Miton

Beyond
the credit boom . . .

Miton Group plc
Annual Report and Accounts
For the year ended 31 December 2013

A multi-decade turning point

- A credit boom is a period characterised by the widespread availability of easy borrowing.
- Normally credit booms don't last long as extra inflationary pressures force up interest rates preventing over-extended leverage. But the recent credit boom has been different for two principal reasons: It has been global in scale and has persisted for over 25 years.
- Credit booms distort markets. During credit booms asset prices tend to rise quickly so they favour the speculative over the prudent.
- The present credit boom has been with us for so long that investors have come to treat it as normal. However, as we move beyond the credit boom investment trends are changing on a multi-decade basis. We have reached a multi-decade turning point.
- Our view is that few funds appear well positioned for new investment trends beyond the credit boom. Miton's proposition is a straightforward combination of leading fund managers along with largely unconstrained strategies that are carefully implemented to take advantage of changing market trends.

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

Go to www.mitongroup.com for more information

Cautionary note on forward-looking statements

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

Miton is a fund management business with a highly distinctive investment strategy, listed on AIM.

Our objective is to deliver attractive returns for our clients through aligning our strategies with the new investment trends. But that is not enough. We also need to be operationally excellent in every part of the business to be successful.

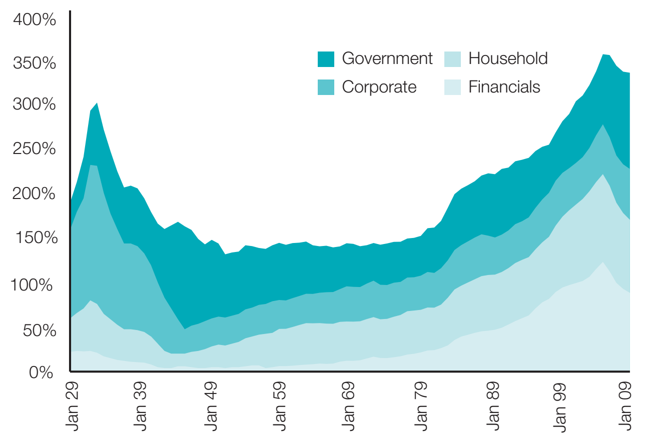
This Annual Report outlines our progress over the last year.

Contents

Our investment foundations:

The chart below shows debt as a percentage of nominal GDP since 1929. The data relates to the US economy but we believe the pattern is similar to other territories around the world. After the economic problems of the 1930's were resolved, the economy and overall debt grew together in balance until debt availability took off in the mid-80's.

US Credit market debt as % of nominal US GDP: 1929 – 2012



Source: Illustration developed from data sources including Morgan Stanley Research, Bloomberg, International Monetary Fund
Note: Liabilities exclude farm sector.

During the boom . . .

- Asset prices of all types were driven up
- Capital allocations favoured taking on extra volatility to outperform the rising indices
- Transactional and momentum strategies came to be equated with investment success
- Over the last 25 years traders have come to dominate the culture of the financial sector

More recently . . .

- The credit boom trend of ever-increasing debt has come to an end
- Consequently there are new investment trends coming through. Investors are favouring:
  - — those with good and growing cash generation that ultitmately can be distributed as dividends
  - — greater investment prudence given the elevated risks inherent in many asset classes after the credit boom
  - — those that can sustain growth even in the absence of general economic expansion, most particularly small and microcap stocks
- These new market trends are still widely under-recognised as Quantitative Easing has obscured the turning point

Miton's investment foundations are based upon taking full advantage of these new investment trends for the benefit of our clients.

"Miton's investment foundations are very different to most other fund management groups, and we believe they offer major benefits to our clients."

Gervais Williams
Managing Director

Miton is fundamentally investment led. Our team, headed by Gervais Williams, is passionate about finding ways to deliver attractive returns in spite of investment challenges beyond the credit boom.

At Miton our investment priorities differ from most others:

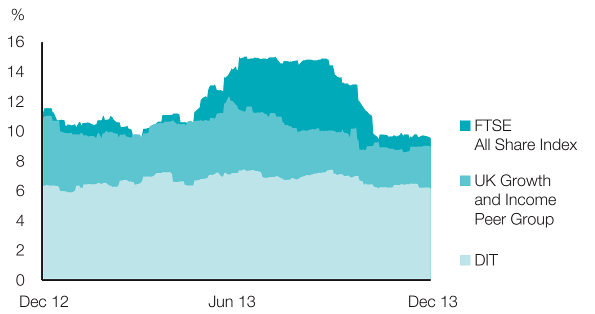
- Investment prudence is becoming more important. Our fund managers have greater scope to prioritise portfolio volatility with an aim to sustain performance better through market cycles.
- Thought leadership is critical especially at times of fundamental change. We believe that independent thinking can add significant value whereas routinely following the consensus is prone to pitfalls.
- Neutral benchmark weightings should not be equated with low risk. Most of our fund managers have the freedom to manage their portfolios on an absolute basis without the undue constraint from traditional benchmarks.

Miton's *rising* profile...

Both the Diverse Income Trust plc (an investment trust) and the CF Miton UK Multi Cap Income Fund are UK equity funds we set up in 2011 to generate an above-average dividend yield for clients. However, in contrast to most other UK equity income funds, our portfolio universe includes individual stocks with a much wider range of market capitalisations.

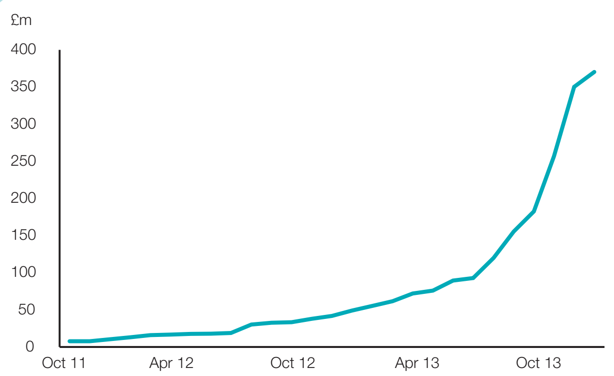
In particular, we believe that many smaller companies have greater scope to grow their dividends during the growth hangover beyond the credit boom. Also since the universe of stocks was so much larger, each individual holding in the portfolio could be relatively small, with few exceeding 1.5% of the fund. With this strategy these funds have plenty of scope to deliver attractive returns, yet also have greater prudence that has also minimised portfolio volatility which has been the lowest in the sector — see below.

90 day volatility of the NAV of the Diverse Income Trust plc



Source: Miton, Bloomberg

AuM of CF Miton UK Multi Cap Income Fund since launch



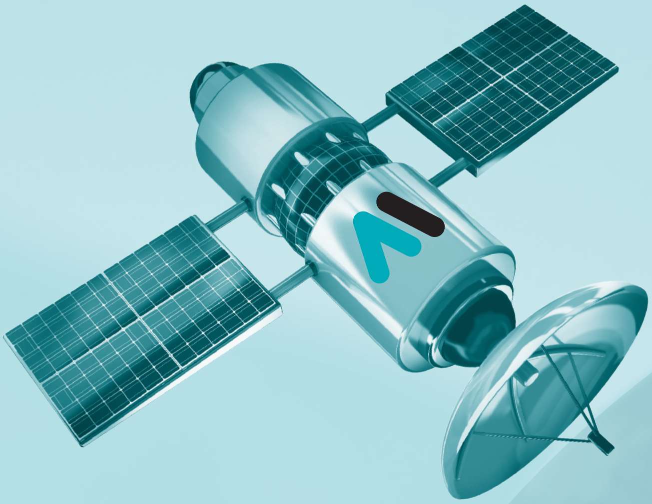
Source: Miton

The fact that these funds have delivered both premium returns and sub-normal volatility since launch has greatly increased the profile of the Miton brand in the minds of our potential customers. Many are keen to hear more about the reasoning for our different strategies, and this interest has led to support for the three additional funds that have been launched since December 2012.

"In less than three years, the Diverse Income Trust has seen its market value increase more than fivefold… Diverse Income Trust is a welcome addition to the sector…"

Alan Brierley

Analyst, Canaccord Genuity, *January 2014*

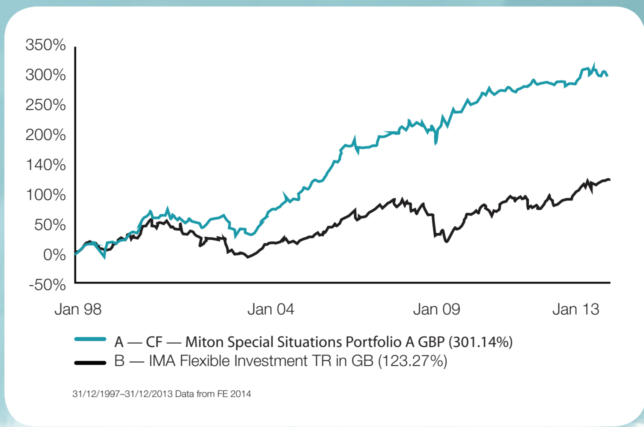


The CF Miton Strategic Fund and the CF Miton Special Situations Fund were both set up more than fifteen years ago. They invest in a very wide range of assets including equities, property and commodities through to currencies and bonds, all on a worldwide basis. However, these funds differ from most of their competitors with a greater focus in managing their volatility to reduce downside risk at times when markets are anticipated to be vulnerable. Therefore, these funds often have a very different mix of assets from the consensus.

Over the last fifteen years, CF Miton Special Situations and CF Strategic have both delivered premium long-term returns, yet they have done so with some of the lowest levels of volatility in their sector. Therefore, the Miton brand is already well recognised in the multi-asset arena.

In recent years, we have become more anxious that many markets were increasingly vulnerable to setback so the capital in these funds has been allocated defensively. In this regard once again they are positioned differently from many of their competitors.

Total return of CF Miton Special Situations fund since launch



Miton's *growing* potential...

Over the last 12 months Miton has grown its potential significantly. At the heart of this is a step up in the range of skills within the Group. Also at the end of 2013 we moved into a new London office where we were able to bring together all equity fund managers and many of our support functions.

Bringing in more equity Fund Managers with a wider range of disciplines

Nick Ford was joined in January 2013 by **Hugh Grieves** to establish our new US fund management team. The US Opportunities fund was launched on 18 March 2013 and has already reached £64m after a successful first year. See page 9.

George Godber and **Georgina Hamilton** joined at the end of 2012 to set up a UK equity value team. They launched the UK Value Opportunities fund on 25 March 2013. It has also performed well and has already reached £59m after a strong start in its first twelve months. See page 9.

Bill Mott and **Eric Moore** joined the Group in July 2013 with the PSigma acquisition. Along with Gervais Williams, Martin Turner, George Godber and Georgina Hamilton, Miton have a team of six fund managers covering UK equities.

In November following shareholder approval, we introduced a fund manager retention scheme. Fund managers that build successful and profitable funds will share a proportion of the value over a period of up to 15 years. It is important for our clients that our most successful fund managers remain with Miton over the long term.

Stepping up our operational efficiency

Piers Harrison joined in July 2013 as Head of Operations and Risk Management. Our operational team has become more sophisticated with the introduction of the Bloomberg AIM system, along with an enhanced governance and risk management framework. In addition, the integration of the experienced staff that came with the PSigma acquisition has also widened our regulatory skills. We believe our operational standards are now comparable with the very best in the industry.

Increasing our Investment Trust capacity

David Barron joined the Board in the summer of 2013 as Director of Investment Trusts and Product Strategy. He was previously head of investment trusts at JP Morgan and has over 30 years' experience in the City. David works closely with Ian Chimes and the rest of our staff towards identifying and developing new funds that will widen the application of our distinctive strategy.

In addition, Miton has applied to the FCA to act as an Alternative Investment Fund Manager (AIFM). This is a demanding role where we believe we are well placed to offer our investment trust clients a particularly high level of service and expertise.

Working to keep our clients right up to date with our portfolio positioning

Ian Chimes has been promoted to Head of Sales and Marketing following the acquisition of PSigma in July. In addition to his outstanding sales skils, Ian has a formidable reputation for keeping clients right up to date with the positioning of funds. He brings a wealth of experience from previous roles at PSigma, Credit Suisse and Henderson. In the last six months he has scaled up our client team further with the appointment of three new regional sales managers to service our clients nationwide.

