetings with current or potential shareholders that have taken place. The Non-Executive Directors will also engage with key shareholders without the Executive Directors present where required.

Shareholders have the opportunity to attend and vote at the Annual General Meeting, at which the Board is available to answer any questions.

The Group's website ([www.mitongroup.com](http://www.mitongroup.com)) is regularly updated with information on the Group's fund range, governance arrangements, share price information, RNS announcements and shareholder reports.

## Principle 3

### Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board receives regular information on key clients, suppliers and external Authorised Corporate Directors ('ACD') or Unit Trust Managers ('UTM'). Meetings are held with senior executives and heads of departments, and feedback from all staff is received through the bi-annual staff surveys.

The Group's NOMAD reports to the Board on stock exchange, regulatory and shareholder matters.

Beyond the Group's internal efforts to ensure diversity and opportunity, it is recognised that wider societal engagement may support the broadening of the demographic of the financial services population over time and improves the balance of opportunity and contribution as a result.

The Group continues to support the National Youth Advocacy Service ('NYAS') as its corporate charity, whose work can make a real difference to the life outcomes of children in care in the UK.

## Principle 4

### Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board and the Audit & Risk Committee maintain overall responsibility for the Group's risk management and internal control systems. The Group has an established system of reporting for identifying, evaluating and managing the significant risks it faces and is compliant with the Code.

The risk appetite for the Group is set annually as part of the ICAAP process, which is approved by the Audit & Risk Committee and the Board. Significant risks are assessed and quantified as part of this process, along with the potential impact on the Group's financial position. The Board identifies and discusses the actions required to manage such risks. The Pillar III Disclosure document details the risk control environment and is available on the Group's website.

Consistent with many businesses operating in the financial services sector, the Group faces a range of risks and uncertainties that could impact its ability to deliver its strategic objectives; these are detailed on pages 10 and 11.

Monitoring work is carried out by the Group's finance and compliance departments. The Group has established risk-based audit and compliance programmes for reviewing and evaluating the internal controls and compliance procedures used in the management of risk.

## Principle 5

### Maintain the Board as a well-functioning, balanced team led by the Chair

#### Composition

During 2018 and up to 15 March 2019, the Board comprised of a Non-Executive Chairman, Jim Pettigrew, three Executive Directors and three Non-Executive Directors including Jim Davies as Senior Independent Director ('SID'). The role of SID is to support the Chairman with any matters unable to be addressed via normal channels and to act as an important conduit for other Directors and shareholders, as necessary.

Biographical details of the Board are set out on pages 26 and 27.

In accordance with the Articles of Association, the Directors are required to stand for re-election every three years. Appointments and reappointments to the Board are considered and specified in the Nomination & Governance Committee Report on page 42.

# Corporate Governance Report continued

## Roles and responsibilities

The Directors are reminded at each Board meeting that they must comply with their duties as set out in sections 171 to 177 of the Companies Act 2006 and that in addition to their general duties to act in good faith, in a manner which would be most likely to promote the success of the Group for the benefit of its members as whole, they must have regard, amongst other matters, to each factor listed in section 172 (1) of the Act to the extent relevant.

## Independence

All Non-Executive Directors are considered as independent in character and judgement. There is a clear separation of responsibilities on the Board between Executive and Non-Executive Directors.

## Conflicts of interests

The Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits received from third parties in their capacity as a Director.

A register of conflicts is maintained and formally reviewed on an annual basis.

On appointment, new Directors are required to declare any potential conflicts of interests.

## Principle 6

### Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities

New Directors are provided with all relevant information regarding the Group's operations, given the opportunity to meet with key executives prior to appointment and offered formal training if required.

The Group operates an annual appraisal process, and the skills and experience of each Director is reviewed as part of this process.

A compliance training programme is operated by the Group, which includes online examinations which are completed by all staff and Directors.

Technical briefings are provided at Board meetings by both internal and external sources.

## Principle 7

### Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

During the year, the Board completed an evaluation of the performance of the Board, and its Committees. This process was facilitated by a questionnaire completed by each Director. Results were discussed by the Board and Nomination & Governance Committee in November 2018. The performance evaluation of the Chief Executive Officer is performed by the Chairman. The evaluation of the Chairman is performed by the SID.

The Board is scheduled to meet at least six times a year and convenes to deal with administrative matters as required. A statement of matters reserved for the Board has been agreed and was last reviewed in November 2018.

The attendance records of the Directors at the Board and Committee meetings during the year is shown on page 28.

## Principle 8

### Promote a corporate culture that is based on ethical values and behaviours

The Group's culture is shaped by its leadership, its core values, and is the responsibility of the Board. At the heart of the Group's culture are the notions of transparency and accountability. Investment firms have a unique responsibility to manage the savings of investors, to engender trust and to act with the highest standards of integrity. The Group's culture and values are described in more detail on pages 18 and 19.

The Group continues to monitor its culture in several ways, one specifically being bi-annual staff surveys. Results are made available to all staff at the interactive quarterly staff update meetings, and specific progress is tracked and discussed at the Board. Enabling individuals to flourish means empowering everyone with the resources they need to perform well and feel confident. To attract and retain the best talent, and in particular to help build security for those in the early stages of their working life, the Group continues to benchmark its reward structures.

The Group strives to build a team that is representative of, and responsive to, a broad range of cultures and a wide age profile, where each individual can bring their whole self to work and where everyone has an equal chance to succeed. Maintaining diverse candidate shortlists and seeking a range of aptitudes and backgrounds; drawing on different perspectives builds a thinking, productive and inclusive workplace.

## Principle 9

### Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is collectively responsible for the Group's activities and the execution of its strategy.

The Board is supported by the Company Secretary, under the direction of the Chairman. The agenda and papers for Board meetings are prepared and circulated to the Directors at least five business days before each Board meeting. The Directors receive written reports from all heads of department in addition to regular updates from the Chair of each of its Committees.

Operational decisions are delegated to the Executive Directors and the senior management team meeting as the Senior Executive Group ('SEG') for implementation.

During the year, the Audit Committee revised its remit to include greater responsibility for risk. This was reflected in its revised terms of reference and the revision of its title to Audit & Risk Committee. Similarly, the Nominations Committee assumed a wider governance oversight role, becoming the Nominations & Governance Committee.

## Principle 10

### Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group has a clearly defined governance framework which is set out on pages 32 and 33. This framework, along with a straightforward corporate structure, allows the Group to be transparent with all stakeholders, both internal and external.

At the core of the governance framework are the operational committees which are represented by employees from across all departments and levels of seniority in the business.



## Senior Executive Group Committee memberships

David Barron, Chief Executive Officer	●
Bart Edgar, Director of Finance	● ●
Piers Harrison, Chief Operating Officer	●
Philip Ost, Head of Compliance	● ● ● ● ●
Gervais Williams, Senior Executive Director	●

- Fund Risk & Investment Performance Committee
- Fair Value Pricing Committee
- Trading & Research Oversight Committee
- Operations Committee
- Product Review Committee

## Board Committees

The Board is assisted by three standing Committees which report to it on a regular basis. The duties of each Committee are set out in their terms of reference, copies of which are available on the Group's website.

Executive Directors may be invited to attend Committee meetings. Minutes are prepared for each meeting, once approved, the minutes are circulated to the Board unless the Chairman of the relevant Committee deems it inappropriate to do so.

### Audit & Risk Committee

The Audit & Risk Committee is chaired by Alan Walton and comprises three Non-Executive Directors.

The Committee is responsible for ensuring that any formal announcements relating to the Group's financial position, including the annual and half-yearly reports, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial and operating performance.

The Committee also plays an important part in regularly considering the Group's risk profile and any significant matters arising from the SEG. It reviews the Group's systems of internal control and is responsible for ensuring that the financial statements presented by the Group to its shareholders conform with all legal requirements.

The Committee is also responsible for recommending the appointment, reappointment or removal of the external auditors. The Committee considers annually whether it is appropriate to engage an internal audit function and recommends its findings to the Board.

The Committee is scheduled to meet at least twice in each financial year. During the year ended 31 December 2018, the Committee met three times.

### Nomination & Governance Committee

The Nomination & Governance Committee is chaired by Alan Walton and comprises four Non-Executive Directors and the Chief Executive Officer.

The Committee is responsible for reviewing and recommending Board and Committee membership, succession planning, Board appointments and oversight of the Group's compliance with the QCA Code against which the Group has elected to report.

The Committee is scheduled to meet at least once in each financial year. During the year ended 31 December 2018, the Committee met once.

### Remuneration Committee

The Remuneration Committee is chaired by Katrina Hart and comprises four Non-Executive Directors. The Committee is responsible for ensuring the Directors' remuneration policies achieve their stated aim of providing a competitive package of incentives and rewards for the Executive Directors and senior employees in order to align reward with the strategic aims of the business, including the delivery of shareholder value, over both the short and long term.

The Executive Directors make recommendations to the Remuneration Committee on the Company's framework of executive and senior employee remuneration and associated costs. The Board itself determines the remuneration of the Non-Executive Directors. Further details of the Company's policies on remuneration and service contracts are given in the Remuneration Committee Report on pages 36 to 41.

The Committee is scheduled to meet at least twice in each financial year. During the year ended 31 December 2018, the Committee met five times.

# Corporate Governance Report continued

## Group trading entities as at 31 December 2018



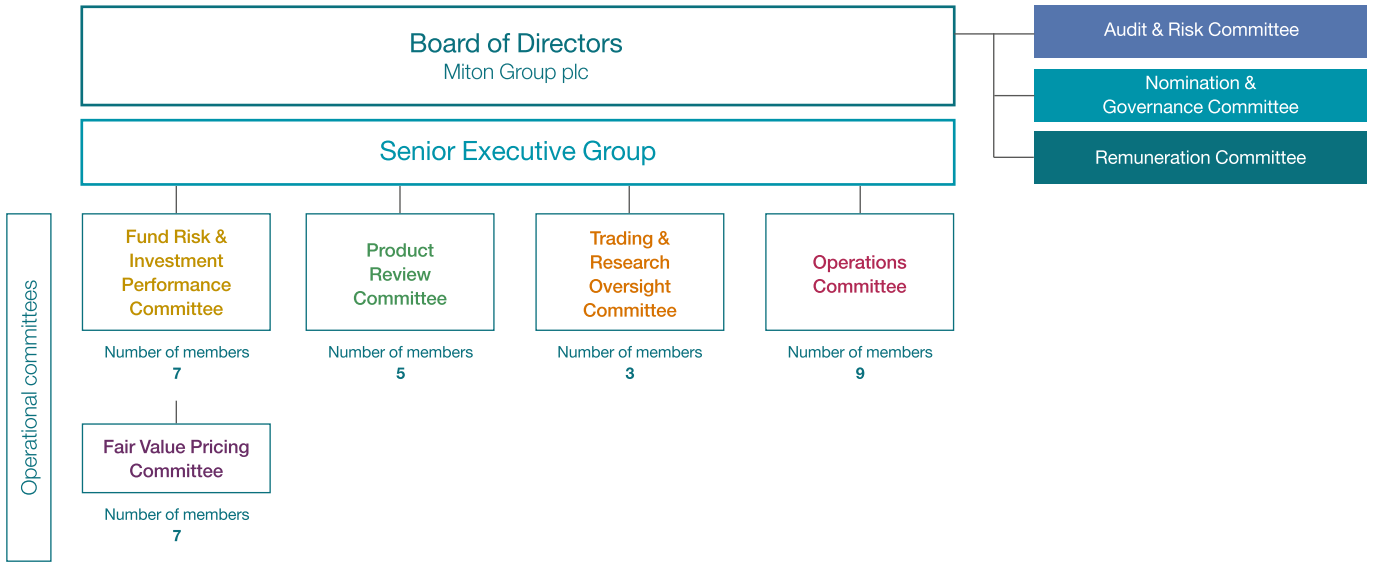
All companies registered in England and Wales. Registered office is 6th Floor, Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB.