Punching above our weight in the media

Our fund managers, regional sales managers and marketing team ensure that news of Miton and our products reaches the widest audience:

- **Trade press:** We have a wide range of well-informed spokespeople that are ready to comment both reactively and proactively to a broad range of investment titles. Our quick response in this area means that we often get quoted and has helped raise the profile of the Miton brand in the minds of investors, potential investors and intermediaries.
- **Broadcast media:** We can compete with our largest competitors in the broadcast media as our fund managers are already experienced at commenting on the BBC Today & Wake Up to Money radio programmes, and CNBC, Bloomberg, Morningstar and Trustnet broadcasts.
- **Published content:** Miton has a high profile in the marketplace for our thought-leadership. Gervais Wiliams' book Slow Finance adds real weight to our credibility with clients and wider stakeholders.
- **Website/Internet:** We seek to provide a wider range of information on our website than some others including fund manager videos, webcasts and webinars concerning our managers' latest thoughts and fund positioning.
- **Face-to-face meetings:** Our nationwide sales team competes toe-to-toe with the largest fund management groups through meetings with intermediaries, wealth managers, discretionary fund managers to introduce our funds, provide fund updates and to keep them right up to date with the latest information about Miton products.
- **Awards:** Awards carry weight with customers because they are conferred for merit. Therefore, we are pleased that our distincitive strategies are recognisied with Martin Gray being one of only 45 managers to have been awarded the FE Alpha Manager rating every year since the ratings were launched in 2009. In addition, the Diverse Income Trust plc was awarded the Best New Investment Trust Award by The Association of Investment Companies in recognition of the advantages of the strategy we adopted for this fund.

Opportunities for the coming year...

Beyond the credit boom it seems likely that markets will become more volatile. With that in mind we are seeking to limit the volatility of many of our funds as we believe downside risk to might be rather more damaging than most assume. We therefore believe that the advantages of the distinctive positioning of our funds will become more relevant in the coming period. We detail below how the positioning of three of our more established funds is differentiated to address the challenges of austerity and QE tapering.

CF Miton Strategic

The strategy on this fund has always placed a heavy emphasis on economic fundamentals. Economic trends are clearly adverse with the world continuing to live with sticky unemployment, declining real wages, sub-par economic growth and disappointing corporate profits. Although the level of quantative easing is being reduced, at present it is continuing to prop up equity prices for now. Indeed, almost all asset prices are just getting more expensive on almost every measure. The fund's spread of investments in UK and global equities, property, UK and global bonds, alternatives and cash remains well positioned to protect investors' assets in unsettled markets and extend its eighteen year record of delivering real returns into the future.

CF Miton Special Situations

This fund has greater scope than Miton Stategic to move away from the consensus. Asset markets have become dependent on a sustained period of expansion by Central Banks, from which there is unlikely to be any easy or comfortable way out. However, given that we believe we are now close to the end of the period of exceptional monetary stimulation, the CF Miton Special Situations portfolio is very defensively positioned. The fund has a low weighting to equity markets. Much of the capital allocation is denominated in dollars which we believe will be advantageous as economic reality becomes more apparent.

PSigma Income

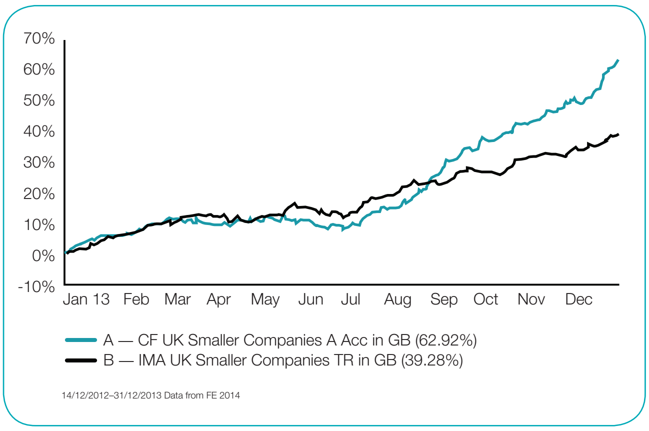
This Fund joined the Group with the acquisition of PSigma. It is a conventional UK equity income fund principally investing in mid and larger UK quoted companies, although a portion of the portfolio is invested in similar businesses quoted overseas. We believe that we should include a higher margin of safety in our holdings given that central bank policies since 2008 represent the greatest financial experiment in history. Over the last six months there has been an even greater emphasis on ensuring many of the funds' holdings have decent balance sheet strength.

CF Miton UK Smaller Companies

During the boom, growth was plentiful. Indeed, with easy credit, economic growth rates accelerated most especially in many of the emerging markets. Both larger and smaller companies grew rapidly, in the UK and overseas. But beyond the credit boom, we have entered a period of 'growth hangover'. World economies have slowed and it is becoming more difficult for companies to grow. Therefore, three new equity funds have been launched that can continue to access growth through specific investment strategies crafted for this time of challenge.

Generally smaller companies with immature market positions have much greater potential to grow. Prior to the credit boom UK smaller companies outperformed for decades. Indeed the very smallest companies outperformed the most. This new fund differs from many other smaller companies funds because of its greater willingness to invest in the smallest companies which we believe will once again offer the best returns beyond the credit boom. Since launch the fund has performed strongly (see graph) while retaining a volatility profile at our below market norms.

Total return of the CF Miton UK Smaller Companies Fund since launch



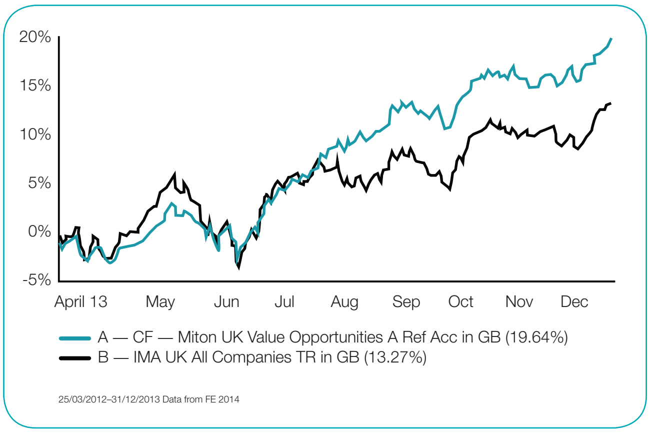
CF Miton US Opportunities

During the boom most investors increased their capital allocation to the fastest growing international economies, often underweighting their positioning in US equities. Beyond the credit boom the US appears to have more resilient growth prospects than many other economies. The new fund differs from others in its ability to invest free of constraint in both small and large US quoted companies. The CF Miton US Opportunities fund was launched on 18 March 2013 and invests in a range of market capitalisations, including many smaller US quoted companies.

CF Miton UK Value Opportunities

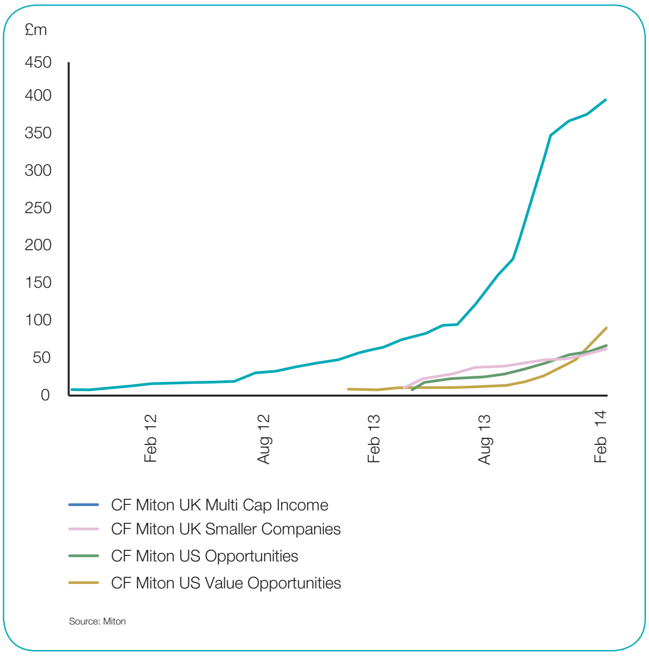
Most investors typically favoured companies growing rapidly during the boom, with the fastest growth often equated with the greatest scope for capital gain. However, aside from credit booms, Value stocks have had a long history of outperformance. We believe they are now particularly well placed to deliver good performance given their dual attributes of greater resilience and mean reversion. The CF Miton UK Value Opportunities fund was launched on 25 March 2013 and invests in the full range of market capitalisations of UK quoted companies. The fund focuses on stocks where the balance sheets have higher tangible assets, and cash flow is more sustained than others. Although the portfolio has a decent weighting in mid and larger companies, it is finding some of the most attractive opportunities amongst smaller companies.

Total return of the CF Miton UK Value Opportunities fund since launch



AUM Growth Potential

The AuM within the CF Miton UK Multi Cap Income fund grew modestly at first but accelerated greatly as the advantages of the distinctive strategy become more widely appreciated by clients. This chart details this and the AuM flows into three new funds outlined. All three of the new funds grew to exceed the £50m AuM level early in 2014, and the CF UK Smaller Companies fund has already reached £100m within the first quarter of 2014.



Strategic Report: Business highlights

- **Two new Miton equity funds successfully launched** during 2013, on top of another launched at the end of 2012. All three are now well above £50m of AuM
- **Two investment trust mandate wins** being Henderson Fledgling plc (£81m) which was merged with Diverse Income Trust plc during the year, and The Investment Company (£18m). Our investment trust portfolio has increased to four mandates with £380m AuM
- Moved into the mainstream UK equity income fund arena with the **acquisition of PSigma** at a time when the largest competitor funds have been losing market share
- Our fund management teams have been strengthened in US and UK equities through **additional hires and the arrival of Bill Mott** and his PSigma team
- **Substantial step up in the scale of our sales and marketing across the UK** under the leadership of Ian Chimes
- The **PSigma** acquisition has also brought experienced staff that have accelerated the implementation of operational improvements in trading, reporting and compliance systems across the Group
- **Implemented a highly competitive fund manager retention and incentive plan** to attract and retain market-leading talent
- Miton equity fund managers and many operational functions brought together in our **new central London office**
- The proposed **sale of our Liverpool business** in March 2014 will reduce our regulatory capital requirement, and bring in up to £4.5m of additional capital that can be used to enhance the growth rate of the business

Financial highlights

	2013 £m	2012 £m	%
Assets under Management as at 31 December	**3,098**	1,786	+73.5(2)
Average Assets under Management during the year	**2,446**	1,726	+41.7
Net Revenue	**15.0**	11.6	+29.3
Adjusted Profit before tax(3)	**4.7**	3.9	+20.5
Profit before tax(4)	**0.7**	0.9	–22.2
Cash generated from operations	**5.5**	3.6	+52.8
Total Cash Balances as at 31 December	**11.2**	12.0	–6.7

	pence	pence	%
Adjusted earnings per share(5)	**2.82**	2.47	+14.2
Basic earnings per share	**0.51**	0.80	–36.3
Proposed dividend per share	**0.54**	0.45	+20.0

Notes

(1) The above summary details the Group's Key Performance Indicators.

(2) Organic growth of 31% supplemented by the acquisition of PSigma.

(3) Adjusted Profit is calculated before the deduction of amortisation, exceptionals and taxation.

(4) Profit before tax includes exceptional operating expenses of £1.0m relating to the PSigma acquisition and consequent Group restructuring but is stated before the deduction of taxation.

(5) Adjusted earnings per share which excludes amortisation and exceptionals has increased by 14.2% despite a 4% increase in the weighted average number of shares during the year and after taking account of a tax adjustment relating to exceptional costs.

Strategic Report:
Chairman's Statement

"Over the last three years the Group has decisively scaled up for growth with some of the most highly regarded people in the industry joining the Group. 2013 saw a step up in interest in our 'Beyond the credit boom' investment strategies which delivered significant organic growth."

Ian Dighé
Executive Chairman

	Assets under management	Cash generated from operations	Adjusted earnings per share
2013	£3,098m	£5.5m	2.82p
2012	£1,786m	£3.6m	2.47p

Results and dividend:

2013 was marked by a growing interest in our 'beyond the credit boom' investment strategies. We achieved signifiicant organic AuM growth of 31% during the year, including net inflows and investment trust mandate wins of £351m. Overall AuM rose from £1.8bn to £3.1bn in 2013, including the £749m that was added in July with the PSigma acquisition.

This AuM growth led to Adjusted Profit before tax increasing from £3.9m to £4.7m. The cash generated within the Group reflected the same trend, rising from £3.6m in 2012 to £5.5m in 2013. The Board is proposing to increase the annual dividend by 20% to 0.54p per share (2012: 0.45p), payable on 19 May 2014 to shareholders registered at 4 April 2014. The increase reflects our growth over the last year and the Board's confidence in the Group's future prospects.

Planning for further growth:

In the last 12 months Miton has decisively scaled up for further growth and we believe we now have some of the most highly regarded people in the industry leading our teams.

- Our team of fund managers is already well regarded for its thought leadership and includes Gervais Williams, Martin Gray and now Bill Mott who joined the Company with the PSigma acquisition.
- Ian Chimes has been promoted to Head of Sales and Marketing following the acquisition of PSigma in July. We have scaled up our client team further with the appointment of three new regional sales managers, providing a major sales and marketing operation that gives our clients nationwide coverage.

- David Barron leads our investment trust business and directs product strategy. Investment trusts are an area of the collective funds market where we intend to take advantage of what we perceive to be significant shifts in market sentiment.
- Piers Harrison, our Head of Operations and Risk Management, has overseen our Bloomberg software roll-out across the Group. With the experienced staff who came with PSigma and new hires, we believe our operational platform is now comparable with the very best in the industry.

At the end of 2013 our equity fund managers moved into our new offices in Moorgate along with many of the support staff and those who joined with PSigma. We also introduced a fund manager retention scheme to help retain current teams and attract further talented managers going forward.

Board changes

David Barron joined the Board in the summer of 2013 as Director of Investment Trusts and Product Strategy. He was previously head of investment trusts at JP Morgan and has over 30 years' experience in the City.

In January 2014, we welcomed Jim Davies as new non-executive director. Jim was Managing Partner of law firm DWF LLP which he co-founded in 1977 and which has subsequently grown to be a national practice of 12 offices employing over 2,500 people.

Graham Hooper, Distribution Director, stepped down from the Board in January 2014. He initiated building a strong sales, marketing and distribution team that has lifted the trajectory of Miton's AuM growth. He leaves the Board with our gratitude and we wish him well for the future.

After nearly nine years as a non-executive director, Nick Hamilton has decided that it is the appropriate time for him to stand down as a director in November 2014. I would like to place on record my thanks for his work as Chairman of the Audit Committee and as Senior Independent Director during a period which has seen significant change within the business.

Post year end disposal

In January 2014 we announced the sale of the Liverpool fund management business which we expect to complete on 31 March 2014. Although this will initially lower AuM by £450m, the underlying growth momentum within Miton is continuing to drive up our profitability. In addition, the transaction both reduces our regulatory capital requirement and boosts our free cash balances.

Outlook

The focus over the last three years has been to ensure that we are able to take on a growing number of clients. We believe the business is well positioned to take advantage of prevailing market conditions.

- Net inflows during 2013 were boosted by our multi-cap income funds (the Diverse Income Trust plc & CF Miton UK Multi Cap Income) which grew from £167m to £631m. Our decision to restrict flows to these funds to retain their investment integrity has further enhanced the credibility of the Miton brand in the minds of our clients.
- We are also pleased with the scale of client interest in the three new funds incubated during 2013, each of which is now comfortably over £50m of AuM. We believe they will continue to contribute to AuM growth in the coming year.
- Our multi-asset funds have continued to see some outflows, as they did during the second half of 2013. We continue to believe their defensive characteristics will make them attractive at times when clients fear a setback in markets.
- There is renewed client interest in the PSigma Income Fund, where the introduction of some of the Miton disciplines has greatly enhanced performance. In time this fund could be substantially larger since we still have a very modest share of the sizeable UK Equity Income sector where our distinctive strategies are becoming more relevant.
- With our experience, systems, people and Alternative Investment Fund Manager (AIFM) platform, we believe we are well placed to offer an outstanding investment trust management service.
- The fund management sector is becoming more unsettled. We believe Miton is increasingly attractive to highly regarded fund managers who share our investment culture.

We have made a good start to 2014 and therefore look forward to another year of progress.

Ian Dighé
Executive Chairman
21 March 2014

Strategic Report:
Business and Financial Review

"Miton has developed significantly over the last 12 months which in large part is due to the influx of new talent, skills and experience."

Robert Clarke
Group Finance Director

Introduction

Miton Group plc is the AIM listed parent company of a fund management group operating through four FCA regulated companies:

- Miton Asset Management Limited;
- Miton Capital Partners Limited;
- PSigma Unit Trust Managers Limited; and
- PSigma Asset Management Limited.

We manage investments within:

- eleven open ended funds;
- three unit trusts;
- four investment trusts; and
- segregated accounts.

Board of directors

See Directors' Report on page 26.

Senior Executive Committee

The day-to-day management of the Group is delegated to the Senior Executive Committee which consists of senior managers operating across the Miton Group.

Ian Dighé	Chairman
Gervais Williams	Managing Director
Martin Gray	Director
David Barron	Director of Investment Trusts and Product Strategy
Ian Chimes	Head of Sales and Marketing
Piers Harrison	Head of Operations and Risk Management
Robert Clarke	Group Finance Director
Roger Bennett	Company Secretary, Governance and Compliance Oversight

The Senior Executive Committee meets on a monthly basis.

At the end of 2013 the Group had 52 employees working out of offices in London, Reading and Liverpool. Following the proposed sale of the Liverpool operations, the Group will operate from London and Reading. Our fund managers largely seek value for investors without undue regard for indices and benchmarks. They have the flexibility to invest in companies, funds and asset classes that are better placed to preserve value and see it grow over the medium to longer term.

Fund Flows

	AuM 1 Jan 2013 £m	PSigma acquisition £m	Inflows £m	Outflows £m	Net inflows £m	Other including markets £m	AuM 31 Dec 2013 £m
Funds	1,495	438	724	(543)	181	166	**2,280**
Investment Trusts	206	–	97	–	97	77	**380**
Other	85	311	–	–	–	42	**438**
Total	1,786	749	821	(543)	278	285	**3,098**

Assets under Management

	AuM 2013 £m	AuM 2012 £m	Fund Managers	Year of Launch
Equity Funds				
CF Miton UK Multi Cap Income	**370**	49	Gervais Williams / Martin Turner	2011
PSigma Income*	**351**	–	Bill Mott / Gervais Williams / Eric Moore	2007
CF Miton US Opportunities	**52**	–	Nick Ford / Hugh Grieves	2013
CF Miton UK Value Opportunities	**48**	–	George Godber / Georgina Hamilton	2013
CF Miton Smaller Companies	**41**	4	Gervais Williams / Martin Turner	2012
PSigma Global Equity*	**23**	–	Centre Asset Management, New York	2011
PSigma American*	**22**	–	Centre Asset Management, New York	2007
	907	53		
Multi Asset Funds				
CF Miton Special Situations	**822**	827	Martin Gray	1997
CF Miton Strategic	**216**	247	Martin Gray	1996
CF Miton Worldwide Opportunities	**19**	22	Nick Greenwood	2003
CF Miton Total Return	**15**	13	Martin Gray	2006
Miton Global Diversified Income	**5**	5	Martin Gray	2012
	1,077	1,114		
Risk Rated Multi Asset Funds (Liverpool)†				
CF Miton Diversified Growth	**161**	181	Simon Callow / Mark Wright	2002
CF Miton Distribution	**135**	147	Alan Borrows / Richard Parfect	2002
	296	328		
Investment Trusts				
The Diverse Income Trust	**261**	119	Gervais Williams / Martin Turner	2011
Midas Income & Growth Trust†	**58**	50	Alan Borrows / Simon Callow	2005
Miton Worldwide Growth Investment Trust	**42**	37	Nick Greenwood	2004
The Investment Company	**19**	–	Gervais Williams / Martin Turner	2013
	380	206		
Other segregated mandates*†	**438**	85		
Total	**3,098**	1,786		

* Indicates PSigma funds acquired, amounting to £736m as at 31 December 2013 including a £340m segregated mandate.
† Indicates funds which will be disposed of as part of the proposed sale of our Liverpool operations in March 2014 totalling £452m at 31 December 2013 including segregated mandates of £96m.

Strategic Report: Business and Financial Review continued

Review of the year

2013 has been another year of strong progress for the Miton Group on a number of fronts including:

- strong organic growth of our funds and investment trusts;
- an accretive corporate acquisition;
- introduction of a new fund manager retention scheme;
- unification of the Midas and Acuim funds under the Miton brand;
- implementation of a new Group-wide Bloomberg system;
- move to a larger London office;
- recruitment of new staff and the adoption of a new governance framework.

PSigma Asset Management Holdings Limited (PSigma)

PSigma was acquired in July 2013, and is now fully integrated into Miton. Bill Mott, Ian Chimes and their team are now operating from our new London office. Ian Chimes is Head of Sales and Marketing for the Group and other experienced PSigma staff have roles in operations, compliance and marketing.

The benefits of the acquisition that we foresaw at the time of the transaction have begun to be realised:

1) Similar investment philosophy: the advantages of the PSigma Income strategy are becoming more recognised

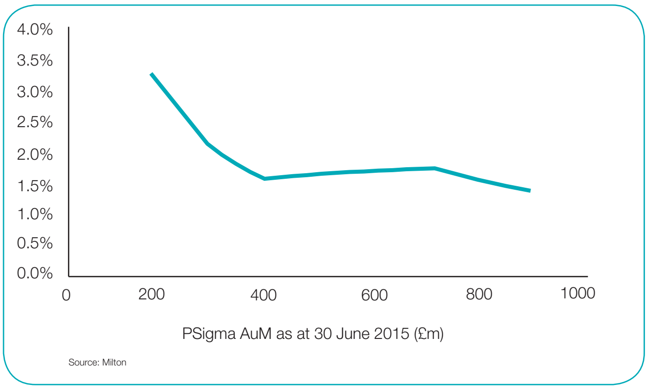
2) Market positioning: the PSigma Income Fund has an investment universe which is complementary to that of the existing Miton UK equity income franchise

3) Financial impact: we have already begun to see the benefits of the acquisition in our results.

The total consideration for the acquisition will be between £6.75m and £13m, dependent upon the scale of PSigma's assets under management retained in June 2014 and June 2015. The initial consideration of £6.75m was paid in July 2013. On current AuM and fund flows we expect the first instalment of deferred consideration due in July 2014 to be close to the maximum under the agreement. A second instalment is due in July 2015.

The following chart indicates how the ultimate cost of the acquisition is expected to equate with the value of PSigma AuM. At the time of the transaction on 5 July 2013 the PSigma AuM acquired was £749m and on 31 December 2013 it was £736m.

Total consideration as % of PSigma AuM as at 30 June 2015



Organic Growth

In total Miton's assets under management increased by 73.5% during 2013. Once an adjustment is made for the PSigma acquisition, organic growth amounted to 31.5%. This largely resulted from three main areas:

1) UK Multi Cap Income fund increasing from £49m to £370m.

2) The Diverse Income Trust increasing from £119m to £261m.

3) The launches in March 2013 of the US Opportunities fund and the UK Value Opportunities fund and the growth since launch in December 2012 of the UK Smaller Companies fund, all three of which are now above £50m.

4) The overall AuM growth was offset somewhat by £150m of net outflows from our defensive multi-asset funds.

Investors, wealth managers and other intermediaries have recognised that our funds offer diversified portfolios, low volatility and good performance.

Miton Group plc Growth Share Plan

We are committed to attracting and retaining market leading talent over the long term. Following shareholder approval in November 2013 we have implemented a new fund manager retention scheme. It enables fund managers to share directly in the value generated by the growth in profit and assets under management for which they are responsible. Further information is set out in the Directors' Remuneration Report on page 32.

Governance Structure

Since the year end the Board has approved changes to the corporate governance structure which are being implemented over the first half of 2014. Further details of the changes can be found in the Directors' Report: Corporate Governance Statement under the Risk Management and Internal Control section on page 29. As noted in the Half Year Report we have established an intermediate holding company, Miton Group Service Company Limited (MGSC). During the first half of 2014 we have applied to the FCA to become an Alternative Investment Fund Manager. The terms of reference of the Risk Management Committee have been revised. A new Product Strategy Committee has been established and committees for Operations and Fair Value Pricing have been adopted on a Group basis. In due course MGSC will act as the central service company for the Group.

New Systems

After a phase of planning and specification in the first half of 2013, the roll-out of the new Bloomberg AIM system occurred in the second half with appropriate staff training being carried out. The main benefits of the new system include enhanced functionality for fund managers, consolidated reporting, automatic pre and post trade compliance and other risk management controls. A new accounting system was implemented with effect from 1 January 2014 and will provide more sophisticated functionality for reporting and analysis.

Recruitment

Miton has developed significantly over the last 12 months which in large part is due to the influx of new talent, skills and experience. During 2013 we welcomed a total of 15 new employees to Miton including eight from PSigma in almost all areas of the business including fund management, operations, compliance, sales and marketing. Early in 2014 we have had new joiners in sales, finance and risk management.