## Operational committees

	Fund Risk & Investment Performance Committee ('FRIP')	Fair Value Pricing Committee ('FVP')
Objectives	<ul style="list-style-type: none"> <li>Monitors the risks associated with the Group's funds</li> <li>Advises, reports and escalates to the SEG and to the Board, if required, that risks are being effectively managed and the business is compliant with relevant regulations</li> <li>Considers the performance objectives of each fund and evaluates the performance achieved in the context of the market conditions</li> <li>Considers volatility of the funds against target expectations</li> <li>Regularly assesses the investment strategies and assumptions used to measure risk and limit exposures as part of the Group's approach to Treating Customers Fairly ('TCF')</li> <li>Carries out a rolling review of all strategies managed by the Group. In deliberating on the performance of the funds, the Committee takes into account feedback from the sales and marketing teams</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for ensuring that the assets and liabilities within the strategies managed by the Group are being valued fairly and accurately on a consistent basis</li> </ul>
Convenes	Monthly	Ad hoc as required
Reports to	SEG	FRIP

Non-Executive Directors are invited to attend meetings of the operational committees in an observational capacity on a periodic basis.

Internal governance structure as at 31 December 2018



**Product Review Committee**

- Ensures the existing product range is reviewed on a regular basis to assess whether the products remain consistent with the needs, characteristics and objectives of the identified target market and whether the intended distribution strategy remains appropriate
- Manages and oversees proposed product launches, product positioning, capacity management and closures to ensure effective execution and management of any associated business risks
- Ensures the Group continues to meet its TCF obligations with respect to each product
- Ensures that the Group continues to receive appropriate information from product distributors to assist it with the monitoring of sales patterns
- Identifies any conflicts of interest with respect to the ongoing management of each product and where appropriate escalates these to the SEG for consideration

Monthly

SEG

**Trading & Research Oversight Committee ('TaROC')**

- Responsible for the oversight of all third-party brokers transacting on behalf of funds managed by the Group
- Responsible for the oversight of the Group's use of research payment accounts

Monthly

SEG

**Operations Committee**

- Oversees and resolves issues relating to all aspects of the Group's operations by providing a forum for monthly communication between senior managers
- Approves and monitors small-scale projects of an operational nature
- Manages operational risk associated with the Group's business activities
- Ensures that all business areas consider and, where appropriate, act upon changes in regulation
- Ensures organisation-wide co-ordination, prioritisation and dissemination of risk management to obtain maximum risk mitigation from available resources

Monthly

SEG

By order of the Board

**Jim Pettigrew**  
Chairman  
15 March 2019

# Audit & Risk Committee Report



Alan Walton | Chairman of the Audit & Risk Committee

The Audit & Risk Committee is responsible for overseeing the integrity of the Group's financial reporting and the effectiveness of the internal control environment.

## Composition

- Each member of the Committee is a Non-Executive Director who exercises independent judgement.
- The members of the Committee as at 31 December 2018 were Alan Walton (Chairman), Jim Davies and Katrina Hart.
- The attendance record of members of the Committee during the year is shown on page 28.

## Principal duties and terms of reference

### Financial reporting

- monitor the integrity of the Annual and Interim Report and Accounts
- review and report to the Board on significant financial reporting issues, estimates and judgements
- review and approve the going concern basis of preparation of the Group's financial statements

### Risk and internal controls

- keep the Group's internal financial controls and risk management systems under review
- consider the effectiveness of the internal control system in the absence of a formal internal audit function
- review and advise the Board on the Group's management of risk exposure and risk strategy
- review and report to the Board on the Group's ICAAP and Pillar III disclosures

### Whistleblowing

- review the adequacy and security of the Group's whistleblowing arrangements

### Fraud prevention

- review the Group's procedures for the prevention and detection of fraud and bribery

### Financial crime

- review regular reports from the Money Laundering Reporting Officer on the adequacy and effectiveness of the Group's anti-money laundering systems and controls
- review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the compliance function

### External audit

- consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting ('AGM') in relation to the appointment or reappointment of the Group's external auditors
- oversee the relationship of the external auditors, approve their remuneration for audit services and review their remuneration for non-audit services
- approve the auditors' terms of engagement
- assess annually the external auditors' independence and objectivity
- discuss with the external auditors the factors that could affect the audit quality and review and approve the annual audit plan
- review the findings of the external audit engagement
- provide the opportunity for the auditors to meet with the Committee without executive management present in order to raise any concerns or discuss matters relating to the audit work

### Activities during the year

The Committee met three times during the year to 31 December 2018, and the following activities were undertaken:

- reviewed and approved the Annual Report and Accounts for the year ended 31 December 2017
- considered and approved the going concern basis of preparation of the Group's financial statements
- reviewed and confirmed the application of the Group's accounting policies and any changes to the financial reporting requirements
- reviewed and approved the unaudited interim report and accounts to 30 June 2018
- reviewed and approved the Group's impairment review testing and assessment
- reviewed the external auditors' audit planning report for the year ending 31 December 2018 and findings from the 2018 interim audit work completed in the period
- reviewed and approved the Group's operations and finance internal controls report
- reviewed and approved the Group's ICAAP, detailed risk tables and associated Pillar III Disclosure
- reviewed the results of the Audit & Risk Committee evaluation
- reviewed and updated the terms of reference for the Committee, extending its remit and title

### Activities undertaken since the year end

The Committee has met once since 31 December 2018, undertaking the following activities:

- reviewed and approved the Annual Report and Accounts for the year ended 31 December 2018
- considered and approved the going concern basis of preparation of the Group's financial statements
- reviewed and confirmed the application of the Group's accounting policies and any changes to the financial reporting requirements

### Non-audit services

The Group's auditors are permitted to provide non-audit services, primarily in the area of taxation. Each assignment is reviewed and costed in isolation. The Directors consider that the auditors' independence has been maintained throughout the year. Details of the remuneration of the auditors for audit and non-audit services provided during the year is disclosed in note 3(b) to the Consolidated Financial Statements.

### New Accounting standards and significant accounting matters

#### IFRS 9 – Financial instruments

This standard sets out the requirements for recognising and measuring financial assets, financial liabilities and contracts to buy or sell non-financial assets. The adoption of IFRS 9, with effect from 1 January 2018, has not had a material impact on the Group's financial statements, nor its accounting policies.

#### IFRS 15 – Revenue

The Group has non-complex investment management agreements where compensation is stipulated based on fixed-rate management fees calculated on a daily basis. The Group's outsourced service providers prepare the underlying revenue calculations. The Group has internal controls in place to verify the basis of these calculations.

The Group applied IFRS 15 from 1 January 2018. There is no material impact on the way in which the Group recognises revenue.

#### IFRS 16 – Lease accounting

The Group has material operating leases relating to the head office at Paternoster House in London and the disaster recovery site in Reading. The Group is required to adopt IFRS 16 from 1 January 2019 onwards, as noted on page 57.

#### Measurement of goodwill

The Group assesses goodwill for impairment annually through calculating the value in use ('VIU') for the Group using a Discounted Cash Flow ('DCF') methodology. In prior years the VIU had significant headroom over the equity of the Group. During the current year this headroom significantly increased, as has the market capitalisation of the Group thus further reducing the risk of impairment in this area.

#### Internal audit function

The Committee considers annually whether it is appropriate to engage an internal audit function and recommends its findings to the Board. Based on its review in 2018, the Committee and the Board believe that there is currently no requirement to create an internal audit function, however, this position will continue to be kept under review.

#### External auditor

In accordance with s.489A (6) (a) of the Companies Act 2006, the Committee considered the integrity, objectivity and independence of the auditors and agreed that EY be proposed for reappointment at the Group's Annual General Meeting ('AGM').

#### Alan Walton

Chairman, Audit & Risk Committee  
15 March 2019

# Remuneration Committee Report



Katrina Hart | Chairman of the Remuneration Committee

The Remuneration Committee works to ensure the Group recruits, motivates and retains high quality individuals across all levels of the business and that remuneration practices are aligned with the Group's goals.

## Composition

- The Committee is comprised of Non-Executive Directors who exercise independent judgement.
- The members of the Committee as at 31 December 2018 were Katrina Hart (Chairman), Jim Davies, Jim Pettigrew and Alan Walton.
- The attendance record of members of the Committee during the year is shown on page 28.

## Principal duties and terms of reference

- recommend the principles and monitor the structure of the Group's remuneration framework to reflect applicable legal and regulatory requirements as well as the views of shareholders and other stakeholders
- ensure the Group's remuneration framework and policies reflect the risk appetite of the Group and are in alignment with the Group's long-term strategic goals with regard to pay and employment conditions
- regularly review the appropriateness of the remuneration arrangements to incentivise and retain employees
- determine all elements of the remuneration of the Executive Directors and agree the Chairman's fee

- recommend the design and rules of, and determine performance criteria for, variable remuneration schemes operated by the Group including the selection and application of performance targets
- determine the extent to which variable remuneration performance criteria or other conditions have been met and ensure that the level of award vesting is consistent with the performance achieved
- determine the overall quantum of variable remuneration awards and the specific quantum for the awards to individual Executive Directors and Code Staff, ensuring that the performance related elements are transparent and rigorously applied

## Activities during the year

The Committee met five times during the year to 31 December 2018, undertaking the following activities:

- reviewed and approved the salary increases for 2018 and the variable remuneration awards for 2017
- set the 2018 performance targets and scorecard components for the Chief Executive Officer
- reviewed and approved the Remuneration Report included in the 2017 Annual Report and Accounts
- reviewed the long-term incentive arrangements in place including a review of current market practice and institutional investors' guidance
- considered the introduction of a new long-term equity incentive plan and engaged with shareholders thereon
- approved the exchange of the final tranche of Growth Shares
- reviewed the results of the Remuneration Committee evaluation
- reviewed and where necessary updated the terms of reference for the Committee

## Activities undertaken since the year end

The Committee has met twice since 31 December 2018, undertaking the following activities:

- reviewed and approved the salary increases for 2019 and the variable remuneration awards for 2018
- reduced the deferral threshold applied to the 2018 variable awards in line with industry best practice
- reviewed and approved the Remuneration Report included in the 2018 Annual Report and Accounts
- determined all elements of the remuneration of the Executive Directors and agreed the Chairman's fee
- implemented an additional holding period of two years post-vesting for awards under the MEI



## Miton's remuneration structure

The Group seeks to align personal reward with enhanced shareholder value over both the short and longer term.

Fixed	<p><b>Base salary</b></p>	<p>Represents the fixed element paid to employees to reward and retain them on an annual basis.</p> <p>Base salaries are reviewed annually for any changes in responsibilities and/or new benchmarking data from a range of external sources.</p> <p>Miton endeavours to provide industry competitive salaries to attract and retain employees with the appropriate skills and qualities.</p>
	<p><b>Pension and benefits</b></p>	<p>The Group provides competitive pension contributions, calculated as a percentage of base salary. The percentage pension contribution is the same for all employees, including Executive Directors.</p> <p>Other benefits provided to employees centre around employee health (private medical cover) and security (insurance, income protection).</p>
Variable	<p><b>Cash incentives</b></p> <p>Further details are provided on page 38</p>	<p>Variable remuneration is paid to employees based on individual contribution, delivery against pre-agreed objectives including risk mitigation and the Group's performance. The quantum is awarded annually.</p> <p>Employees are required to defer a portion of their variable remuneration above a set de minimis level.</p> <p>The Group's bonus structures are designed to promote a strong performance culture within the Group.</p> <p>Awards are based on the following core principles and are designed to:</p> <ul style="list-style-type: none"> <li>• reward and retain staff</li> <li>• remain market competitive</li> <li>• be transparent and straightforward</li> <li>• align with key value-drivers of the business</li> <li>• limit the Group's fixed cost base, thereby de-risking earnings</li> <li>• promote acceptable levels of risk</li> <li>• reflect the macroeconomic environment and the Group's performance in relation to that of its peers</li> <li>• evolve in line with industry best practice</li> </ul>
	<p><b>Long-term equity incentives</b></p> <p>Further details are provided on page 39</p>	<p>The Group provides a range of longer-term rewards to encourage equity participation, staff retention and ultimately align interests with those of shareholders.</p> <p>Rewards are designed to support business performance over the longer term.</p> <p>Awards are granted on a discretionary basis and are approved by the Remuneration Committee.</p>