New office

Our new head office at 51 Moorgate in the City of London accommodates our equity fund management team and support functions. Together with the new systems and governance framework mentioned above, the business is well placed to develop our product range and grow AuM.

Miton Capital Partners Limited (MCPL)/Liverpool

Over the last three years performance of the funds managed in our Liverpool office has improved and net outflows have reduced. However, last year we received an unsolicited offer for the business and consequently reviewed our plans in detail. As a result, in January 2014 we announced the proposed sale of the Liverpool fund management business (MCPL) which is due to complete on 31 March 2014. The transaction will reduce the Group's regulatory capital requirement, increase our cash balances by up to £3.5m and by up to a further £1m of deferred consideration over a two year period. The disposal will enable us to focus on our complementary equity and multi asset fund specialisations.

Progress on Priorities

We provide an update on the progress made in 2013 on those priorities identified in last year's annual report:

- **Clearly and effectively promote the Miton investment philosophy**
  - The strong progress with organic growth in 2013 is in part due to the ongoing success of our various communication activities
  - Miton's investment philosophy and details of our specific funds are promoted via the trade press, broadcast media, publications, our Group website and not least through meetings with financial advisers, private wealth managers and directly with investors.
  - As a result we have raised Miton's profile and have gained market share.
- **Stem the outflow of funds from the OEICs managed by our Liverpool office**
  - Although the net outflows from our Liverpool office have reduced during 2013, we have accepted an offer for the business.
  - We concluded that the sale would be in Miton's best interest to allow us to focus on, and invest in, our most distinctive equity and multi asset specialisations.
- **Increase our fund range so our strategies are matched to a wider range of clients' needs / launch new funds managed by our new teams**
  - In 2013 we launched two new equity funds which have been well received by investors and are both currently above £50m.
  - We have also grown the UK Smaller Companies fund launched in December 2012 to over £100m in the first quarter of 2014.
  - We have added three complementary funds as part of the PSigma acquisition
- **Upgrade our Group-wide fund management software systems to scale up our capacity to manage additional portfolios**
  - The implementation of the new Bloomberg AIM system enhances the functionality available to fund managers and the nature of the control and reporting environment managed by our compliance and risk teams.
- **Continue to bring in talented and enthusiastic staff to increase our effectiveness as a company to deliver excellent customer service in every aspect of our business**
  - As noted previously, we welcomed 15 new joiners in 2013.

Strategic Report: **Business and Financial Review** continued

— In November 2013 shareholders approved the introduction of the Miton group plc Growth Share Plan (the Plan) as a retention and incentive shceme for fund managers. The Plan allows successful participants to share in the growth of the relevant profit and assets under management for which they are responsible. Not only will the Plan help to retain our existing fund management team but will also help to attract new talented fund managers to Miton.

- **To improve our engagement through new media so we can widen the understanding and appreciation of how our clients' funds are positioned as market conditions evolve**

— We have actively increased our effective engagement with new media.

Financial Review

The summary below shows Adjusted Profit before exceptionals, amortisation and tax increasing by 20.5% to £4.7m from £3.9m in 2012.

	2013 £m	2012 £m
Net revenue	**15.0**	11.6
Administrative expenses	**(9.6)**	(7.0)
Share-based payments	**(0.7)**	(0.7)
Adjusted Profit	**4.7**	3.9
Exceptional charges	**(1.0)**	–
Amortisation	**(3.0)**	(3.0)
Profit before Tax	**0.7**	0.9

Income Statement

Average AuM during 2013 increased by 41.7% to £2,446m. Net Revenue increased by 29.3% to £15.0m. The average revenue margin reduced from 68bps to 61bps as a result of the lower average margin relating to the PSigma business and a growing proportion of AUM attributable to smaller funds on lower initial margins.

Administrative expenses increased by 37.1% to £9.6m in three main areas:

(1) the acquisition of PSigma halfway through the year;

(2) personnel costs include a full year of 2012 joiners and recruitment and other associated costs for new joiners in 2013;

(3) costs associated with the various initiatives during the year including new systems, changes to funds and investment trusts, the introduction of the growth share plan, capital reduction and new office.

Exceptional costs of £1.1m in 2013 all relate to the acquisition of PSigma and include redundancy costs and professional fees.

Basic earnings per share of 0.51p reduced by 36.3% compared with 2012 as a result of the exceptional costs. Adjusted earnings per share increased by 14.2% to 2.82p despite a 4% increase in the weighted average number of shares in issue during the year and after a tax adjustment relating to exceptional costs.

Cash

Cash generated from operations was £5.5m in 2013 — an increase of 52.8% from £3.6m in 2012.

During the year Miton expended £3.0m on the PSigma acquisition after raising net proceeds of £2.3m from the issue of shares. We paid £1.1m in corporation tax, £1.6m on purchasing shares into the employee benefit trust (Treasury) in connection with share incentives for directors and senior management, and £0.6m to shareholders in a dividend. As a result at the end of the year our Group cash balances were down slightly from 2012 at £11.2m. The Group's total regulatory capital requirement at 31 December 2013 was £4.4m.

On completion of the sale of Miton Capital Partners Limited due to take place on 31 March 2014, initial cash consideration of £3.5m will be received and thereafter a further deferred amount of up to £1m will be receivable over a two year period. In addition, the Group's cash balances are expected to grow as a result of the cash generated from operations. These funds will be used to invest in the business and to deliver our growth strategy.

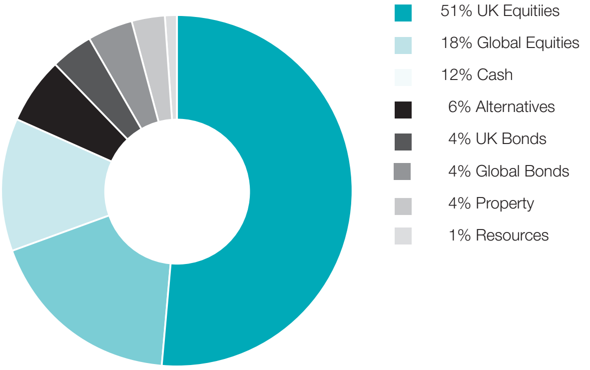
Capital Reduction

Following a review at the half year we wrote down the value of subsidiaries in the parent company balance sheet by £39.5m to reflect more appropriately recoverable amounts. In November shareholders approved a resolution to effect a capital reduction, subject to the confirmation of the Court. In December the Court approved the cancellation of the share premium account and the capital redemption reserve following the setting up of a Creditors Reserve of £4.0m. As a result at 31 December 2013 £3.8m was held in an escrow account. The reserve is expected to reduce over the next year or so as the relevant liabilities are paid.

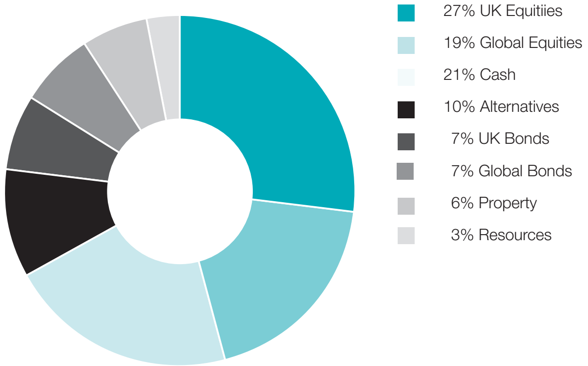
With the acquisition of PSigma and the organic growth of our equity funds the composition of our aggregated holdings has changed:

- combined UK and global equities represented 69% of the total compared with 46% at the end of 2012
- client cash balances accounted for 12% of the total as at 31 December 2013 compared with 21% the previous year

2013 AuM by asset class

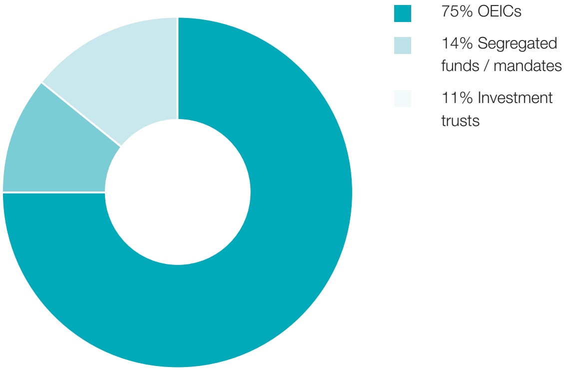


2012

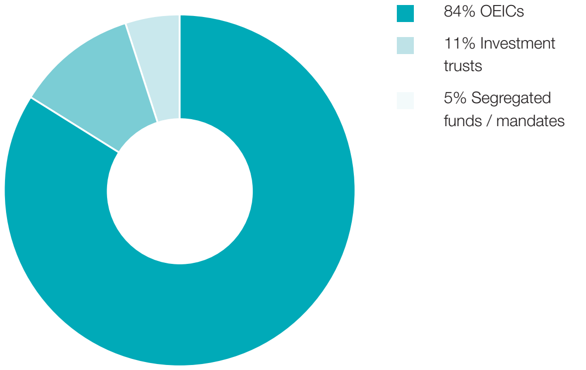


Following the acquisition of PSigma, segregated funds now represent 14% of our total AuM compared with 5% at the end of 2012.

2013 AuM by type of client



2012



Other Balance Sheet Items

The consolidated balance sheet includes £47.0m of goodwill which has increased by £12.5m since 2012 as a result of the PSigma acquisition. There are also £10.1m of intangible assets which are being amortised over their useful lives through an annual amortisation charge of £3.0m. An annual review of goodwill and intangible assets is carried out to assess the value in use of the relevant business assets. In 2013 this was assessed as being in excess of the combined carrying value and therefore no impairment write-down was required. See notes 8 and 10 for more details.

Provisions outstanding at the end of the year of £0.5m include redundancies, the formal liquidations of dormant companies and office dilapidations. See note 16.

£6.3m of Miton shares are held in treasury under the Management Equity Incentive scheme (MEI) in an employee benefit trust pending possible vesting between 2015 and 2019. They are required to be shown as a deduction from total equity funds. Further details are provided in the Remuneration Report on page 32 and in note 18 (Share capital) and note 20 (Share-based payment).

Following the acquisition of PSigma, segregated funds now represent 14% of our total AuM compared with 5% at the end of 2012.

Strategic Report: Business and Financial Review continued

Principal risks and uncertainties

The Group faces a range of risks originating both externally to the Group and from within our fund management business. The Corporate Governance Statement on page 28 details the Group's approach to internal control and risk management including the Board's responsibilities, the Board's attitude to risk, the role of the Audit Committee and the oversight of the Risk Management Committee. Further details are also provided with regard to the relevant procedures adopted within the Group and the processes used by the Board to review and monitor the effectiveness of our internal controls and risk management activities.

The Risk Management Committee is responsible for identifying, evaluating and managing business risks faced by the Group whilst the Operations Committee is responsible for identifying, evaluating and managing operational risk faced by the Group. Both Committees report to the Senior Executive Committee. The principal risks are listed below, together with relevant mitigating factors where appropriate.

Market risk

Market risk arises in relation to the investments held by funds managed by us and the revenue generated from the management charge on the value of those assets. Our 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 diversified away from specific market dependencies. To the extent that asset classes behave differently in times of higher volatility, our Assets Under Management and revenues are likely to be less affected than would be the case in a business more focused on a single asset class.

Operational risk

Operational risk is the risk of loss arising from a failure in internal systems, procedures or in outsourced functions. Three fundamental elements of our operational structure are people, information technology and outsourced services. We rely on all our staff for the day-to-day running of the business and seek to attract and retain the best qualified individuals.

The Group is an equal opportunities employer and 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.

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

Regulatory risk

The Group operates in a complex and dynamic regulatory environment. Risks also arise from legal and regulatory obligations. The failure to interpret correctly law or changes in the law may materially and adversely impact the Group. We may also be subject to regulatory sanction or loss of reputation from failure to comply with regulations. The management of legal and regulatory risk is the responsibility of senior management, supported by the governance, compliance and risk teams.

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 we remain compliant with legal and regulatory requirements.

Statutory risk

Statutory risk arises from non-adherence to relevant regulations and legislation and any changes as they occur. The Companies Acts, the Financial Conduct Authority Handbook and the Rules of the Alternative Investment Market of the London Stock Exchange on which we are listed, are especially relevant. We pay particular attention to comply with all relevant investment, taxation and operational regulatory laws and rules including various reporting requirements. Specific controls, reporting procedures and review processes have been established to prevent, detect and address any non-compliance.

Credit risk

The Group is subject to credit risk arising as a result of counterparty exposure in the Group's receivable balances from fund management clients and in relation to the cash balances placed with financial institutions. We monitor closely the creditworthiness of all relevant counterparties both directly and through third-party reports. We have a diversification policy of allocating significant cash deposits between at least two suitable institutions.

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 free cash balances in excess of its regulatory capital requirements.

Robert Clarke
Group Finance Director
21 March 2014

Building a Business for growth

2011: Build the base

Establish platform

- Build leadership team
- Strengthen balance sheet
- 'Right size' central functions
- Recruit marketing team
- Introduce CRM system
- Upscale PR

Fund launches

Diverse Income Trust plc
Miton UK Multi Cap Income Fund

New managers

Gervais Williams
Martin Turner

2012: Start the climb

Deepen client relationships and broaden offering

- Become RDR ready
- Merge unviable funds
- Increase reach into IFAs and private client brokers
- Build media profile
- Demonstrate effectiveness of sales channel
- Attract new talent
- Risk rate two funds

Fund launches

Miton Global Diversified Income
UK Smaller Companies
Rename/relaunch four funds
Two C share issues for Diverse Income Trust

New managers

Nick Ford
George Godber
Georgina Hamilton

2013 onwards: Foothills and peaks

Build on recent momentum

- Attract new fund managers
- Capitalise on enhanced sales and marketing
- Develop AIFM offering and seek new investment trust mandates
- Develop product offering
- Complementary business or AuM acquisitions
- Implement new operational and governance structure

Fund launches/acquisitions

US Opportunities
UK Value Opportunities
PSigma Income

New managers

Hugh Grieves
Bill Mott
Eric Moore

Questions and Answers

"The Group has benefited significantly from the successful integration of the PSigma acquisition. We have also made substantial progress upgrading our operational processes comparable to those of the very best in the industry. Naturally all this has involved additional cost, but even so, overall revenues of the Group grew even faster, and therefore Adjusted Profit rose 20% over the year."

What progress was made in 2013?

Equity markets enjoyed good rises in 2013 and therefore revenues for fund management companies have generally increased. However, in addition to this favourable background, Miton has attracted sizeable inflows to its equity funds during the year. In particular, the Company has made rapid progress in gaining client recognition for our distinctive strategies with the unification of our Midas and Acuim funds under the Miton name. We have also made substantial progress upgrading our operational processes comparable to those of the very best in the industry. Naturally all this has involved additional cost, but even so, overall revenues of the Group grew even faster, and therefore Adjusted Profit rose 20% over the year.

Is the Group vulnerable to margin pressure?

Major regulatory changes within the financial industry are leading to some margin pressure amongst those offering financial advice or dealing services to savers. This pressure is sometimes being passed down the line, with those affected often asking for lower fund management fees to offset their lower revenues. Some commoditised funds with few distinctive features are now starting to reduce their fees.

We see it as really important that we ensure our fund managers remain fully supported, especially at times when markets are weak, so our clients' capital retains its full potential to deliver premium returns. If we are to resist the industry margin pressure that might end up constraining our stock picking ability, it is really important that the highly distinctive nature of Miton's fund strategies is well understood by clients. In this regard it is something of an advantage that Miton has a limited range of fund strategies.

How sensitive are the Group's earnings to equity market movements?

Typically changes in equity markets are reflected in changes in fund management revenues, since most fees are calculated as a percentage of AuM. However, around a third of our total Assets under Management consist of financial assets other than equities, and tend to be much more stable than stock markets. Over the last year, when equity markets were rising sharply, these revenues have not appreciated as much as the general equity market.

We anticipate the same effect may be seen in reverse should equity markets suffer a significant setback. In addition, although the AuM in our pure equity funds are very likely to reflect any market setback, we are hopeful that our strategies will remain attractive to our client base especially at times of more challenging markets. In that regard we believe we would be able to outline good reasons why clients might want to retain their capital with us at such times, and indeed why they may want to take advantage of the market setback to increase their allocation to our strategies.

Overall our revenues and thus our profitability are sensitive to the movement of equity markets, but we believe our business is rather less sensitive than some other fund management groups to the direction of equity markets. Note 17 on page 55 explains that 69% of our aggregated AuM is allocated to equities. If these equities fell by 10% in value our net revenue over a 12 month period would fall by £1.4m.

Why have the cash balances in the Group fallen over the year?

Over the year Miton has been very profitable, and the cash generated over the last 12 months has increased to £5.5m. However, in contrast, the cash balances in the Company ended the year modestly lower than the previous year, at £11.2m. Essentially the cash flow generated during the year was invested in four areas.

First, £3.0m of our cash balances was used to finance the PSigma acquisition (with the initial consideration payable of £5.3m being partially offset by proceeds from the issue of new equity of £2.3m). In addition, £1.6m was invested during the year to buy shares in the Company to hedge the MEI share awards issued to one director and three senior executives. We also paid £1.1m in corporation tax and £0.6m in dividends.

These payments total £6.3m which has resulted in a decrease in cash balances of £0.8m in the year to 31 December 2013.

What are the Group's main objectives for 2014?

Following the unification of all of our funds under the Miton brand, our profile as a business has increased significantly in the last year. Indeed, in some funds such as the CF Miton Multi Cap Income our flows were so large during 2013 that we were obliged to soft close the fund so we could ensure the investment integrity of the portfolio was maintained.

A key priority this year is to build on these foundations and raise the profile of some of our other equity funds. We also plan to be effective at continuing to highlight why we consider that our funds with lesser volatility could be important in the coming years. In this regard we feel that our multi-asset funds could be particularly important to our existing client base. Overall we believe that each has a number of distinctive features that are well placed to deliver for clients beyond the credit boom.

The Alternative Investment Fund Manager (AIFM) changes coming through for investment trust clients also offers opportunity. We believe that these demanding requirements may unsettle the relationship between some boards and their fund managers, and with our distinctive strategies we may be well placed to take on the fund management role.

Finally, our main focus remains on organic growth. We remain alert to the opportunities to grow our business through the recruitment of talented fund managers and by extending the range of our 'Beyond the credit boom' complementary funds.

Board of Directors

Executive Directors serving during 2013 or part of the year:

Ian Dighé, 58

Current role: Executive Chairman since 2011.

Past roles
Director of Manchester & Exchange Investment Bank, McLeod Russell Holdings plc, and Head of Corporate Finance at Singer & Friedlander Ltd. In 2000, he led the management buyout of Singer & Friedlander Corporate Finance, which laid the foundation of the Bridgewell Group Plc, where he remained as Deputy Chairman until its sale in August 2007. He formed Matterley in late 2007, a fund management business whose interests were acquired by Charles Stanley Group Plc in September 2009.

Brings to the Board
In excess of 25 years of market experience in the financial services industry and public markets. Drive and vision required to build businesses.

Other commitments
Non-executive director of Strategic Equity Capital plc and a director of various private companies and charitable trusts.

Gervais Williams, 55

Current role: Managing Director since 2011 and Fund Manager of the Diverse Income Trust plc, CF Miton UK Multi Cap Income Fund and CF Miton UK Smaller Companies Fund.

Past roles
Five years with Throgmorton Investment Management (later part of the Framlington Group), three years with Thornton Investment Management (part of Dresdner Bank) and 17 years with Gartmore Group Ltd, where he was Head of UK Small Companies investing in UK smaller companies and Irish equities.

Brings to the Board
Gervais has been an equity portfolio manager since 1985. He won Investor of the Year as awarded by Grant Thornton at their Quoted Company Awards in both 2009 and 2010. He has sat on two DTI Committees in the quoted small cap sector. In 2010 he wrote and published 'Slow Finance' setting out his investment philosophy for the post credit crisis world. The Diverse Income Trust plc won the Best New Issue Award at the AIC Awards dinner in December 2013.

Other commitments
A member of the AIM Advisory Council, the Board of the Quoted Companies Alliance.

Martin Gray, 62

Current role: Director since 2010 and lead fund manager of CF Miton Special Situations Fund and CF Miton Strategic Portfolio.

Past roles
Martin began his fund management career in 1979. He established the investment division of a UK authorised company in 1987, becoming a director in 1990. Martin joined Miton Investments as a fund manager and director in 1994 and has been Managing Director of Miton Asset Management Ltd since 1997. He has been responsible for the management of the CF Miton Strategic fund since launch in December 1996 and the CF Mtion Special Situations fund, which launched a year later.

Brings to the Board
Martin has won numerous awards. Martin is an FE Trustnet Alpha Manager for the seventh consecutive year. In 2008 The Daily Telegraph rated Martin as one of its top ten fund managers of the decade.

Robert Clarke, 56

Current role: Group Finance Director since 2011.

Past roles
In the fund management arena Robert was Chief Executive of Witan Investment Trust plc from 2008 to 2010 and was previously with Majedie Investments plc for 12 years, starting as Finance Director before becoming Chief Executive. Since qualifying as a Chartered Accountant in 1981, Robert has also held Finance Director roles with Hoare Govett Securities Ltd and Alwen Hough Johnson Ltd. During 2011 Robert provided consultancy and interim management services to Martin Currie Investment Management Limited.

Brings to the Board
Chartered Accountant with strong financial and operational experience gained through a variety of senior roles in the financial services sector over 28 years. Robert holds a Masters in Finance degree from London Business School.

David Barron, 54

Current role: Director of Investment Trusts and Product Strategy since appointment on 3 September 2013.

Past roles
Has over 30 years of experience in the City, of which 18 have been focused on asset management. Was previously at JP Morgan Asset Management where he became Managing Director, and Head of the Investment Trust business, the largest in the UK. Before joining Fleming Investment Management in 1995, David worked in corporate finance at Hambros Bank and Merrill Lynch & Co.

Brings to the Board
In depth experience of working with the Boards of Investment Trusts and managing a market leading asset management business. He has been a director of the trade body representing investment trusts, the AIC, for ten years. He is a member of the Institute of Chartered Accountants of Scotland.

Other commitments
Senior Independent director of Artemis Alpha Trust plc; Member of the Council of Lancaster University.

Graham Hooper, 54

Current role: Distribution Director since 2011. Resigned as a director on 31 January 2014.

Past roles
Graham established himself through his role as Marketing Director of Chase de Vere over 18 years, culminating in the sale to Bank of Ireland in 2000. Following the acquisition of Holden Meehan by Bradford and Bingley in 2003, he joined the Commercial Board. From 2006 to 2008 Graham was Marketing Director of AWD Group plc. He subsequently set up his own consultancy, working with a number of major financial services organisations including M&G, Standard Life, Chartwell,

Midas Capital Partners, Neptune, HM Treasury's Giving Campaign and the Conservative Party on financial services policy. He was a Non-Executive Director of Liontrust Asset Management plc until 31 March 2011.

Brings to the Board
Graham brings nearly 30 years of financial services industry experience in distribution, sales, marketing and PR. He won IFA of the Year and Best Investment IFA on multiple occasions whilst at Chase de Vere and was the most mentioned press commentator for four consecutive years.

Other commitments
Acting chairman of allmyplans.com.

Non-Executive Directors serving during 2013:

Lord Wade of Chorlton, 81

Current role: Deputy Chairman since 2008 and Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees.

Past roles
Following his appointment to the House of Lords in 1990, Lord Wade sold most of his farming and cheese making interests, the focus of his early career.

Brings to the Board
Wealth of commercial experience extending over 60 years.

Other commitments
Chairman of Rising Stars Growth Fund Limited and Chairman of the International Open Exchange Ltd and of Wild & Son (Mollington) Ltd. Involved in a number of North West initiatives covering innovation and technology. He is a commercial adviser to DWF LLP and Jones Lang Lasalle. He is a member of the House of Lords Science and Technology Select Committee.

Nicholas Hamilton, 64

Current role: Non-Executive Director since 2005, is Senior Independent Director and Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Past roles
Qualified with Deloitte before becoming Head of Corporate Finance at stockbrokers Schroder Securities and subsequently Carr Kitcat & Aitken in 1991. He became a Non-Executive Director of listed Claremont Garments (Holdings) plc, a leading ladieswear supplier to Marks & Spencer where in 1994 he became Executive Group Finance Director. In 1998 he launched his own consultancy business as part of which he is and has been a director of a number of public and private companies.

Brings to the Board
Fellow of the Securities Institute and qualified Chartered Accountant with extensive strategic, commercial and financial experience gained over 40 years.

Other commitments
Working director of Metzger Business Search Limited and director/consultant to a number of ventures covering road safety, product innovation, health and safety and airline medical support.

Katrina Hart, 39

Current role: Non-Executive Director since 2011 and Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

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

Brings to the Board
Fourteen years' experience in the City analysing, advising and commentating on a broad range of businesses operating in the wealth and fund management sectors. During this period, she accumulated an in-depth understanding of the industry dynamics and operational drivers of fund management and worked very closely with some of the most respected companies in the sector.