## Remuneration Committee Report continued

### Variable, cash incentives

	General pool	Distribution pool	Fund manager scheme
<b>Participants</b>	All employees (excluding fund managers and the sales team)	Sales team	Fund managers
<b>Calculation</b>	Calculated on an annual basis as 15% of adjusted profit before tax and the general bonus pool.	A pool is determined on an annual basis by the Board with reference to the strategic objectives of the Group.	Fund managers are rewarded annually according to a percentage share of the net revenues generated by the funds they manage.  Base salary and direct employee costs are deducted from the share of net revenues.
<b>Description</b>	<p>Staff are appraised against performance criteria relevant to their role. The outcome of the appraisal process is a key element used to determine an employee's annual discretionary bonus award.</p> <p>Executive Directors can receive a cash bonus subject to achieving performance targets and behavioural elements linked to the Group's strategic objectives on pages 10 and 11, and their principal role in achieving them.</p> <p>Awards are calculated with reference to a maximum percentage of salary and industry benchmarking.</p> <p>The Remuneration Committee has discretion to consider other factors in determining the amount awarded.</p> <p>Variable compensation awards to all employees over a de minimis level are subject to deferral restrictions as approved by the Remuneration Committee.</p>	<p>Sales staff are rewarded through participation in the pool based on a qualitative behavioural scorecard coupled with the achievement of quantitative measures.</p> <p>A deferral period exists, over a set de minimis amount, the quantum and period of which is decided annually by the Remuneration Committee.</p>	<p>The Group believes that its fund managers must actively manage both risk and returns to reflect the needs of underlying clients.</p> <p>The reward mechanism has been intentionally designed to incorporate the investment performance and the level of risk achieved by each strategy.</p> <p>The scheme links asset growth, revenue generation and the risk-adjusted investment performance of the Group's strategies.</p> <p>Rewards over a deferral threshold must be held for up to three years and are subject to standard industry forfeiture conditions.</p> <p>Participants are required to invest a portion of this deferred element into funds managed by the Group.</p>
<b>Executive Directors</b>	<p>During the year, Piers Harrison and David Barron received cash bonuses subject to deferral restrictions. These are detailed on page 40.</p> <p>The award to the CEO is based on the results from the balanced scorecard. See page 40 for further details.</p> <p>Variable cash incentives are capped for Executive Directors as follows:            David Barron: 130% of base salary.            Piers Harrison: 113% of base salary.            Gervais Williams: Participates in the fund manager scheme and not in this pool.</p>	Not applicable.	<p>Gervais Williams was entitled to join the scheme with effect from 1 October 2018.</p> <p>No other Executive Directors are eligible for the scheme.</p> <p>Gervais Williams was awarded a total of £330,013 in respect of the 2018 year (2017: Nil).</p>



## Variable, long-term equity incentives

Management Equity Incentive ('MEI')	Management Incentive Plan ('MIP')	Growth Share Plan ('GSP')	Share Incentive Plan ('SIP')
Executive Directors and senior employees	Executive Directors and senior employees	Fund managers	All employees
The Remuneration Committee has ultimate discretion on the amount of MEI options granted to participants.	Closed to new entrants.	Closed to new entrants.  The value of a Growth Share was calculated according to a specific formula based on the growth in the profit and AuM of the relevant Fund Management Unit ('FMU') from the date of issue until the date of conversion.	Participants' contributions are matched by the Company up to a maximum contribution of £1,800 per year.  The contributions are used to acquire ordinary 0.1p shares in the Company.
<p>The MEI was established on 14 April 2011.</p> <p>Awardees have the right to purchase Company shares at a pre-agreed subscription price.</p> <p>The minimum term before an award vests is three years.</p> <p>In 2018, a minimum holding period of two years post-vesting was introduced.</p> <p>The Trustees of the Group's Employee Benefit Trust ('EBT') receive a letter of wishes from the Board. The Trustees retain absolute discretion on the awards and the delivery of shares to awardees.</p> <p>See note 21(a) to the Consolidated Financial Statements for further detail.</p>	<p>The MIP is a legacy scheme that was created in 2011.</p> <p>At 31 December 2018 there were four remaining participants in the scheme with an aggregate of 730,000 options (2017: 730,000 options).</p> <p>See note 21(b) to the Consolidated Financial Statements for further detail.</p>	<p>The GSP allowed participants to exchange the value in their Growth Shares after a minimum vesting period of three years by transferring them to the Company in exchange for ordinary shares in the Company.</p> <p>The final tranche vested during the year and became eligible for exchange on the date of the publication of the half-year report of the Company, being 24 September 2018.</p> <p>As at 31 December 2018 there were no participants in the scheme.</p> <p>See note 21(c) to the Consolidated Financial Statements for further detail.</p>	<p>The SIP is an HMRC-approved scheme which was established in 2014.</p> <p>The matching shares are subject to a minimum holding period of three years in accordance with the provisions for such employee share plans set out in Schedule 2 to ITEPA 2003.</p>
<p>No awards were made to Executive Directors in the year (2017: Nil).</p> <p>See table on page 41 for details of outstanding MEI awards.</p>	<p>No options under the MIP were held by Executive Directors (2017: Nil).</p>	<p>On 10 October 2018, Gervais Williams exercised his right to exchange the third and final tranche of 40 FMU B Growth Shares.</p> <p>As a result of the exchange the Company allotted 3,668,120 ordinary 0.1p shares at a price of 70.2p per share with a market value of £2.575 million (2017: 4,104,080 shares allotted at a price of 40.5p per shares with a market value of £1.662 million).</p>	<p>During the year three Executive Directors (2017: four) participated in the SIP scheme.</p> <p>See table on page 40 for details of matched SIP contributions in the year.</p>

## Remuneration Committee Report continued

### CEO's Remuneration

During 2018, the Remuneration Committee refined the scorecard methodology to determine CEO compensation with the objective of ensuring optimal alignment with Group performance.

This approach combines the elements listed below that are fundamental in achieving the Group's long-term goals and shareholder return. Measurement criteria within each element are set and appraised annually by the Remuneration Committee.



	Financial	Distribution	Strategic
Weighting	35%	35%	30%
Objective	To drive financial results for shareholders	To grow and diversify distribution	To lead the delivery of the Board's strategic objectives
Measurement	<ul style="list-style-type: none"> <li>adjusted profit</li> <li>operating margin</li> <li>earnings per share</li> <li>delivery against budget</li> </ul>	<ul style="list-style-type: none"> <li>total net flows</li> <li>diversification of the customer base</li> <li>diversification of the product offering</li> </ul>	<ul style="list-style-type: none"> <li>cultivate a strong performance culture</li> <li>build shareholder confidence</li> <li>personal performance and delivery</li> </ul>

### Summary of audited emoluments by individual Director

The total remuneration of the Directors during the year was as follows:

	Fee and salary £000	Pension and benefits £000	Upfront bonus £000	Deferred bonus £000	Shares issued on GSP exchange £000	SIP matching shares £000	2018 Total £000	2017 Total £000
<b>Executive Directors</b>								
David Barron	230	26	120	145	–	2	523	468
Ian Dighé (resigned 16/03/2017)	–	–	–	–	–	–	–	501
Piers Harrison	199	21	120	90	–	2	432	398
Gervais Williams	218	25	132	198	2,575	2	3,150	1,903
<b>Non-Executive Directors</b>								
Jim Davies	46	–	–	–	–	–	46	46
Ian Dighé (appointed 16/03/2017, resigned 30/11/2017)	–	–	–	–	–	–	–	48
Katrina Hart	46	–	–	–	–	–	46	46
Jim Pettigrew (appointed 30/11/2017)	90	–	–	–	–	–	90	8
Alan Walton	46	–	–	–	–	–	46	46
<b>Total</b>	<b>875</b>	<b>72</b>	<b>372</b>	<b>433</b>	<b>2,575</b>	<b>6</b>	<b>4,333</b>	<b>3,464</b>

## Summary of outstanding MEI awards for Executive Directors as at 31 December

	Granted	Status	Exercise price	2018 Awards over 0.1p ordinary shares	2017 Awards over 0.1p ordinary shares
David Barron	27/11/2013	Vested	50.325p	750,000	750,000
	27/11/2013	Vested	57.1875p	1,250,000	1,250,000
Piers Harrison	30/12/2013	Vested	48.25p	750,000	750,000
	30/09/2015	Unvested*	33p	1,250,000	1,250,000
Gervais Williams	14/04/2011	Vested	33p	2,186,262	2,186,262
	14/04/2011	Vested	50p	2,186,262	2,186,262
				<b>8,372,524</b>	8,372,524

\* Vests on 18 March 2019

### Service contracts

The service contracts and letters of appointment of the Directors as at 31 December 2018 include the following terms:

	Date of current contract	Notice period (months)
<b>Executive Directors</b>		
David Barron	3 September 2013	12
Piers Harrison	11 September 2015	12
Gervais Williams	1 March 2011	12
<b>Non-Executive Directors</b>		
Jim Davies	24 January 2014	3
Katrina Hart	23 February 2011	3
Jim Pettigrew	30 November 2017	3
Alan Walton	14 May 2014	3

### Directors' interests in options

No Executive Director has options to subscribe for ordinary shares in the Company other than under the MEI awards as detailed above.

### External directorships

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

### Non-Executive Directors

The fees payable to Non-Executive Directors are set by the Board, with the Chairman's fee determined by the Remuneration Committee. When setting these fees, due account is taken of fees paid to Non-Executive Directors of similar companies, the time commitment of each Director and any additional responsibilities undertaken. No Director participates in the decision in respect of their own fees. Non-Executive Directors do not receive performance-related compensation and are not provided with pension-related benefits.

In accordance with the Articles of Association, the Directors are subject to re-election by rotation every third year at a general meeting.

### Review of long-term equity incentives

The Committee maintains a watching brief on developments in remuneration practices. During 2018, it commenced a review of long-term incentive arrangements for Executive Directors and senior management, engaging external advisors to undertake benchmarking of the Group's arrangements. The Committee considered the possibility of introducing a restricted share plan and undertook initial engagement with shareholders to canvass views. At the time of this report the review is ongoing.

As part of the review, an additional holding period of two years post-vesting was implemented for awards under the MEI. This aligns the scheme with the current best practice of a combined five-year vesting and holding period from award.

#### Katrina Hart

Chairman, Remuneration Committee  
15 March 2019

# Nominations & Governance Committee Report



Alan Walton | Chairman of the Nominations & Governance Committee

- responsible for identifying and nominating candidates to fill Board vacancies as and when they arise
- review annually the time commitment required from the Directors
- review the results of the Board evaluation process in so far as they relate to the composition of the Board
- review compliance with the Quoted Companies Alliance Corporate Governance Code and report on any changes to practices necessary to maintain such compliance

## Activities during the year

The Committee met once during the year to 31 December 2018, and the following activities were undertaken:

- reviewed the automatic retirement and re-election dates for all Directors
- reviewed the skills required for the Board
- reviewed and updated the terms of reference for the Committee, extending its remit and title

The Nominations & Governance Committee has responsibility for ensuring the leadership of the Group is balanced and appropriate, as well as considering succession planning.

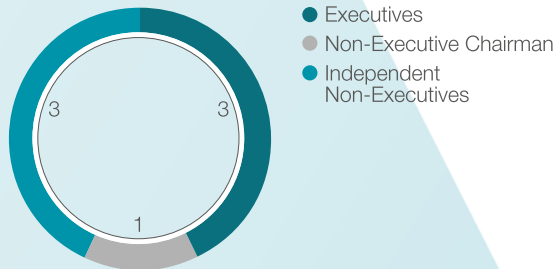
### Composition

- The members of the Committee as at 31 December 2018 were Alan Walton (Chairman), Jim Davies, Katrina Hart and Jim Pettigrew, all of whom are Non-Executive Directors.
- The Group's Chief Executive Officer, David Barron was also a member of the Committee throughout the year.
- The attendance record of members of the Committee during the year is shown on page 28.

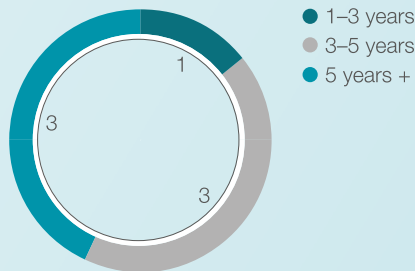
### Principal duties and terms of reference

- regularly review the structure, size and composition, including skills, knowledge and experience required of the Board and recommend any changes as necessary
- consider and formulate plans in relation to succession planning for the Board
- keep under review the leadership needs, whether executive or non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace
- keep up-to-date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates

### Balance of the Board



### Tenure



**Alan Walton**  
 Chairman, Nominations & Governance Committee  
 15 March 2019

# Directors' Report

The Directors present their Annual Report and the audited Consolidated Financial Statements for Miton Group plc (Registered Number 05160210) for the year ended 31 December 2018. Comparative information has been presented for the year ended 31 December 2017.