Other commitments
Non-Executive Director of Polar Capital Global Financials Trust plc

Non-Executive Director appointed after the end of the financial year:

Jim Davies, 67

Current role: Appointed on 24 January 2014 as a Non-Executive Director and will be appointed Senior Independent director following the AGM in May 2014.

Past roles
Was Managing Partner of law firm DWF LLP which he co-founded in 1977. DWF LLP has subsequently grown to be a national practice of 12 offices employing over 2,500 people.

Brings to the Board
Outstanding business development and management skills.

Other commitments
Director of a number of private companies and charities including The Liverpool and Merseyside Theatre Trust Limited; Deputy Lieutenant of Merseyside.

Company Secretary during 2013

Roger Bennett, 51

Current role: Company Secretary since 2007 and responsible for Governance and Compliance Oversight.

Past roles
Qualified as Chartered Accountant with Spicer & Oppenheim. Group Financial Controller of Octavian Group Ltd, a Lloyd's of London underwriting agency. Was Finance Director of Christows Limited, a regulated stockbroker and private client investment and fund management business, from 1995 to 2001. In 2002, he was a founder member and Finance Director of the company that became the parent company of the present Group.

Brings to the Board
Broad based financial services experience gained through working at the client, intermediary and product provider levels.

Directors' Report

The directors present their Report and the audited accounts of Miton Group plc (Registered Number 05160210) for the year ended 31 December 2013.

Introduction

The Directors' Report includes the Corporate Governance Statement (pages 28 to 31) and the Directors' Remuneration Report (pages 32 to 34). A review of the Group's business, including the Chairman's Statement, is contained within the Strategic Report (pages 10 to 20) and should be read in conjunction with the Directors' Report.

Principal activities and review of business

The Group is a fund manager and is listed on the London Stock Exchange's AIM market.

Results and dividends

The profit for the year was £708,000 (2012: £1,066,000) as set out in the Consolidated Statement of Comprehensive Income on page 37. The directors recommend the payment of a final dividend of 0.54p (2012: 0.45p) per share payable on 19 May 2014 to shareholders on the share register as at 1 April 2014.

Directors' interests

The directors' beneficial interests in the Company's ordinary share capital are as follows:

	31 December 2013	31 December 2012
Ian Dighé	**909,091**	909,091
David Barron	**–**	–
Robert Clarke	**261,011**	261,011
Martin Gray*	**1,945,238**	1,945,238
Graham Hooper (resigned 31 January 2014)	**1,142,231**	1,142,231
Gervais Williams	**8,787,879**	8,787,879
Nicholas Hamilton	**–**	–
Jim Davies (appointed 24 January 2014)	**205,278**	205,278
Katrina Hart	**80,416**	80,416
Lord Wade	**891,386**	891,386

* Prior to the year end Martin Gray exercised options over 1,150,000 ordinary shares in the Company using the Group's cashless exercise mechanism whereby 760,000 ordinary shares were sold in the market in January 2014 settlement of the subscription costs and taxation arising on the profit on exercise of the options. Following the completion of the disposal of the above shares in 2014, Martin Gray holds 2,335,238 shares in the Company.

The total number of shares held by directors, excluding equity incentives, is 8.78% of the Company's issued ordinary share capital. Details of the directors' options to subscribe for shares in the Company are disclosed in the Directors' Remuneration Report.

Substantial interests

As at 19 March 2014, the Company had received notification of the following substantial interests in the Company's ordinary share capital:

Shareholder	Ordinary 0.1p shares	%
MAM Funds plc Employee Benefit Trust*	19,080,572	11.63
Ruffer LLP	15,443,755	9.41
AXA Investment Managers	12,462,413	7.59
Black Rock Investment Management	10,037,554	6.12
Gervais Williams (Director)	8,787,879	5.36
SFM UK Management	6,158,572	3.75
Fiske & Co	6,087,691	3.71
Goodbody	5,335,464	3.25
F&C Management	4,933,402	3.01

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

Qualifying third party indemnity provisions

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

Auditors

A resolution will be proposed at the Annual General Meeting for shareholders to reappoint EY as Auditors of the Company.

Disclosure of information to 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 its 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 he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the Auditors are aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

At the Annual General Meeting to be held on 14 May 2014, the directors will seek shareholder approval for the resolutions referred to below. The directors believe that the passing of these proposed resolutions is in the best interests of the Company and its shareholders as a whole and recommend that shareholders give them support by voting in favour of the resolutions, as they intend to do themselves in respect of their own beneficial holdings.

Re-election of Directors

Ian Dighé, Gervais Williams, Martin Gray, Nicholas Hamilton and Katrina Hart have been directors since re-election at the 2011 Annual General Meeting. In accordance with the Company's Articles of Association and best practice, they will be retiring as directors at the meeting and offering themselves for re-election. Nicholas Hamilton, the Senior Independent Director and Chairman of the Audit Committee, will be standing down at the AGM and offering himself for re-election as a director but intends to resign as a director in November after his 65th birthday. Both David Barron and Jim Davies have been appointed as directors during the period since the 2013 Annual General Meeting and in accordance with the Company's Articles of Association and best practice, they will be retiring as directors at the meeting and offering themselves for re-election. The biographies of all the directors offering themselves for re-election are set out on pages 24 and 25 of the Annual Report.

Other business will be as follows:

- The receipt and adoption of the annual report and accounts.
- The reappointment of EY as Auditors.
- Authority for the directors to agree the Auditors' remuneration.
- Authority for the directors to pay a dividend of 0.54p per Ordinary 0.1p share in the Company.
- Authority for the directors to allot ordinary shares up to an aggregate nominal amount of £54,691, being approximately one-third of the issued ordinary share capital of the Company, without having to obtain prior approval from shareholders on each occasion.
- Authority for the directors to allot ordinary shares up to an aggregate nominal amount of £54,691, being approximately one-third of the issued ordinary share capital of the Company, via a validly declared rights issue.
- Authority for the directors to make market purchases of the Company's shares up to an aggregate nominal amount of £8,205, being approximately 5% of the issued ordinary share capital of the Company.
- Authority to allot shares for cash as if pre-emption rights did not exist for shareholders under Section 570 of the Companies Act 2006. The general disapplication in respect of equity securities being issued for cash otherwise than to existing shareholders in proportion to their existing shareholdings is limited to a nominal value of £8,205, being equal to 5% of the total issued ordinary share capital, without first being required to offer such shares to existing shareholders and the disapplication will last until 14 August 2015.
- Approval of the Directors' Remuneration Report set out on pages 32 to 34. No entitlement of any director to remuneration is conditional on the resolution being passed.

By order of the Board

Roger Bennett
Company Secretary
21 March 2014

Corporate Governance Statement

Compliance with the UK Corporate Governance Code

Being AIM listed, the Group is exempt from the provisions of the UK Corporate Governance Code (the Code). In recent years it has been the policy of the Board to comply voluntarily with the Code's main provisions in so far as possible and appropriate to the Group's size. The Company acknowledges the introduction of the recently implemented changes to the Code. Although the Company is not required to comply, over the next year the Board will assess emerging best practice for AIM listed companies and decide to what extent to implement changes in next year's Annual Report.

Board composition

On 3 September 2013 David Barron was appointed to the Board. Subsequent to the year end Graham Hooper stood down as an Executive Director on 31 January 2014. From his appointment on 15 February 2011 Ian Dighé has chaired the Board in his capacity as Executive Chairman and acted as Chief Executive. At the end of the year the Board comprised six executive directors and three independent non-executive directors as set out on pages 24 and 25. Nicholas Hamilton continued as Chairman of the Audit Committee and Senior Independent director. Jim Davies joined the Group as a non-executive director on 24 January 2014.

The composition of the Audit, Remuneration and Nomination Committees is set out below.

Board responsibilities and operation

The Board meets at least six times a year. The Board deals with all aspects of the Company's affairs including setting and monitoring strategy, reviewing performance, ensuring adequate financial resources are in place and reporting to shareholders. The Board reserves these and other specific matters for its own decision. Operational decisions are delegated to the executive directors and the senior management team. Members of the Board are supplied in a timely manner with information in a form and of a quality to enable them to make informed decisions. The Company's directors are required to stand for re-election every three years.

New directors are provided with all relevant information regarding the Group's operations, are given the opportunity to meet with key executives prior to appointment and offered formal training if required. Directors are generally provided with training on specific technical issues as appropriate.

Board and Committee attendance

The following table summarises the attendance of directors at Board meetings during the year. Minutes are circulated as soon as possible after the meetings.

	Scheduled Board	Remuneration Committee	Audit Committee	Nomination Committee
Ian Dighé	7/7	–	–	–
Robert Clarke	7/7	–	–	–
Martin Gray	7/7	–	–	–
Graham Hooper	6/7	–	–	–
Gervais Williams	6/7	–	–	–
David Barron	3/3	–	–	–
Nicholas Hamilton	7/7	6/6	3/3	1/1
Katrina Hart	6/7	6/6	2/3	0/1
Lord Wade	7/7	6/6	3/3	1/1

Audit Committee

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

The Audit Committee also plays an important part in regularly considering the Group's risk profile and any significant matters arising from the Risk Committee. It regularly reviews the Group's systems of internal control which are described below.

The Group's Auditors may provide non-audit services, primarily in the area of taxation advice. Each assignment is reviewed and costed in isolation and the directors do not therefore believe the Auditors' independence is compromised.

Remuneration Committee

The Group's Remuneration Committee is chaired by Katrina Hart and comprises the non-executive directors. The executive directors make recommendations to the Committee for its consideration, following which the Committee recommends to the full Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Board itself determines the remuneration of the non-executive directors. Further details of the Company's policies on remuneration and service contracts are given in the Directors' Remuneration Report on pages 32 to 34. The terms of reference of the Remuneration Committee are published on the Group's website.

Nomination Committee

For director appointments a Nomination Committee, chaired by Lord Wade of Chorlton and comprising the non-executive directors, is formed to make recommendations to the Board. Once a shortlist has been established by the Committee, the Board meets candidates to assess their suitability.

Risk Management and Internal Control

The directors acknowledge that they are responsible for the Group's system of internal control and for reviewing its effectiveness. This review process is regularly updated and reviewed by the full Board. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

In accordance with the guidance of the Turnbull Committee on internal control, the Risk Management and Operational Committees identify, evaluate and manage the significant risks faced by the Group. The Committee members include the required level of seniority for the adequate assessment of roles.

The Group's operational risk management process and internal control procedures include the following:

- Management structure: Authority to operate the business is delegated to the executive directors who report to the Board as a whole. The appointment of executives to the most senior positions within the Group requires the approval of the Board. Functional, operating and financial reporting standards are established across the Group as a whole to establish common authorisation levels, control procedures and Group accounting policies.
- New regulations and guidelines: These are noted and incorporated within the Group's overall compliance procedures.
- Identification and evaluation of business risks: The major financial, commercial, legal, regulatory and operating risks within the Group are identified through reporting procedures. The Risk Management Committee evaluates these risks to ensure that they are being effectively managed and appropriately mitigated. Its findings are regularly reported to and reviewed by the Board.
- Information and financial reporting system: The Group's comprehensive planning and financial reporting procedures include detailed operational budgets for the year ahead and a three-year rolling business plan. The Board reviews and approves these budgets and plans on an annual basis. Performance is monitored against these plans and relevant action is taken through the monthly reporting of key performance indicators and updated forecasts for the year.
- Investment performance: The Group's only activity is fund management and the Board reviews performance against appropriate risk related parameters for all of the collective investment funds managed by the Group.
- Capital project appraisal: For capital expenditure beyond items included within the annual budgets, detailed written proposals are submitted to the Board. Reviews are carried out during the capital project to monitor expenditure and any cost overruns are investigated.
- Compliance with regulations: The Compliance department undertakes reviews and makes recommendations to the Board with regard to controls in the course of its duties to assess and monitor compliance with regulations set by the Group's regulators.

The key processes used by the Board to review the effectiveness of the systems of internal control include the following:

- Review by the Audit Committee of the Group's systems of internal control;
- Review of the Group's risk assessment and Internal Capital Adequacy Assessment Process (ICAAP) report;
- Review of detailed management information, which is prepared on a monthly basis;
- The Chairman holds regular meetings with all key operating department heads and the executive directors to discuss operational issues;
- A compliance monitoring team undertakes reviews of detailed control processes on a regular basis and reports to the Board on the outcome of such reviews;
- Insurance is important in managing risks across the Group. The Board is informed of insurance renewal terms and any outstanding claims; and
- The Senior Executive Committee team meets monthly to consider operational matters and business development issues.