## Introduction

The Directors' Report includes the Director biographies (pages 26 and 27), the Chairman's Introduction, Corporate Governance Report (pages 28 to 33) and the reports of the Board Committees (pages 34 to 42). A review of the Group's business, including the Chairman's Statement, is contained within the Strategic Report (pages 1 to 25) and should be read in conjunction with the Directors' Report.

## Principal activities and review of business

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

## Results and dividends

Profit for the year, after taxation, was £7,012,000 (2017: £5,005,000) as set out in the Consolidated Statement of Comprehensive Income on page 49. The Directors recommend the payment of a final dividend of 2.0p (2017: 1.4p) per share payable on 21 May 2019 to shareholders on the share register as at 12 April 2019.

## Directors' interests

The complete list of Directors during the year can be found on page 40. The Directors' beneficial interests in the Company's ordinary share capital are as follows:

	31 December 2018	31 December 2017
David Barron	564,027	556,824
Jim Davies	225,942	220,388
Piers Harrison	105,745	97,598
Katrina Hart	80,416	80,416
Jim Pettigrew	–	–
Alan Walton	–	–
Gervais Williams	15,470,980	13,972,932
	<b>16,447,110</b>	<b>14,928,158</b>

## Substantial interests

As at 21 February 2019, the Company had received notification of the following substantial interests in the Company's ordinary share capital:

Shareholder	Ordinary 0.1p shares	%
Artemis Investment Management	18,264,847	10.58
MAM Funds plc Employee Benefit Trust*	16,329,944	9.46
Gervais Williams (Director)	15,472,144	8.96
AXA Investment Managers	13,992,413	8.11
Martin Turner (employee)	11,671,886	6.76
BlackRock Investment Management	8,147,023	4.72
FIL Investment Management	5,970,226	3.46

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

## Acquisition of own shares

In accordance with the shareholder authority granted at the AGM on 8 May 2018, the Company purchased 5,502,180 ordinary shares of 0.1p as detailed in notes 7 and 19 to the Consolidated Financial Statements and note 10 to the Company Financial Statements.

## Qualifying third party indemnity provisions

The Group maintains Directors' and Officers' Liability Insurance cover for any claim brought against Directors or officers. There are no other qualifying third party indemnity provisions in place which would require disclosure under Section 236 of the Companies Act 2006.

## Auditors

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

## Disclosure of information to Group's auditors

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

## Financial instruments risks

These are discussed in note 18 to the Consolidated Financial Statements.

## Going concern statement

The Directors have carried out an assessment of the key risks facing the Group, its financial adequacy and business model, and have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

## Events after the balance sheet date

There were no material events after the balance sheet date.

## Charitable donations

During the year the Group made charitable donations of £7,000 (2017: £35,000).

## Annual General Meeting

The Annual General Meeting of the Company is to be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 10.30am on 15 May 2019.

By order of the Board

**Catriona Fletcher**  
Company Secretary  
15 March 2019

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

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Consolidated Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Annual Report and Accounts comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps to ensure the prevention and detection of fraud and other irregularities.

# Independent Auditors' Report to the members of Miton Group plc

## Opinion

In our opinion:

- Miton Group plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Miton Group plc for the year ended 31 December 2018 which comprise:

Group	Parent Company
Consolidated Statement of Comprehensive Income	Company Statement of Changes in Equity
Consolidated Statement of Changes in Equity	Company Statement of Financial Position as at 31 December 2018
Consolidated Statement of Financial Position as at 31 December 2018	Related notes 1 to 14 to the Company Financial Statements including a summary of significant accounting policies
Consolidated Statement of Cash Flows	
Related notes 1 to 22 to the Consolidated Financial Statements including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Misstatement of revenue from management fees due to the application of incorrect fee rates and legacy rebates calculated by management.</li> <li>• Inaccurate measurement of goodwill.</li> </ul>
<b>Audit scope</b>	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of all components.</li> <li>• The components where we performed full audit procedures accounted for 100% of profit for the year before taxation, revenue and total assets.</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall group materiality of £441k which represents 5% of profit for the year before taxation.</li> </ul>

# Independent Auditors' Report to the members of Miton Group plc continued

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
<p><b>Misstatement of revenue from management fees due to the application of incorrect fee rates and related legacy commissions calculated by management (2018:£36.2m, 2017: £27.8m)</b></p> <p>Refer to the accounting policies (page 53); and the Consolidated Statement of Comprehensive Income (page 49).</p> <p>Revenue recognition continues to be a focus for the regulators and is one of the key drivers of performance for Miton Group plc.</p> <p>The Group recognises revenue based on the contractual terms of each fund and investment mandate. The detailed fee information, including the Assets under Management ('AuM'), is supplied by the respective Authorised Corporate Director ('ACD') of the regulated funds and administrators of the investment trusts and this forms the basis of the journals prepared by the finance team.</p> <p>We have therefore identified the main risks to be in relation to:</p> <ul style="list-style-type: none"> <li>• Incorrect fee rates used for the calculation for investment trusts;</li> <li>• Incorrect calculation and settlement of commissions paid to legacy agents; and</li> <li>• Incorrect journal entries recorded within the Group's books.</li> </ul>	<p>Our approach consisted of the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the systems and controls with respect of revenue recognition by performing walkthroughs and test of controls.</li> <li>• Obtained an understanding of the sources of revenue by reviewing the terms and conditions of each investment mandate agreement.</li> <li>• We selected a sample of managed funds and investment mandates and verified that: <ul style="list-style-type: none"> <li>– The revenue calculation is consistent with the terms and conditions of the respective agreement;</li> <li>– The basis of calculation (i.e. management fee rates, rebates rates, commission fee rate) used is in accordance with the agreement; and</li> <li>– The revenue amount agreed (fee net of rebates, trail, administration and ACD fees) to invoices and to bank statements.</li> </ul> </li> <li>• We reviewed consistency of the fees recorded with the audited information of the underlying funds.</li> <li>• Reviewed journal entries in the ledger and obtained support for material items.</li> <li>• For commissions paid to legacy agents, we selected key items and performed the following procedures: <ul style="list-style-type: none"> <li>– Observed commission rates are consistent with historic rates;</li> <li>– Compared the net asset value used to the information received from the respective administrators;</li> <li>– Obtained communications with the agents confirming the amounts to be paid; and</li> <li>– Agreed payments to bank statements.</li> </ul> </li> </ul>	<p>The results of our procedures identified no issues with the recognition of management fees and related legacy commissions calculated by management.</p> <p>Based on the work performed, we have no other observations to report.</p>



Risk	Our response to the risk	Key observations communicated to the Audit & Risk Committee
<p><b>Inaccurate measurement of goodwill (2018: £41.1m, 2017: £41.1m)</b></p> <p>Refer to accounting policies (page 53); and Note 8 of the Consolidated Financial Statements.</p> <p>The Group assesses goodwill for impairment annually by calculating the Value In Use ('VIU') for the Group using a Discounted Cash Flow ('DCF') methodology. Where the calculated VIU is lower than the goodwill balance, an impairment charge is recognised in the Consolidated Statement of Comprehensive Income.</p> <p>We have identified the risk to be in relation to the VIU not being calculated correctly or the methodology not being in line with market practice.</p>	<p>Our approach encompassed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained and reviewed the impairment assessment of the business to ensure that it was consistent to the performance of the business and the requirements of IAS 36. <ul style="list-style-type: none"> <li>– Considered the appropriateness of the methodology used in determining the VIU;</li> <li>– Assessed the haircut applied to market capitalisation in determining the fair value less costs of disposal.</li> </ul> </li> <li>• Assessed whether based on those recoverable values, there is impairment to be recognised.</li> </ul>	<p>The results of our procedures identified no issues with the measurement of goodwill.</p> <p>Based on the work performed, we have no other observations to report.</p>

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity. We performed an audit of the complete financial information of all components. All audit work was performed directly by the audit engagement team.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £441k (2017: £309k), which is 5% (2017: 5%) of profit for the year before taxation. We believe that profit before tax as it represents the main IFRS performance measure on which investors focus.

We determined materiality for the Parent Company to be £216k (2017: £221k), which is 1% (2017: 1%) of equity. We believe that equity is an adequate basis for materiality since the Parent Company is a holding company with limited operations.

### Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £331k (2017: £232k). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

### Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit & Risk Committee that we would report to them all uncorrected audit differences in excess of £22k (2017: £15k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

# Independent Auditors' Report to the members of Miton Group plc continued

## Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic report and Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' Report.

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

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

As explained more fully in the Directors' Responsibilities statement set out on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of our report

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

Matthew Price  
(Senior statutory auditor),  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London, 15 March 2019

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
<b>Revenue</b>		<b>36,174</b>	27,789
Fees and commission expenses		(8,649)	(5,983)
<b>Net revenue</b>		<b>27,525</b>	21,806
Administration expenses		(18,116)	(14,440)
Share-based payment expense	21	(303)	(548)
Amortisation of intangible assets	8	(280)	(280)
Exceptional operating expenses		–	(352)
<b>Operating profit</b>	3(a)	<b>8,826</b>	6,186
Finance revenue		53	3
<b>Profit for the year before taxation</b>		<b>8,879</b>	6,189
Taxation	6	(1,867)	(1,184)
<b>Profit for the year after taxation attributable to equity holders of the parent</b>		<b>7,012</b>	5,005
		pence	pence
<b>Basic earnings per share</b>	7(a)	<b>4.54</b>	3.27
<b>Diluted earnings per share</b>	7(a)	<b>4.47</b>	3.06

No other comprehensive income was recognised during 2018 or 2017. Therefore, the profit for the year is also the total comprehensive income.

The notes on pages 53 to 71 form part of these financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	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 year		–	–	–	–	–	5,005	5,005
Release of Treasury shares	19	–	–	–	7	–	–	7
Settlement of options	21	–	–	–	–	–	(220)	(220)
Share-based payment	21	–	–	–	–	–	548	548
Share issue on exchange of Growth Shares	19	10	–	–	–	–	(10)	–
Cancellation of ordinary shares	19	(15)	–	–	–	15	(5,965)	(5,965)
Dividends paid	20	–	–	–	–	–	(1,509)	(1,509)
<b>At 1 January 2018</b>		<b>173</b>	<b>2,661</b>	<b>(6,530)</b>	<b>(4)</b>	<b>15</b>	<b>63,065</b>	<b>59,380</b>
Profit for the year		–	–	–	–	–	7,012	7,012
Release of Treasury shares	19	–	–	–	4	–	–	4
Share-based payment	21	–	–	–	–	–	303	303
Deferred tax direct to equity		–	–	–	–	–	30	30
Share issue on exchange of Growth Shares	19	6	–	1,198	–	–	(1,204)	–
Cancellation of ordinary shares	19	(6)	–	–	–	6	(2,660)	(2,660)
Dividends paid	20	–	–	–	–	–	(2,136)	(2,136)
<b>At 31 December 2018</b>		<b>173</b>	<b>2,661</b>	<b>(5,332)</b>	<b>–</b>	<b>21</b>	<b>64,410</b>	<b>61,933</b>

The notes on pages 53 to 71 form part of these financial statements.

# Consolidated Statement of Financial Position

as at 31 December 2018

	Notes	2018 £000	2017 £000
<b>Non-current assets</b>			
Goodwill	8, 9	41,070	41,070
Intangible assets	8, 9	257	537
Other investments	11	100	100
Property and equipment	10	186	52
Deferred tax asset	6(d)	69	55
Trade and other receivables	13	85	20
		<b>41,767</b>	<b>41,834</b>
<b>Current assets</b>			
Trade and other receivables	13	3,471	3,016
Cash and cash equivalents	14	25,539	19,902
		<b>29,010</b>	<b>22,918</b>
<b>Total assets</b>		<b>70,777</b>	<b>64,752</b>
<b>Current liabilities</b>			
Trade and other payables	16	(8,455)	(5,072)
Provisions	17	(15)	(285)
		<b>(8,470)</b>	<b>(5,357)</b>
<b>Non-current liabilities</b>			
Provisions	17	(374)	(15)
<b>Total liabilities</b>		<b>(8,844)</b>	<b>(5,372)</b>
<b>Net assets</b>		<b>61,933</b>	<b>59,380</b>
<b>Equity</b>			
Share capital	19	173	173
Share premium		2,661	2,661
Employee Benefit Trust	19(a)	(5,332)	(6,530)
Treasury shares	19(b)	–	(4)
Capital redemption reserve	7	21	15
Retained earnings		64,410	63,065
<b>Total equity shareholders' funds</b>		<b>61,933</b>	<b>59,380</b>

## David Barron

Chief Executive Officer  
15 March 2019

The notes on pages 53 to 71 form part of these financial statements.

# Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Profit for the year after taxation		7,012	5,005
Adjustments to reconcile profit to net cash flow from operating activities:			
Tax on continuing operations	6(a)	1,867	1,184
Finance revenue		(53)	(3)
Depreciation	10	38	66
Loss on disposal of fixed assets		–	2
Increase in employee benefit liability	15	136	83
Purchase of plan assets (held for employee benefit liability)	15	(136)	(83)
Amortisation of intangible assets	8	280	280
Share-based payment expense	21	303	548
Increase in trade and other receivables		(520)	(622)
Increase in trade and other payables		3,384	770
Increase in provisions	17	89	113
Cash generated from operations		12,400	7,343
Income tax paid		(1,852)	(1,011)
<b>Net cash from operating activities</b>		<b>10,548</b>	<b>6,332</b>
<b>Cash flows from investing activities:</b>			
Interest received		53	3
Purchase of property and equipment	10	(172)	(34)
<b>Net cash used in investing activities</b>		<b>(119)</b>	<b>(31)</b>
<b>Cash flows from financing activities:</b>			
Release of Treasury shares	19(b)	4	7
Settlement of options		–	(220)
Acquisition and cancellation of ordinary shares	7	(2,660)	(5,965)
Dividend paid	20	(2,136)	(1,509)
<b>Net cash from financing activities</b>		<b>(4,792)</b>	<b>(7,687)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>5,637</b>	<b>(1,386)</b>
Cash and cash equivalents at the beginning of the year		19,902	21,288
<b>Cash and cash equivalents at the end of the year</b>	14	<b>25,539</b>	<b>19,902</b>

The notes on pages 53 to 71 form part of these financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2018

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

The financial statements of Miton Group plc and its subsidiaries (the 'Group') for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 15 March 2019 and the Consolidated Statement of Financial Position was signed on the Board's behalf by the Chief Executive Officer, David Barron.

Miton Group plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2018.

## 2. Accounting policies

### Basis of preparation

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

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018, and are consistent with those of the previous financial year.

### Changes in significant accounting policies

On 1 January 2018, the Group adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 has not had a material effect on the classification and measurement of the Group's financial assets or liabilities on the date of initial application. Therefore no adjustment was required to prior year figures.

IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. The Group has undertaken a comprehensive review of its contracts with customers and concluded there is no material impact on the way in which the Group recognises revenue. The Group has applied IFRS 15 retrospectively, although no restatements were required. The Group did not apply any of the practical expedients available under the full retrospective method.

### Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of Miton Group plc and its subsidiaries as at 31 December 2018.

Subsidiaries are consolidated from the date of acquisition when the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the Consolidated Financial Statements include the results for the part of the reporting year during which the Group has control.

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

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

### Functional currency

The functional and presentation currency of Miton Group plc is Sterling (£). The Group has no foreign operations.

### Segmental reporting

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

### Revenue recognition

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

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 2. Accounting policies continued

### Revenue recognition continued

Management fees receivable are recognised in the Consolidated Statement of Comprehensive Income when the services are performed. Investment management fees are based on an agreed percentage of the Assets under Management and are recognised in line with applicable service contracts evenly over the period in which the service is provided. The Group manages no funds which earn performance fees.

### Finance income

The Group's finance income comprises of interest income which represents bank interest receivable on the Group's cash balances and is recognised on an effective interest rate basis.

### Goodwill

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

### Intangible assets

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

- Intangible assets arising on acquisition — 5 to 8 years

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

### Property and equipment

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

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

### Impairment of non-financial assets

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

### Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Group has applied the practical expedient for trade receivables that do not contain a significant financing component, and therefore it measures such trade receivables at the transaction price determined under IFRS 15. Financial assets classified at fair value through profit or loss ('FVTPL') are initially measured at their value fair value excluding transaction costs.



## 2. Accounting policies continued

### Subsequent measurement

#### (a) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

#### (b) Financial assets at fair value through profit or loss

The Group classifies other investments as financial assets at fair value through profit or loss since they generate cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss.

These assets are subsequently measured at fair value with net gains and losses, including any interest or dividend income recognised in profit or loss.

### Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

### Pension schemes

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

### Income taxes

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

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

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

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

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

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 2. Accounting policies continued

### Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases. Rentals payable by the lessee are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

### Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency exchange rate ruling at the balance sheet date and differences are recognised in profit and loss. The Group historically had one foreign operation, being a marketing company domiciled in Hong Kong, which was formally dissolved on 31 January 2018 (see note 12).

### Exceptional items

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

### Share-based payments

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

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

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

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

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

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value through profit or loss. The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities can include trade and other payables, bank overdrafts, loans and borrowings, and derivative financial instruments.

#### Subsequent measurement

For subsequent reporting years, all financial liabilities are measured at amortised cost.

#### Derecognition

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

## 2. Accounting policies continued

### Standards issued but not yet effective

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

	Effective date
IFRS 16	1 January 2019
IFRIC 23	1 January 2019

The Directors do not expect IFRIC 23 to have a material effect on the Group when adopted; the effect of IFRS 16 is detailed below.

IFRS 16 'Leases' was issued on 13 January 2016 and replaces guidance including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and SIC-15 'Operating Leases-Incentives'.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ('ROU') asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The ROU asset is amortised on a straight-line basis with the lease liability being carried at amortised cost using the effective interest method. There are recognition exemptions for short-term leases (leases of less than 12 months) and leases of low-value items.

The Group is required to adopt IFRS 16 Leases from 1 January 2019 and has completed an initial assessment of the potential impact on its Consolidated Financial Statements. The Group will recognise new assets and liabilities for its operating leases and the nature of expenses related to those leases will now change with recognition of a depreciation charge for ROU assets and interest expense on lease liabilities. Based on the information currently available, the Group estimates that it will recognise a lease asset of approximately £1.6 million and related lease liabilities of £1.6 million as at 1 January 2019.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group does not enter into any leasing arrangements whereby it is the lessor.

The Directors intend to apply the IFRS 16 modified retrospective approach, initially on 1 January 2019, with the cumulative effect of initially applying the Standard recognised at the date of initial application. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

### Judgements and key sources of estimation and uncertainty

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

In the process of applying the Group's accounting policies, the Directors have made the following judgements and estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### (a) Impairment of non-financial assets

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

The Group's impairment test for goodwill and, where applicable, intangible assets with indefinite useful lives is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the projections for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash-generating unit, including a sensitivity analysis, are further explained in note 9.

#### (b) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. The Directors are also required to use judgement in determining the most appropriate inputs to the valuation model, including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in note 21.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 3. Group operating profit

### (a) Operating profit is stated after charging:

	Notes	2018 £000	2017 £000
Auditors' remuneration	3(b)	157	149
Staff costs	5	12,997	10,610
Operating lease rentals – land and buildings		484	485
Depreciation	10	38	66
Loss on disposal of fixed assets	10	–	2
Amortisation of intangible assets	8	280	280
Exceptional operating expenses		–	352

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

There were no exceptional operating expenses in the year (2017: £352,000 which predominantly related to changes in the Board structure).

### (b) Auditors' remuneration

The remuneration of the auditors is analysed as follows:

	2018 £000	2017 £000
Audit of the Consolidated Financial Statements	40	40
Audit of the Company's subsidiaries	60	67
	100	107
Other fees to auditors – tax compliance services	22	25
Other fees to auditors – tax advisory services	8	8
Other fees to auditors – other assurance services	27	9
	157	149

## 4. Directors' emoluments

	2018 £000	2017 £000
Aggregate emoluments	1,758	1,802

Directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services and do not include the value of equity issued upon exchange of Growth Shares.

The total remuneration paid to the Directors who served during the year including the value of any equity issued upon exchange of Growth Shares is disclosed on page 40.

## 5. Staff numbers and costs

The average number of employees in the Group during the year, including Executive and Non-Executive Directors, was as follows:

	2018 £000	2017 £000
Fund management	14	13
Core staff	42	40
	56	53

## 5. Staff numbers and costs continued

The aggregate payroll costs were as follows:

	2018 £000	2017 £000
Basic salaries – fund management	2,517	2,229
Basic salaries – core staff	3,049	3,253
Other costs – core staff	193	162
Variable cash payments – fund management	2,755	1,285
Variable cash payments – core staff	2,335	1,712
Share-based payment expense	303	548
	<b>11,152</b>	<b>9,189</b>
Social security	1,538	1,129
Pensions	307	292
	<b>12,997</b>	<b>10,610</b>

## 6. Taxation

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

	2018 £000	2017 £000
<b>Current income tax</b>		
UK corporation tax	1,880	1,342
Tax (over)/under provided in previous years	(29)	19
<b>Total current income tax charge</b>	<b>1,851</b>	<b>1,361</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 6(d))	16	(177)
Total deferred tax charge/(credit)	16	(177)
	<b>1,867</b>	<b>1,184</b>
Income tax charge reported in the Consolidated Statement of Comprehensive Income	<b>1,867</b>	<b>1,184</b>

### (b) Reconciliation of the total income tax charge

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

	2018 £000	2017 £000
Profit before taxation	8,879	6,189
Profit multiplied by the weighted average standard rate of corporation tax in the UK of 19% (2017: 19.26%)	1,687	1,192
Expenses not deductible for tax purposes:		
Non deductible client entertaining expense	27	19
Deferred bonus adjustment	83	16
Tax (over)/under provided in prior years	(29)	19
Foreign exchange adjustment	–	6
Other temporary differences:		
Gain on liquidation	55	–
Adjustment relating to share-based payments	44	(68)
Total tax charge (note 6(a))	<b>1,867</b>	<b>1,184</b>
Income tax charge reported in the Consolidated Statement of Comprehensive Income	<b>1,867</b>	<b>1,184</b>

### (c) Temporary differences

The Group has issued a number of share options to employees which had not been exercised at the balance sheet date, as disclosed in note 21. If these options were to be exercised in the future, the difference between the market value and the option price would represent a statutory corporation tax deduction in the tax computation of the Group in the year of exercise.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 6. Taxation continued

### (d) Deferred tax

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

	2018 £000	2017 £000
<b>Deferred tax asset/(liability)</b>		
Share-based payments	94	53
Accelerated capital allowances	(25)	2
	<b>69</b>	<b>55</b>

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

	2018 £000	2017 £000
Accelerated capital allowances	27	(4)
Movement in intangible assets	–	(164)
Share-based payments	(11)	(9)
	<b>16</b>	<b>(177)</b>

The UK Government announced as part of the Finance (No2) Act 2015, which received Royal Assent on 18 November 2015, that the main rate of corporation tax would be reduced from 20% to 19% from 1 April 2017. As part of the Finance Act 2016, a further reduction to 17% (effective from 1 April 2020) was subsequently enacted on 6 September 2016 and received Royal Assent on 15 September 2016. This will affect the rate at which future UK cash tax will be payable.

## 7. Earnings per share

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

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

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

On 10 October 2018 exchange notices were received from holders of the final 100 Growth Shares in Miton Group Service Company Limited for ordinary 0.1p shares in the Company. As a result of the exchange, the Company issued and allotted 5,502,180 ordinary shares and the Trustees of the EBT transferred 3,668,120 shares at the market price of 70.2p per share on the day (2017: Issued 10,260,200 ordinary shares at the market price of 40.5p per share).

In 2018 the Group undertook one share buyback (2017: Two). On 13 December 2018 the Group acquired and cancelled 5,502,180 ordinary 0.1p shares for a cash cost of £2.660m (2017: 15,152,963 ordinary 0.1p shares cancelled for a cash cost of £5.965m).