Corporate Governance Statement continued

Enhancements to the risk governance framework in 2014

In January 2014 the Board approved changes to the roles and responsibilities arising from an enhanced corporate governance structure which will come into effect over the coming months. These changes include the creation of new reporting committees for the Group. A summary of the new reporting structure is detailed below. It is anticipated that the new reporting environment will be fully implemented by 30 June 2014.

Executive decisions for the Group are undertaken by the Board. In addition, as the ultimate reporting authority for the business, the Board has responsibility for oversight of all aspects of risk and retains ultimate responsibility for implementing the control environment for the Group.

To enable the Group to operate efficiently, the Board has nominated the **Risk Management Committee (RMC)** to measure and monitor the risk associated with all funds and segregated mandates that are managed by the Group. The Senior Executive Committee will receive risk reports from the RMC to enable it to make informed decisions on risk exposures within portfolios.

The **Senior Executive Committee (SEC**) is responsible for ensuring that the RMC has the adequate skills and experience to measure and monitor the risks within investment portfolios and that they are functionally and hierarchically independent from the fund managers for each mandate. The frequency of such evaluations is determined using a risk-based approach.

The SEC is responsible for managing the business operations and risk profile of the Group. The Committee oversees projects and other change initiatives within the Group to ensure effective execution of the Group's strategy considering the overall risk to the business of the project/change programme.

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

Other governance functions with risk management responsibilities include:

The **Remuneration Committee** is responsible for ensuring the remuneration policies do not bring about dysfunctional returns and considers matters/issues such as compliance, prevention of loss (as well as securing profit) and long-term performance when setting the methodology for calculating bonus payments. For further details see the Remuneration Committee section above and the Directors' Remuneration Report on page 32.

The **Audit Committee** is responsible for ensuring that the financial statements presented by the Group to its shareholders conform with all legal requirements and that the Group's systems of financial and internal controls are adequate and kept under review. For further details see the Audit Committee section above.

The **Operations Committee** is responsible for:

- overseeing and resolving issues relating to all aspects of the Group's operations, by providing a forum for monthly communication between senior managers;
- approving and monitoring small-scale projects of an operational nature;
- ensuring that Treating Customers Fairly (TCF) is embedded across the Group's business operations;
- ensuring the business is fully compliant at all times with the FCA regulations and requirements;
- ensuring organisation-wide co-ordination, prioritisation and dissemination of risk management in order to obtain maximum risk reduction from available resources.

The **Product Strategy Committee** is responsible for ensuring the Group's product offering remains competitive and keeps pace with customer demands and requirements. The Committee will manage and oversee proposed product launches, new business areas, product positioning, capacity management and closures to ensure effective execution and management of any associated business risks.

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

Compliance is the responsibility of the Compliance Officer to independently monitor and evaluate the controls within the risk function and report findings to the Board.

Dialogue with shareholders

The directors are available to enter into dialogue with shareholders to develop an understanding of their views. Meetings are held with major shareholders after the announcement of both the full year and half year results and at other appropriate times during the year. The non-executive directors are informed of any significant issues raised. Shareholders have the opportunity to attend and vote at the Annual General Meeting, during which the Board is available to discuss issues affecting the Group.

Board evaluation

The Board's evaluation process has been strengthened in the period covered by this report. With the assistance of an external facilitator, the Board completed an appraisal of its performance and that of individual directors during the year. The output from the review process has been considered by the Board. Actions have been taken to develop the Board's effectiveness and to ensure that the Board has the correct balance of skills and experience.

Going concern

The Business Review sets out the Group's business activities, financial position and factors likely to affect its future development, performance and position. Additionally, it lays out the Group's objectives, policies and processes for managing the relevant key risks.

The Group has sufficient financial resources and contracts with a number of customers and suppliers such that the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Preparation of accounts

The directors are responsible for preparing the Group's accounts for presentation to shareholders. Details of the responsibilities of the directors are set out within their statement on page 35.

Internal Audit

The Group has a strongly developed system of internal control. In addition, four subsidiaries are regulated by the FCA and, as a result, are subject to an ongoing monitoring process carried out by the Group's Compliance department and Risk Management Committee. Accordingly, the directors do not believe that there is currently a need for an Internal Audit function over and above the existing compliance regime. This position will continue to be reviewed at least annually.

By order of the Board

Ian Dighé
Executive Chairman
21 March 2014

Directors' Remuneration Report

Committee constitution

The members of the Remuneration Committee at the year end were Katrina Hart (Chairman), Nicholas Hamilton and Lord Wade. Each member of the Committee is a non-executive director who exercises independent judgement and has no conflict of interest. The Committee reviews matters of remuneration policy for executive directors of the company and other senior staff.

Remuneration policy

Miton Group plc seeks to recruit, motivate and retain suitable directors and senior executives. To achieve this, the Remuneration Committee aims to provide a competitive package of incentives and rewards. The objective is to align personal reward with enhanced shareholder value over both the short and long term. Remuneration includes basic salary and discretionary bonus, together with equity incentive plans, such as the Management Equity Incentive (MEI) and the Management Incentive Plan (MIP).

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

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

Share schemes and bonuses

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

The Remuneration Committee reviewed the bonus structure operating throughout the Group for the 2013 financial year and was satisfied the prevailing arrangements delivered sufficient incentive to senior managers, whilst balancing the requirements of shareholders and other stakeholders. The Committee has borne in mind the following key principles to ensure that as far as possible remuneration and incentive arrangements:

- are in keeping with evolving best practice on executive pay;
- are transparent and fit for disclosure;
- are meaningfully linked to the key drivers of value in the business;
- help to limit the Company's fixed cost base thereby de-risking earnings;
- do not encourage excessive risk taking;
- focus on longer term, consistent performance; and
- reflect the macroeconomic environment and Miton's performance in relation to that of its peer group.

During 2013 all staff were appraised against pre-agreed performance criteria relevant to their role. The outcome of the appraisal process determined the allocation of an annual bonus pot calculated as 15% of Adjusted Profit before tax and bonus.

Management Equity Incentive (MEI)

On 26 November 2013 the Group granted David Barron an equity incentive over 2,000,000 ordinary shares of 0.1 pence per share issued as set out below:

- 750,000 shares have a strike price of 50.325 pence per share and will vest at any time during the period commencing on the date on which the Group publishes its preliminary results for the year ending 31 December 2016 and ending on the date 40 days after the date on which the Group publishes its preliminary results for the year ending 31 December 2020; and
- 1,250,000 shares have a strike price of 57.1875 pence per share and will vest at any time during the period commencing on the date on which the Group publishes its preliminary results for the year ending 31 December 2017 and ending on the date 40 days after the date on which the Group publishes its preliminary results for the year ending 31 December 2020.

The equity incentives are subject to certain good leaver/bad leaver provisions. Shares were subsequently purchased in the market to hedge this award and are held by an employee benefit trust pursuant to the vesting conditions. The closing middle market price on 26 November 2013, being the last day prior to the announcement of the proposals, was 47.7 pence per ordinary share.

Equity incentives over a further 1,963,000 shares were awarded to other senior executives during the year.

Management Incentive Plan (MIP)

Following shareholder approval in 2009, the Board adopted the Remuneration Committee's proposition for a new divisional performance based MIP. The MIP is designed to incentivise executive directors and senior managers of the business. The aggregate of all MIP awards in issue must not exceed options over 10.2m 0.1p ordinary shares. During 2013, awards were made over 750,000 (2012: Nil) options to subscribe for 0.1p ordinary shares. Of these awards, no options (2012: Nil) were allocated to executive directors in the year. Options under the MIP held by executive directors at the end of the period were as detailed below:

		Management Incentive Plan	
	Exercise price	**2013 Options over 0.1p ordinary shares**	2012 Options over 0.1p ordinary shares
Martin Gray	0.1p	**–**	550,000
	10.0p	**–**	600,000
	25.0p	**1,000,000**	1,000,000

Directors' interests in options

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

Growth Share Plan

At a General Meeting on 15 November 2013 shareholders approved the introduction of the Miton Group plc Growth Share Plan (the Plan) as a retention and incentive plan for fund managers. The Plan allows successful participants to share in the growth of the relevant profit and assets under management for which they are responsible. The mechanism by which this is achieved is through the allocation of growth shares issued by Miton Group Service Company Limited, a wholly owned subsidiary of the Company. Participants may realise value from the growth shares after a minimum vesting period by transferring them to the Company in exchange for ordinary shares in the Company. The value of a growth share will be calculated according to a specific formula based on the growth in the profit and AuM of the relevant Fund Management Unit from the date of allocation. Details were set out in a circular to shareholders dated 22 October 2013, which is available from the shareholder communications section of our website.

(1) It is a long-term retention and incentive arrangement. Participants may not realise any value from the Plan until a minimum of four years after the allocation of growth shares (taking into account a 12 month lock-in period) and up to a maximum of 15 years.

(2) Participants will only receive any benefit from the Plan once the AuM and profit for which they are responsible have grown in value. Furthermore, an exchange of growth shares into shares can only take place once the relevant Fund Management Unit has become profitable.

(3) The Plan should not result in a significant charge to the Statement of Comprehensive Income of the Company; nor should it involve cash payments being made to participants.

(4) The issue of shares under the Plan is limited to 20% of the Company's issued share capital, calculated as at the date of approval of the Plan. In normal circumstances it is expected that the total number of shares issued in connection with the Plan should be significantly lower.

Subsequent to the year end, on 14 January 2014 120 Class B growth shares in Miton Group Service Company Limited were issued to Gervais Williams, a director. A further 780 growth shares in Miton Group Service Company Limited were issued to other fund managers in the Group.

External directorships

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

Directors' Remuneration Report continued

Emoluments by individual director

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

	Fees and salary £000	Bonus £000	Pension £000	**2013 Total £000**	2012 Total £000
Executive directors					
Ian Dighé	150	29	15	**194**	185
Gervais Williams	150	32	15	**197**	185
Graham Hooper	150	–	15	**165**	185
Robert Clarke	150	23	15	**188**	185
Martin Gray	150	100	15	**265**	311
David Barron	50	11	5	**66**	–
Non-executive directors					
Lord Wade	35	–	–	**35**	35
Nicholas Hamilton	42	–	–	**42**	42
Katrina Hart	40	–	–	**40**	40
Total	917	195	80	**1,192**	1,168

Service contracts

The service contracts and letters of appointment of the directors as at 31 December 2013 include the following terms:

	Date of current contract	Notice period (months)
Executive directors		
Martin Gray	23 October 2007	6
Gervais Williams	14 February 2011	12
Ian Dighé	15 February 2011	12
Graham Hooper (resigned as a director on 31 January 2014)	1 March 2011	12
Robert Clarke	5 December 2011	12
David Barron	3 September 2013	12
Non-executive directors		
Nicholas Hamilton	20 July 2005	See below
Lord Wade of Chorlton	7 March 2008	3
Katrina Hart	23 February 2011	3
Jim Davies (appointed 24 January 2014)	24 January 2014	3

The letter of appointment for Nicholas Hamilton does not contain any specific termination provisions over and above those set out in the Companies Act 2006.

Katrina Hart
Chairman, Remuneration Committee
21 March 2014

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

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

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

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

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

Independent Auditors' Report to the members of Miton Group plc

We have audited the financial statements of Miton Group plc for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent company financial statements of Miton Group plc for the year ended 31 December 2013.

Amarjit Singh
(Senior statutory auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor – London
21 March 2014

Notes:
1. The maintenance and integrity of the Miton Group plc website (www.mitongroup.com) is the responsibility of the directors. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Revenue		**27,999**	22,333
Fees and commission expenses		**(13,040)**	(10,751)
Net revenue		**14,959**	11,582
Administration expenses		**(9,594)**	(7,014)
Share-based payment	20	**(683)**	(712)
Amortisation of intangible assets	8	**(2,974)**	(2,974)
Exceptional operating expense	3c	**(1,051)**	–
Operating profit	3a	**657**	882
Finance revenue		**44**	31
Profit for the year before taxation		**701**	913
Taxation	6	**7**	153
Profit for the year after taxation and Profit for the year attributable to equity holders of the parent		**708**	1,066
		pence	pence
Basic Earnings per share	7a	**0.51**	0.80

No other comprehensive income was recognised during 2013 or 2012; therefore, profit for the year is also the total comprehensive income.