### (a) Reported earnings per share

Reported basic earnings per share has been calculated as follows:

	2018			2017		
	Profit £000	Shares No.	Basic earnings per share pence	Profit £000	Shares No.	Basic earnings per share pence
Profit attributable to ordinary equity shareholders of the Parent Company for basic earnings	7,012			5,005		
Basic earnings per share	7,012	154,420,555	4.54	5,005	153,198,768	3.27

Diluted earnings per share has been calculated as follows:

	2018			2017		
	Profit £000	Diluted shares No.	Diluted earnings per share pence	Profit £000	Diluted shares No.	Diluted earnings per share pence
Profit attributable to ordinary equity shareholders of the Parent Company for diluted earnings	7,012			5,005		
Diluted earnings per share	7,012	156,966,647	4.47	5,005	163,362,452	3.06

## 7. Earnings per share continued

Reconciliation of weighted average number of ordinary shares:

	2018 shares No.	2017 shares No.
Weighted average number of ordinary shares for basic EPS*	154,420,555	153,198,768
Effects of dilution from share options	2,546,092	10,163,684
Weighted average number of ordinary shares adjusted for the effect of dilution*	156,966,647	163,362,452

\* The weighted average number of shares takes into account the weighted average effect of changes in Treasury share transactions during the year.

The dilution arises from the Management Equity Incentive ('MEI') and the Management Incentive Plan ('MIP') awards where the exercise prices are below the average share price during the year (2017: Dilution predominantly related to Growth Shares with an accrued value at 31 December 2017). See note 21.

### (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:

	2018 £000	2017 £000
Profit before taxation for the year	8,879	6,189
Add back:		
Exceptional operating expenses	–	352
Amortisation	280	280
Adjusted profit before tax	9,159	6,821
Taxation:		
Tax charge in the Consolidated Statement of Comprehensive Income	(1,866)	(1,184)
Tax effect of adjustments	(54)	(122)
Adjusted profit after tax for the calculation of adjusted earnings per share	7,239	5,515

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

	2018 pence	2017 pence
Adjusted earnings per share	4.69	3.60

Diluted adjusted earnings per share was as follows:

	2018 pence	2017 pence
Diluted adjusted earnings per share	4.61	3.38

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 8. Intangible assets

	Intangible assets arising on acquisition £000	Acquired software £000	Subtotal £000	Goodwill £000	Total £000
<b>Cost</b>					
At 1 January 2017	6,861	151	7,012	100,988	108,000
Additions	–	–	–	–	–
At 31 December 2017	6,861	151	7,012	100,988	108,000
Additions	–	–	–	–	–
<b>At 31 December 2018</b>	<b>6,861</b>	<b>151</b>	<b>7,012</b>	<b>100,988</b>	<b>108,000</b>
<b>Amortisation and impairment</b>					
At 1 January 2017	6,044	151	6,195	59,918	66,113
Amortisation during the year	280	–	280	–	280
At 31 December 2017	6,324	151	6,475	59,918	66,393
Amortisation during the year	280	–	280	–	280
<b>At 31 December 2018</b>	<b>6,604</b>	<b>151</b>	<b>6,755</b>	<b>59,918</b>	<b>66,673</b>
<b>Net book value:</b>					
<b>At 31 December 2018</b>	<b>257</b>	<b>–</b>	<b>257</b>	<b>41,070</b>	<b>41,327</b>
At 31 December 2017	537	–	537	41,070	41,607

## 9. Impairment of goodwill and intangible assets

The Group has determined that as at 31 December 2018 it had one (2017: One) operating segment or cash-generating unit ('CGU'), fund management, for the purpose of assessing the carrying value of goodwill and intangible assets.

In line with IAS 36, Impairment of Assets, a full impairment review was undertaken as at 31 December 2018. The recoverable amount within the fund management CGU was determined by assessing the value in use using long-term cash flow projections for the CGU.

Data for the explicit forecast period of 2019–2023 is based on the 2019 budget and forecasts for 2020–2023. Increases in operating costs have been taken into account and include assumed new business volumes. Cash flows beyond the explicit forecast period are extrapolated using a long-term terminal growth rate of 3% (2017: 3%). To arrive at the net present value, cash flows have been discounted using a discount rate of 13% (2017: 13%). The overall value in use was greater than the carrying value and hence no impairment charge has been recognised. The key assumptions used in determining this amount were expected aggregated fund flows and the discount rate. In the (sole) fund management CGU, sensitivity analysis has established that an increase in the discount rate to 29% (2017: 22%) would be required before an impairment of goodwill and other intangibles would be considered necessary. The compound annual growth rate for expected fund flows over the forecast period is 6.1% (2017: 8.7%) and would need to reduce to -5.7% (2017: 1.9%) per annum for the estimated recoverable amount to equal the carrying value.



## 10. Property and equipment

	Leasehold improvements £000	Furniture and equipment £000	Total £000
<b>Cost</b>			
At 1 January 2017	44	330	374
Additions	–	34	34
Disposals	(19)	(24)	(43)
At 31 December 2017	25	340	365
Additions	–	172	172
Disposals	–	(194)	(194)
<b>At 31 December 2018</b>	<b>25</b>	<b>318</b>	<b>343</b>
<b>Depreciation</b>			
At 1 January 2017	30	258	288
Provided during the year	7	59	66
Disposals	(19)	(22)	(41)
At 31 December 2017	18	295	313
Provided during the year	7	31	38
Disposals	–	(194)	(194)
<b>At 31 December 2018</b>	<b>25</b>	<b>132</b>	<b>157</b>
<b>Net book value:</b>			
<b>At 31 December 2018</b>	<b>–</b>	<b>186</b>	<b>186</b>
At 31 December 2017	7	45	52

## 11. Other investments

Cost and net book value	Other investments £000
At 1 January 2018	100
Additions during the year	–
<b>At 31 December 2018</b>	<b>100</b>

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

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 12. Investments in Group companies

Details of unlisted investments at 31 December 2018 in which the Group holds 100% of the nominal value of any class of share capital are as follows:

Principal activities	Subsidiary	Country of incorporation and registered office
FCA regulated investment companies	Miton Asset Management Limited Miton Trust Managers Limited	Paternoster House, London EC4M 8AB, England Paternoster House, London EC4M 8AB, England
Holding company and central services provider	Miton Group Service Company Limited*	Paternoster House, London EC4M 8AB, England
Intermediate holding company	Miton Holdings Limited	Paternoster House, London EC4M 8AB, England
Trustee companies	Miton ESOP Trustee Limited* Miton Group Service Company Limited Employee Benefit Trust	Paternoster House, London EC4M 8AB, England VG Corporate Trustee Limited, 5th Floor, 37 Esplanade, St Helier JE1 2TR, Jersey
Non-trading companies (dormant)	Miton Investment Company Limited* Miton Capital Limited* MAM Funds Limited*	Paternoster House, London, EC4M 8AB, England Paternoster House, London, EC4M 8AB, England Paternoster House, London, EC4M 8AB, England

\* Directly held subsidiaries of Miton Group plc.

The following unlisted investments were formally dissolved through solvent members' voluntary liquidations during the year:

- Miton (Hong Kong) Limited dissolved on 31 January 2018; and
- Darwin Investment Managers Limited dissolved on 20 February 2018.

## 13. Trade and other receivables

	2018 £000	2017 £000
<b>Current</b>		
Trade receivables	2,405	2,091
Prepayments	570	621
Other receivables	496	304
	<b>3,471</b>	<b>3,016</b>
<b>Non-current</b>		
Other receivables	85	20

Non-current other receivables represent deferred compensation awards with maturities greater than 12 months after the balance sheet date.

## 14. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	25,539	19,902

## 15. Short and long-term employee benefits

	2018 £000	2017 £000
<b>Plan assets for deferred remuneration</b>		
1 January at cost	83	–
Purchases at cost	136	83
Released during the year	(47)	–
Revaluation of plan assets	(11)	2
At 31 December	161	85
<b>Employee benefits liability</b>		
Current	(115)	(80)
Non-current	(46)	(5)
	(161)	(85)
Net balance	–	–

Plan assets represent deferred remuneration entitlements for certain employees which are invested in funds managed by the Group. The investments are held in nominee on behalf of the participant by the Miton Group Service Company Limited Employee Benefit Trust, which is consolidated on a Group basis. The employee benefits liability and the related plan assets are presented on a net basis in the Consolidated Statement of Financial Position.

## 16. Trade and other payables

	2018 £000	2017 £000
Trade payables	193	158
Other taxation and social security	300	307
Accruals	7,080	3,744
Other payables	69	49
Income tax payable	813	814
	8,455	5,072

## 17. Provisions

	Total £000
At 1 January 2017	187
Provided	113
At 31 December 2017	300
Current	285
Non-current	15
	300
At 1 January 2018	300
Provided	89
<b>At 31 December 2018</b>	<b>389</b>
<b>Current</b>	<b>15</b>
<b>Non-current</b>	<b>374</b>
	<b>389</b>

Provisions relate to dilapidations for the offices at 6th Floor, Paternoster House, London and the Group's disaster recovery office in Reading. The lease on Paternoster House was renewed from 28 November 2018 with a break date of 27 November 2023. The provision for dilapidations on this office has been disclosed as non-current.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 18. Financial risk management objectives and policies

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

- credit risk;
- liquidity risk;
- market price risk;
- foreign exchange risk; and
- interest rate risk.

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

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

### (a) Credit risk

The risk of financial loss to the Group if a counterparty to a financial instrument is unable to pay, in full, amounts when due, arises principally from the Group's receivables from fund management clients. The Group trades with formally constituted funds with sufficient liquid assets and financial intermediaries. Trade receivables are non-interest bearing and are generally within a 30-day term. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is low. No trade receivables were past the due date or impaired at the year end.

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

### Maximum exposure to credit risk

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

Financial assets	Notes	2018 £000	2017 £000
Trade receivables	13	2,405	2,091
Other receivables	13	496	304
Cash and cash equivalents	14	25,539	19,902
Plan assets (held for deferred remuneration)	15	161	85
		<b>28,601</b>	<b>22,382</b>

### Fair value measurement

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

### Working capital

The Group monitors the level of its working capital on an ongoing basis. The Group uses detailed financial information provided by its forecasting model and by regular review of its consolidated management information. The regulated companies use a 'cash buffer plus margin' approach when determining the maintenance of cash and capital within the businesses. More details are provided in the Strategic report on pages 1 to 25.

## 18. Financial risk management objectives and policies continued

### (b) Liquidity risk

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

	<6 months £000	6–12 months £000	12–18 months £000	>18 months £000
<b>As at 31 December 2018</b>				
Trade and other payables	8,455	–	–	–
<b>As at 31 December 2017</b>				
Trade and other payables	5,072	–	–	–

### (c) Market price risk

Market price risk is the risk that changes in market prices will adversely affect the Group's income due to a decline in the underlying value of Assets under Management, resulting in lower fees. The objective of market price risk management is to manage and control market price exposure, while optimising the return on risk. Group funds include single-strategy and multi-asset equity portfolios. At 31 December 2018 UK and global equities represented 84% (2017: 79%) of the Group's aggregated Assets under Management. Approximately 5% (2017: 4%) related to cash and currencies and 9% (2017: 11%) to bonds. The remainder was invested in property, alternative investments and resources. If the value of the equity component of aggregated holdings was to reduce by 10% (2017: 10%) in value, the impact on net revenue over 12 months would be a reduction of £2.31m (2017: £1.96m).

### (d) Foreign exchange risk

At 31 December 2018 the Group held no cash denominated in foreign currency (2017: £Nil) and as such is not exposed to foreign exchange risk.

### (e) Interest rate risk

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

### Regulatory capital requirements

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

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

The primary objective of the Group's capital management is to retain a strong capital base in order to maintain investor, creditor and market confidence and to provide a suitable base to sustain the future development of the business, while ensuring compliance with regulatory capital requirements. The Group's capital consists of share capital and reserves of £61,933,000 (2017: £59,380,000).

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 19. Share capital

Authorised	2018 £000	2017 £000
250,000,000 ordinary shares of 0.1 pence each	250	250

Allotted, called up and fully paid: No. of shares	2018 ordinary shares 0.1 pence each No. 000	2017 ordinary shares 0.1 pence each No. 000
At 1 January	172,635	177,528
Cancelled	(5,502)	(15,153)
Issued on exchange of Growth Shares	5,502	10,260
<b>At 31 December</b>	<b>172,635</b>	<b>172,635</b>

Allotted, called up and fully paid: Value of shares	2018 ordinary shares 0.1 pence each £000	2017 ordinary shares 0.1 pence each £000
At 1 January	173	178
Cancelled	(6)	(15)
Issued on exchange of Growth Shares	6	10
<b>At 31 December</b>	<b>173</b>	<b>173</b>

On 10 October 2018 an employee elected to exercise his right to exchange 60 FMU B Growth Shares in Miton Group Service Company Limited for ordinary 0.1p shares in the Company. As a result of the exchange, the Company allotted 5,502,180 ordinary shares at the market price of 70.2p per share on the day (2017: Issued 10,260,200 ordinary shares at the market price of 40.5p per share).

During the year the Group completed one share buyback (2017: Two). See note 7 for further detail.

### (a) Employee Benefit Trust ('EBT')

16,329,944 (2017: 19,998,064) shares are held by the Group's EBT, of which 10,747,524 (2017: 9,697,524) shares relate to MEI awards.

On 10 October 2018 Gervais Williams, a Director of the Company, elected to exercise his right to exchange 40 FMU B Growth Shares in Miton Group Service Company Limited for ordinary 0.1p shares in the Company. As a result of the exchange, the Trustees of the EBT transferred 3,668,120 ordinary shares.

The cost of the shares held by the EBT of £5.41m (2017: £6.53m) equating to an average of 32.65p per share (2017: 32.65p) has been disclosed as Employee Benefit Trust in the Consolidated Statement of Changes in Equity and the Consolidated Statement of Financial Position.

### (b) Treasury shares

Nil (2017: 16,726) shares are held in Treasury in respect of deferred bonus awards. The value of the Treasury shares released in the year was £0.004m (2017: £0.007m)

## 20. Dividends paid and proposed

	2018 £000	2017 £000
Dividend paid in 2018 — 1.4p per share (2017: 1.0p)	2,137	1,509

Dividend on ordinary shares proposed for approval by shareholders (not recognised as a liability at the Consolidated Statement of Financial Position date) based on eligible holders at 12 April 2019:

	2018 £000	2017 £000
Proposed dividend for 2018 — 2.0p per share (2017: 1.4p)	3,126	2,137

## 21. Share-based payment

### Current schemes

The Group has share-based payment transactions in respect of services receivable from certain employees by granting the right to options over shares, subject to certain vesting conditions and exercise prices. The Group accounts for these schemes as equity-settled share-based payments and these are summarised below and in the Remuneration Committee Report on page 39.

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

2018	Management Equity Incentive No.	Management Incentive Plan No.	Total number of equity incentives	Weighted average exercise price (p)
Reference	(a)	(b)		
Outstanding at 1 January	9,697,524	730,000	10,427,524	40.85
Granted during the year	1,100,000	–	1,100,000	49.20
Forfeited during the year	(50,000)	–	(50,000)	35.20
<b>Outstanding at 31 December</b>	<b>10,747,524</b>	<b>730,000</b>	<b>11,477,524</b>	<b>41.68</b>
<b>Exercisable at 31 December</b>	<b>7,122,524</b>	<b>730,000</b>	<b>7,852,524</b>	<b>43.36</b>

2017	Management Equity Incentive No.	Management Incentive Plan No.	Total number of equity incentives	Weighted average exercise price (p)
Reference	(a)	(b)		
Outstanding at 1 January	13,845,048	860,000	14,705,048	41.08
Granted during the year	250,000	–	250,000	35.20
Settled during the year	(4,372,524)	–	(4,372,524)	41.50
Forfeited during the year	(25,000)	(130,000)	(155,000)	34.68
Outstanding at 31 December	9,697,524	730,000	10,427,524	40.85
Exercisable at 31 December	5,872,524	730,000	6,602,524	40.74

The Growth Share Plan ('GSP' or the 'Plan') ceased during the year. As at 31 December 2018 there were no participants in the Plan.

The table below refers to the movement in the Growth Shares during the year.

	2018 No.	2017 No.
Reference	(c)	(c)
Outstanding at 1 January	100	200
Exchanged during the year, post vesting on 21 September 2017	–	(100)
Exchanged during the year, post vesting on 21 September 2018	(100)	–
<b>Outstanding at 31 December</b>	<b>–</b>	<b>100</b>

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2018 was £303,148 (2017: £547,936), of which £232,080 related to the GSP (2017: £443,208). This expense was in respect of equity-settled share awards only, as the Company has no cash-settled share options.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

## 21. Share-based payment continued

### (a) Management Equity Incentive ('MEI')

The MEI is designed to incentivise Executive Directors and senior managers of the business. During 2018 the Group granted MEI awards over 1,100,000 ordinary 0.1p shares in the Company to seven employees (2017: Three awards over 250,000 ordinary 0.1p shares). The awards have an exercise price of 49.2p and vest subject to continued employment on the date at which the Company publishes its results for the year ending 31 December 2020.

The fair value of awards granted under the MEI is estimated as at the date of grant using the Black-Scholes model with assumptions for dividend yields, share price and composite volatility, as set out below. The fair value of options granted in the year was £47,950 (2017: £14,973), of which £13,530 was charged to the Consolidated Statement of Comprehensive Income in the year (2017: £4,515).

Awards over 50,000 ordinary 0.1p shares were forfeited during the year (2017: 25,000) by employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for prior periods was reduced by £1,444 (2017: £457) in accordance with accounting standards.

### (b) Management Incentive Plan ('MIP')

The MIP was designed to incentivise Executive Directors and senior managers of the business; this plan is closed to new entrants.

During 2018 the Group granted no awards (2017: Nil). No MIP awards were exercised or cancelled in 2018 (2017: Nil).

No awards over ordinary 0.1p shares (2017: 130,000) were forfeited during the year by employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for prior periods was reduced by £Nil (2017: £29,092) in accordance with accounting standards.

### (c) Growth Share Plan ('GSP')

From 1 July 2016 the GSP was discontinued for new fund managers and for those where no value had been accrued.

The value of Growth Shares was calculated according to a specific formula based on the growth in the profit and AuM of the relevant Fund Management Unit ('FMU') from the date of issue until the date of conversion.

The final tranche of 100 Growth Shares vested during the year and became eligible for exchange on the date of the publication of the half-year report of the Company, being 24 September 2018.

On 10 October 2018 the remaining participants of the scheme elected to exercise their rights to exchange the outstanding 100 Growth Shares into Miton Group plc ordinary 0.1p shares. Accordingly, the Company issued and allotted 5,502,180 new ordinary shares and the Trustees of the EBT transferred 3,668,120 shares from the EBT at the market price of 70.2p per ordinary share on the day (2017: Issued 10,260,200 ordinary shares at the market price of 40.5p per share). The shares must be held for at least a further 12 months from the date of exchange, although this period may be reduced, subject to Board discretion.

### Exercise dates of outstanding equity incentives:

Exercise dates	MIP No.	MEI No.	2018 Total No.	2017 Total No.
Exercisable up to 18/05/2021 @ 10p per share	100,000	–	100,000	100,000
Exercisable up to 29/04/2019 @ 33p per share	–	2,186,262	2,186,262	2,186,262
Exercisable up to 07/07/2023 @ 10p per share	300,000	–	300,000	300,000
Exercisable up to 29/04/2019 @ 50p per share	–	2,186,262	2,186,262	2,186,262
Exercisable up to 07/12/2023 @ 20p per share	130,000	–	130,000	130,000
Exercisable up to 10/05/2021 @ 48.25p per share	–	750,000	750,000	750,000
Exercisable up to 10/05/2021 @ 50.325p per share	–	750,000	750,000	750,000
Exercisable up to 06/04/2024 @ 35p per share	200,000	–	200,000	200,000
Exercisable up to 10/05/2021 @ 57.1875p per share	–	1,250,000	1,250,000	1,250,000
Exercisable between 31/03/2019 and 10/05/2024 @ 33p per share	–	2,225,000	2,225,000	2,225,000
Exercisable between 31/03/2019 and 10/05/2025 @ 33p per share	–	100,000	100,000	100,000
Exercisable between 31/03/2020 and 10/05/2026 @ 35.2p per share	–	200,000	200,000	250,000
Exercisable between 31/03/2021 and 10/05/2027 @ 49.2p per share	–	1,100,000	1,100,000	–
	<b>730,000</b>	<b>10,747,524</b>	<b>11,477,524</b>	<b>10,427,524</b>



## 21. Share-based payment continued

At 31 December 2018 all options that were outstanding can be summarised within a range of exercise prices as follows:

Range of exercise price	2018			2017		
	Outstanding options No.	Weighted average remaining contractual life (years)	Weighted average exercise price	Outstanding options No.	Weighted average remaining contractual life (years)	Weighted average exercise price
1p to 50p	9,477,524	3.01	38.95p	8,427,524	3.23	37.59p
50.01p to 100p	2,000,000	2.36	54.61p	2,000,000	3.36	54.61p
Weighted average	11,477,524	2.90	41.68p	10,427,524	3.26	40.85p

### MEI awards in the year

The fair value of the awards granted in 2018 was based on the following assumptions:

	Award
Grant date	16 February 2018
Number of options granted	1,100,000
Share price at grant date	33.5p
Annualised volatility	36.2%
Risk-free interest rate at award date	0.86%
Expected dividend yield	4.2%
Term to vesting from grant date	36 months
Exercise price	49.2p
Expected life of option from grant date	3 years

The expected life of the equity incentives is based on historical data and is not necessarily indicative of exercise patterns that may occur. The annualised volatility is calculated using daily returns over a one-year period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the outcome. A Black-Scholes valuation model has been used to estimate the fair value of these equity incentives. The risk-free interest rate is based on the 4-year UK Government bond rate.

## 22. Obligations under non-cancellable operating leases

At 31 December 2018 the Group had future commitments under non-cancellable operating leases for land and buildings and office equipment as set out in the periods below:

	2018 £000	2017 £000
Not more than one year	6	365
After one year but not more than five years	1,689	24
	1,695	389

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

# Company Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital £000	Share premium £000	Employee Benefit Trust £000	Treasury shares £000	Merger reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
As at 1 January 2017	178	2,661	(6,530)	(11)	5,658	–	27,152	29,108
Profit for the year	–	–	–	–	–	–	237	237
Dividends paid	–	–	–	–	–	–	(1,509)	(1,509)
Release of Treasury shares	–	–	–	7	–	–	–	7
Share-based payment	–	–	–	–	–	–	548	548
Share issues on exchange of Growth Shares	10	–	–	–	–	–	(10)	–
Cancellation of ordinary shares	(15)	–	–	–	–	15	(5,965)	(5,965)
Settlement of options	–	–	–	–	–	–	(220)	(220)
<b>At 1 January 2018</b>	<b>173</b>	<b>2,661</b>	<b>(6,530)</b>	<b>(4)</b>	<b>5,658</b>	<b>15</b>	<b>20,233</b>	<b>22,206</b>
Profit for the year	–	–	–	–	–	–	5,621	5,621
Dividends paid	–	–	–	–	–	–	(2,136)	(2,136)
Release of Treasury shares	–	–	–	4	–	–	–	4
Share-based payment	–	–	–	–	–	–	303	303
Share issues on exchange of Growth Shares	6	–	1,198	–	–	–	(1,204)	–
Cancellation of ordinary shares	(6)	–	–	–	–	6	(2,660)	(2,660)
<b>At 31 December 2018</b>	<b>173</b>	<b>2,661</b>	<b>(5,332)</b>	<b>–</b>	<b>5,658</b>	<b>21</b>	<b>20,157</b>	<b>23,338</b>

The notes on pages 75 to 78 form part of these financial statements.

# Company Statement of Financial Position

as at 31 December 2018

	Notes	2018 £000	2017 £000
<b>Non-current assets</b>			
Intangible assets	2	257	537
Investments in subsidiaries	3	31,652	31,410
Other investments	4	50	50
		<b>31,959</b>	<b>31,997</b>
<b>Current assets</b>			
Trade and other receivables	6	222	345
Cash and cash equivalents	7	3,255	2,175
		<b>3,477</b>	<b>2,520</b>
<b>Creditors: amounts falling due within one year</b>			
Creditors	8	11,709	12,011
Provisions	9	15	285
		<b>11,724</b>	<b>12,296</b>
<b>Net current liabilities</b>			
		<b>(8,247)</b>	<b>(9,776)</b>
Total assets less current liabilities			
		<b>23,712</b>	<b>22,221</b>
<b>Creditors: amounts falling due greater than one year</b>			
Provisions	9	(374)	(15)
<b>Net assets</b>			
		<b>23,338</b>	<b>22,206</b>
<b>Capital and reserves</b>			
Share capital	10	173	173
Share premium		2,661	2,661
Employee Benefit Trust		(5,332)	(6,530)
Treasury shares		–	(4)
Merger reserve		5,658	5,658
Capital redemption reserve		21	15
Retained earnings		20,157	20,233
<b>Total equity shareholders' funds</b>			
		<b>23,338</b>	<b>22,206</b>

The Company's profit after taxation for the year ended 31 December 2018 was £5,621,000 (2017: £237,000).

These accounts were approved and authorised for issue by the Board on 15 March 2019 and signed on its behalf by:

**David Barron**  
Chief Executive Officer  
15 March 2019

The notes on pages 75 to 78 form part of these financial statements.

# Notes to the Company Financial Statements

for the year ended 31 December 2018

## 1. Accounting policies

### Basis of preparation and change in accounting policy

The Parent Company Financial Statements of Miton Group plc (the 'Company') are presented as required by the Companies Act 2006 and were approved for issue on 15 March 2019.

### Framework under UK GAAP

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2018.

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

The Company accounting policies are as per the Group policies stated on pages 53 to 57 except for basis of consolidation, goodwill and deferred tax. In addition to these are the following policies applicable to the Company Financial Statements:

### Going concern

The Directors have prepared the Company Financial Statements on a going concern basis despite the net current liabilities position at 31 December 2018 as the Company has adequate cash reserves and distributable reserves in its subsidiaries.

### Investments in subsidiaries and other investments

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

### Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements except that:

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Related party transactions

The Parent Company wholly owns the subsidiaries and is part of a UK group which prepares publicly available Consolidated Financial Statements in which the results of the Company are included, and it is therefore exempt from the requirements to disclose related party transactions.

Transactions with key management personnel also constitute related party transactions. The key management personnel are defined as the Executive Directors and members of the Senior Executive Group.

The aggregated compensation payable to key management personnel is £2.1 million (2017: £1.8 million).

### Cash flow statement

The Parent Company wholly owns the subsidiaries and is part of a UK group which prepares publicly available Consolidated Financial Statements in which the results of the Company are included, and it is therefore exempt from the requirement to prepare a cash flow statement under FRS 102 Section 1.12 (b).

# Notes to the Company

## Financial Statements continued

for the year ended 31 December 2018

### 2. Intangible assets

	Intangible assets arising on acquisition £000
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	1,400
<b>Amortisation during the year</b>	
At 1 January 2018	863
Amortisation during the year	280
<b>At 31 December 2018</b>	<b>1,143</b>
<b>Net book value:</b>	
<b>At 31 December 2018</b>	<b>257</b>
At 31 December 2017	537

### 3. Investments in subsidiaries

	Other investments £000
<b>Cost and net book value:</b>	
At 1 January 2018	31,410
Additions	242
<b>At 31 December 2018</b>	<b>31,652</b>
At 31 December 2017	31,410

### 4. Other investments

	Other investments £000
<b>Cost and net book value:</b>	
<b>At 31 December 2018</b>	<b>50</b>
At 31 December 2017	50

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

### 5. Deferred tax

	2018 £000	2017 £000
Deferred tax liability at the beginning of the year	–	164
The movement in the provision is as follows:		
Deferred tax movements credited to the Statement of Comprehensive Income	–	(164)
<b>Deferred tax liability at the year end</b>	<b>–</b>	<b>–</b>

### 6. Trade and other receivables

	2018 £000	2017 £000
Other debtors	210	210
Prepayments	12	125
Corporation tax	–	10
	<b>222</b>	<b>345</b>

## 7. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	3,255	2,175

## 8. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Other creditors	71	54
Accruals	64	50
Amounts due to Group companies	11,572	11,907
Corporation tax	2	–
	11,709	12,011

## 9. Provisions

	Total £000
At 1 January 2017	187
Provided	113
At 31 December 2017	300
Current	285
Non-current	15
	300
At 1 January 2018	300
Provided	89
<b>At 31 December 2018</b>	<b>389</b>
Current	15
Non-current	374
	389

Provisions relate to dilapidations for the offices at 6th Floor, Paternoster House, London and the Group's disaster recovery office in Reading. The lease on Paternoster House was renewed from 28 November 2018 with a break date of 27 November 2023. The provision for dilapidations on this office has been disclosed as non-current.

## 10. Share capital

	2018 Ordinary shares 0.1 pence each No. 000	2017 Ordinary shares 0.1 pence each No. 000
Allotted, called up and fully paid: No. of shares		
At 1 January	172,635	177,528
Cancelled	(5,502)	(15,153)
Issued on exchange of Growth Shares	5,502	10,260
<b>At 31 December</b>	<b>172,635</b>	<b>172,635</b>

	2018 Ordinary shares 0.1 pence each No. 000	2017 Ordinary shares 0.1 pence each No. 000
Allotted, called up and fully paid: Value of shares		
At 1 January	173	178
Cancelled	(6)	(15)
Issued on exchange of Growth Shares	6	10
<b>At 31 December</b>	<b>173</b>	<b>173</b>

# Notes to the Company

## Financial Statements continued

for the year ended 31 December 2018

### 10. Share capital continued

On 10 October 2018 an employee elected to exercise his right to exchange 60 FMU B Growth Shares in Miton Group Service Company Limited for ordinary 0.1p shares in the Company. As a result of the exchange, the Company allotted 5,502,180 ordinary shares at the market price of 70.2p per share on the day (2017: Issued 10,260,200 ordinary shares at the market price of 40.5p per share).

During the year the Group completed one share buyback (2017: Two). See note 7 to the Consolidated Financial Statements for further detail.

### 11. Share-based payment

The share-based payments as at 31 December 2018 and 31 December 2017 are as detailed in note 21 to the Consolidated Financial Statements.

### 12. Management Equity Incentive ('MEI')

During 2018 the Group granted MEI awards over 1,100,000 ordinary 0.1p shares in the Company to seven employees (2017: Three awards over 250,000 ordinary 0.1p shares). The awards have an exercise price of 49.2p and vest subject to continued employment on the date at which the Company publishes its results for the year ending 31 December 2020.

Awards over 50,000 ordinary 0.1p shares were forfeited during the year (2017: 25,000) by employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for prior periods was reduced by £1,444 (2017: £457) in accordance with accounting standards.

### 13. Management Incentive Plan ('MIP')

During 2018 the Group granted no awards (2017: Nil). No MIP awards were exercised or cancelled in the year (2017: Nil).

No awards over ordinary 0.1p shares (2017: 130,000) were forfeited during the year by employees leaving the Group. As a result of the forfeiture of the awards the cumulative expense recognised for prior periods was reduced by £Nil (2017: £29,092) in accordance with accounting standards.

### 14. Commitments under operating leases

At 31 December 2018 the Company had future commitments under non-cancellable operating leases for land and buildings as set out in the periods below.

	2018 £000	2017 £000
Not later than one year	6	354
Later than one year and not later than five years	1,672	6
	<b>1,678</b>	<b>360</b>



## Shareholder Information and Financial Calendar

Annual General Meeting	15 May 2019
2019 half year results announced	September 2019
2019 full year results announced	March 2020
Closing mid-market share price on 31 December 2018	45.80p
Stock Code	MGR
Listing details	The Company's ordinary shares are AIM quoted. The price of the ordinary shares appears within the AIM section of the Financial Times.

## Secretary and Advisers

### Company Secretary and Registered Office

Catriona Fletcher  
Miton Group plc  
6th Floor, Paternoster House  
65 St Paul's Churchyard  
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EC4M 8AB  
Tel: 020 3714 1500

### Registrars

Link Market Services Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
Tel: 0871 664 0300

### Auditors

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

### Bankers

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

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

HSBC  
165 Fleet Street  
London  
EC4A 2DY

### Nominated adviser

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Ropemaker Place  
25 Ropemaker Street  
London  
EC2Y 9LY

### Joint corporate brokers

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Ropemaker Place  
25 Ropemaker Street  
London  
EC2Y 9LY

Nplus 1 Singer Advisory LLP  
One Bartholomew Lane  
London  
EC2N 2AX

Company registration number 5160210

# Investment strategies

## Equities

Our differentiated and unconstrained equity funds are underpinned by strong investment processes allowing our fund managers to add value for investors and to manage risk effectively.

We manage a range of equity funds investing in many of the largest markets. Our funds are unconstrained by benchmarks and our managers are empowered to invest according to their convictions.

Our funds share many common characteristics: high active share, long-term orientation, a pragmatic approach and agnosticism to benchmarks, offering real differentiation from many competitors.

### UK team



Andrew Jackson ●



Gervais Williams ●●●●●



Eric Moore ●



Martin Turner ●●●●●

#### UK equity

- FP Miton Income Fund
- LF Miton UK Value Opportunities Fund
- LF Miton UK Multi Cap Income Fund
- LF Miton UK Smaller Companies Fund
- Miton UK MicroCap Trust plc
- The Diverse Income Trust plc

### US team



Nick Ford ●●



Hugh Grieves ●●

#### US equity

- LF Miton US Opportunities Fund
- LF Miton US Smaller Companies Fund

### European team



Carlos Moreno ●



Thomas Brown ●

#### European equity

- LF Miton European Opportunities Fund

### Global



Nick Greenwood ●●



Jim Wright ●

#### Global equity

- LF Miton Worldwide Opportunities Fund
- Miton Global Opportunities plc
- LF Miton Global Infrastructure Income Fund

## Multi-Asset

Our outcome driven multi-asset fund range focuses on providing attractive outcomes for investors within clear risk parameters.

The funds can invest globally across the major asset classes such as equities, fixed income, property and commodities. They are managed using an unconstrained, pragmatic approach to investing, allowing a focus on producing the outcome investors want.

The funds are all directly invested. The managers buy equities and bonds in the fund directly rather than assembling a fund of other funds. This allows the managers to gain precise exposures to baskets of assets while helping to keep overall charges low.

### Multi-Asset team



David Jane ●●●●



Anthony Rayner ●●●●

#### Multi-Asset

- LF Miton Cautious Multi Asset Fund
- MI Miton Cautious Monthly Income Fund
- LF Miton Defensive Multi Asset Fund
- LF Miton Balanced Multi Asset Fund

	LF Miton Defensive Multi Asset Fund	LF Miton Cautious Multi Asset Fund	MI Miton Cautious Monthly Income Fund	LF Miton Balanced Multi Asset Fund
Estimated long-term return per annum <sup>1</sup>	3 to 5%	4 to 6%	4 to 6%	5 to 7%
Annualised returns since tenure <sup>2</sup>	3.2%	4.3%	5.2%	n/a*

<sup>1</sup> Estimated returns and past performance are not a guide to future returns

<sup>2</sup> Source: FE Analytics, as at 31.12.2018

\* This information is unavailable since the LF Miton Balanced Multi Asset Fund launched on 29.01.2018

## Product Range

as at 15 March 2019

### Equity

#### LF Miton UK Multi Cap Income Fund

The LF 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.

#### LF Miton UK Smaller Companies Fund

The LF 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.

#### LF Miton UK Value Opportunities Fund

The LF 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.

#### LF Miton European Opportunities Fund

The LF 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.

#### LF Miton US Opportunities Fund

The LF 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.

#### LF Miton US Smaller Companies Fund

The LF Miton US Smaller Companies Fund aims to achieve capital growth by investing principally in the shares of smaller companies listed, quoted or traded in the United States of America and in companies which have a significant part of their activities in the United States of America, typically with market values of US\$100 million to US\$6 billion at the time of purchase.

#### LF Miton Global Infrastructure Income Fund

The LF Miton Global Infrastructure Income Fund aims to achieve long-term total returns by investing predominantly in global company shares issued by infrastructure companies operating in the infrastructure sector.

#### 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

#### LF Miton Worldwide Opportunities Fund

The LF Miton Worldwide Opportunities Fund aims to provide capital growth by investing primarily in a range of both open ended and closed ended funds.

### Multi-asset

#### LF Miton Cautious Multi Asset Fund

The LF 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 provide long-term capital growth.

#### LF Miton Defensive Multi Asset Fund

The LF 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.

#### LF Miton Balanced Multi Asset Fund

The LF Miton Balanced Multi Asset Fund aims to achieve long-term (greater than five years) capital growth by investing in a portfolio of global mixed assets comprising of equities, fixed income securities, 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 in a diversified mix of assets from around the world, including shares and bonds.

### 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.

# Notes

## Notes





[www.mitongroup.com](http://www.mitongroup.com)

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