The notes on pages 41 to 62 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Share Capital £000	Share Premium £000	MEI Treasury Shares £000	Capital Redemption Reserve £000	Creditors Reserve £000	Retained Earnings £000	Total £000
At 1 January 2012	147	24,280	(4,296)	11,562	367	23,235	55,295
Profit for the year	–	–	–	–	–	1,066	1,066
Shares purchased for Management Equity Incentive (MEI)	–	–	(398)	–	–	–	(398)
Shares issued on exercise of options	1	314	–	–	–	(248)	67
Share-based payments	–	–	–	–	–	712	712
Deferred tax direct to equity	–	–	–	–	–	81	81
Transfer from Creditors Reserve	–	–	–	–	(367)	367	–
Dividends	–	–	–	–	–	(535)	(535)
At 1 January 2013	**148**	**24,594**	**(4,694)**	**11,562**	**–**	**24,678**	**56,288**
Profit for the year	–	–	–	–	–	708	708
Shares purchased for Management Equity Incentive (MEI)	–	–	(1,600)	–	–	–	(1,600)
Shares issued on placing	7	2,308	–	–	–	–	2,315
Shares issued on acquisition of PSigma Asset Management Holdings Ltd	5	1,495	–	–	–	–	1,500
Shares issued on exercise of options	4	1,325	–	–	–	(1,059)	270
Share-based payments	–	–	–	–	–	683	683
Deferred tax direct to equity	–	–	–	–	–	565	565
Transfer to Creditors Reserve	–	–	–	–	3,799	(3,799)	–
Capital Reduction (see note 21)	–	(29,722)	–	(11,562)	–	41,284	–
Dividends	–	–	–	–	–	(596)	(596)
At 31 December 2013	**164**	**–**	**(6,294)**	**–**	**3,799**	**62,464**	**60,133**

Further information relating to Reserves is shown in note 21 to the financial statements.

The notes on pages 41 to 62 form part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Goodwill	8	**46,996**	34,544
Intangible assets	8	**10,111**	13,068
Property and equipment	11	**253**	94
		57,360	47,706
Current assets			
Trade and other receivables	13	**3,646**	1,638
Cash and cash equivalents	14	**11,211**	11,951
		14,857	13,589
Total assets		**72,217**	61,295
Current liabilities			
Trade and other payables	15	**6,414**	1,670
Income tax payable		**418**	638
Provisions	16	**518**	230
		7,350	2,538
Non-current liabilities			
Other payables	9	**3,750**	–
Deferred tax liabilities	6e	**984**	2,469
		4,734	2,469
Total liabilities		**12,084**	5,007
Net assets		**60,133**	56,288
Equity			
Share capital	18	**164**	148
Share premium	21	**–**	24,594
Treasury shares	18a	**(6,294)**	(4,694)
Capital redemption reserve	21	**–**	11,562
Creditors reserve	21	**3,799**	–
Retained earnings		**62,464**	24,678
Total equity shareholders' funds		**60,133**	56,288

Ian Dighé
Executive Chairman
21 March 2014

The notes on pages 41 to 62 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Operating activities			
Profit for the year		**708**	1,066
Adjustments to reconcile profit to net cash flow from operating activities:			
Tax on continuing operations	6a	**(7)**	(153)
Net finance revenue		**(44)**	(31)
Depreciation	11	**74**	78
Amortisation of intangible assets	8	**2,974**	2,974
Share-based payment	20a	**683**	712
Decrease in trade and other receivables		**1,696**	38
(Decrease)/increase in trade and other payables		**(915)**	26
Increase/(decrease) in provisions	16	**288**	(1,119)
Cash generated from operations		**5,457**	3,591
Income tax paid		**(1,131)**	(695)
Net cash flow from operating activities		**4,326**	2,896
Investing activities:			
Interest received		**44**	31
Purchase of property and equipment	11	**(233)**	(24)
Acquisition of PSigma Asset Management Holdings Limited	9	**(5,250)**	–
Purchase of intangible assets	8	**(17)**	–
Net cash flow from investing activities		**(5,456)**	7
Financing activities:			
Purchase of treasury shares		**(1,600)**	(425)
Proceeds from shares issued		**2,586**	67
Dividends paid	19	**(596)**	(535)
Net cash flow from financing activities		**390**	(893)
(Decrease)/increase in cash and cash equivalents		**(740)**	2,010
Cash and cash equivalents at the beginning of the year		**11,951**	9,941
Cash and cash equivalents at the end of the year	14	**11,211**	11,951

The notes on pages 41 to 62 form part of these financial statements.

Notes to the Consolidated Financial Statements

At 31 December 2013

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 2013 were authorised for issue by the Board of directors on 21 March 2014 and the balance sheet was signed on the Board's behalf by Ian Dighé. Miton Group plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2013.

2. Accounting policies

Basis of preparation

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

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

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2013, and are consistent with those of the previous financial year.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Miton Group plc and its subsidiaries as at 31 December.

All intra-Group balances and transactions, income and expenses, and profits and losses from intra-Group transactions are eliminated in full.

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

Functional currency

The functional and presentation currency of Miton Group plc and its subsidiaries is the pound sterling (£) except for Miton (Hong Kong) Limited, whose functional and presentation currency is the Hong Kong dollar.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, is stated net of value added tax and is earned within the United Kingdom and Hong Kong.

Notes to the Consolidated Financial Statements continued

At 31 December 2013

2. Accounting policies continued

Fund management

Fund management revenue represents management and advisory fees for the provision of fund management and investment management services. The following specific recognition criteria have been adopted:

(1) Commission and fees

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

(2) Performance fees

Performance fees are recognised on the date of entitlement in accordance with the management contract.

Segmental reporting

The Group has one revenue stream, fund management fees, which are derived almost entirely from Europe.

Interest income

Interest income represents bank interest receivable on the Group's cash balances and is recognised as it is earned over the term of the deposit.

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill is allocated to the related cash-generating unit monitored by management, usually at operating segment level. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Statement of Comprehensive Income. The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or an operation within it.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those identified in a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Intangibles 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 — 8 to 10 years
- Acquired software — 3 to 4 years

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

Property and equipment

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

- Land and buildings — lower of life of lease or 4 years
- Furniture and equipment — 3 to 5 years

2. Accounting policies continued

Impairment of assets

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

Financial assets

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

(i) Trade and other receivables

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

(ii) Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Provisions

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

Pension schemes

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

Income taxes

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

At 31 December 2013

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 and rentals payable by the lessee are charged in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the balance sheet date and differences are taken to the Statement of Comprehensive Income.

The assets and liabilities of foreign operations are translated into sterling at the exchange rate ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are recognised in the Statement of Comprehensive Income.

Exceptional items

The Group presents as exceptional items on the face of the 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 payment

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

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

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's 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, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the Statement of Comprehensive Income, with a corresponding entry in equity.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the 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 Statement of Comprehensive Income.

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

2. Accounting policies continued

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Derecognition

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

Standards effective this year

IFRS 13 Fair Value Measurement came into effect for accounting periods beginning on or after 1 January 2013. This standard has not had a significant impact on the Group's financial statements but certain disclosures have been updated.

Standards issued but not yet effective

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

		Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014

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

Judgements and key sources of estimation and uncertainty

The preparation of financial statements requires management 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, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Notes to the Consolidated Financial Statements continued

At 31 December 2013

2. Accounting policies continued

(i) Impairment of non-financial assets

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

The Group's impairment test for goodwill and 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 being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash-generating unit, including a sensitivity analysis, are further explained in note 10.

(ii) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management is 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 20.

3. Group operating profit

(a) Operating profit from continuing operations is stated after charging:

	Notes	2013 £000	2012 £000
Auditors' remuneration	3(b)	**175**	144
Staff costs	5	**6,664**	5,185
Operating lease rentals – land and buildings		**136**	106
Depreciation	11	**74**	78
Amortisation	8	**2,974**	2,974
Exceptional operating expenses	3(c)	**1,051**	–

(b) Auditors' remuneration

The remuneration of the Auditors is analysed as follows:

		2013 £000	2012 £000
Audit of the consolidated financial statements		**65**	57
Audit of company's subsidiaries pursuant to legislation		**60**	27
Other fees to Auditors	— taxation compliance services	**25**	25
	— other assurance services	**25**	35
		175	144

(c) Exceptional operating expenses

	2013 £000	2012 £000
Acquisition costs	**619**	–
Group restructuring costs	**432**	–
	1,051	–

Acquisition costs of £619,000 were incurred on the purchase of PSigma Asset Management Holdings Limited.

Restructuring costs include £402,000 of redundancy costs and £30,000 of dilapidation costs relating to changes to office accommodation in Reading; of these £120,000 were paid during the year.

4. Directors' Emoluments

	2013 £000	2012 £000
Aggregate emoluments	**1,192**	1,168

Directors are able to participate in the Group's money purchase pension schemes on a salary sacrifice basis. Full details of directors' emoluments are given within the Directors' Remuneration Report.

5. Staff numbers and costs

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

	2013 No.	2012 No.
Fund management	**40**	30
Board and central services	**11**	11
	51	41

The aggregate payroll costs were as follows:

	2013 £000	2012 £000
Basic salaries	**4,339**	3,080
Performance related cash payments	**828**	797
Share-based payments	**683**	712
	5,850	4,589
Social security	**524**	413
Pensions	**290**	183
	6,664	5,185

6. Taxation

(a) Tax on ordinary activities

	2013 £000	2012 £000
Tax credited in the Consolidated Statement of Comprehensive Income		
Current income tax		
UK corporation tax	**869**	1,117
Tax under/(over) provided in previous years	**40**	(169)
Total current income tax	**909**	948
Deferred tax		
Origination and reversal of temporary differences	**(703)**	(850)
Impact of changes in tax laws and rates	**(213)**	(251)
Total deferred tax	**(916)**	(1,101)
Income tax credit reported in the Consolidated Statement of Comprehensive Income	**(7)**	(153)

Notes to the Consolidated Financial Statements continued

At 31 December 2013

6. Taxation continued

	2013 £000	2012 £000
Tax relating to items charged or credited to equity		
Share-based payment	**565**	81

(b) Reconciliation of the total tax credit

The tax credit in the Statement of Comprehensive Income for the year is lower than the weighted average standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The difference is reconciled below:

	2013 £000	2012 £000
Profit before taxation	**701**	913
Profit multiplied by the weighted average standard rate of Corporation tax in the UK of 23.25% (2012: 24.5%)	**163**	224
Expenses not deductible for tax purposes	**889**	213
Capital allowances shortfall	**–**	(13)
Accelerated capital allowances	**(183)**	–
Tax over/(under) provided in prior years	**40**	(169)
Movement in temporary differences	**(703)**	(157)
Change in tax laws and rates	**(213)**	(251)
Total tax credit (note 6(a))	**(7)**	(153)
Income tax credit reported in the Consolidated Statement of Comprehensive Income	**(7)**	(153)

(c) Unrecognised tax losses

The Group has unrecognised deferred tax assets primarily in respect of losses amounting to £239,000 (2012: £275,000) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, and they have arisen in companies that are currently loss making or dormant.

(d) 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 20. If these options were to be exercised at some point in the future when the market value of the Group's shares exceeds the option price, the difference between the market value and the option price would represent a statutory corporation tax deduction in the tax computation of the Group in the year of exercise.

(e) Deferred tax

The deferred tax liability included in the balance sheet is as follows:

	2013 £000	2012 £000
Deferred tax liability		
Fair value of intangible assets on acquisition	**2,066**	3,008
Accelerated capital allowances	**35**	–
Share-based payment	**(1,117)**	(539)
	984	2,469

6. Taxation continued

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

	2013 £000	2012 £000
Amortisation and impairment of acquired intangible assets	(689)	(726)
Impact of changes in tax laws and rates	(213)	(251)
Accelerated capital allowances	41	–
Share-based payments	(55)	(124)
	(916)	(1,101)

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.

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 any potential dilutive ordinary shares that would be issued on their conversion to ordinary shares during the year. Diluted earnings per share is not materially different from basic earnings per share.

(a) Reported earnings per share

Reported earnings per share has been calculated as follows:

	2013			2012		
	Profit £000	Shares No.	Earnings per share pence	Profit £000	Shares No.	Earnings per share pence
Net profit attributable to ordinary equity shareholders of the parent company for basic and diluted earnings	708			1,066		
Basic	708	139,968,720	0.51	1,066	134,092,866	0.80

(b) Adjusted earnings per share from continuing operations

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:

	2013 £000	2012 £000
Profit before taxation for the year	701	913
Add back:		
Exceptional operating expenses	1,051	–
Amortisation	2,974	2,974
Adjusted Profit	4,726	3,887
Taxation:		
Tax in the Statement of Comprehensive Income	7	153
Tax effect of adjustments	(791)	(729)
Adjusted Profit after tax for the calculation of Adjusted earnings per share	3,942	3,311

Notes to the Consolidated Financial Statements continued

At 31 December 2013

7. Earnings per share continued

Adjusted earnings per share was as follows:

	2013 pence	2012 pence
Basic	**2.82**	2.47

8. Intangible assets

	Intangible assets arising on acquisition £000	Acquired software £000	Subtotal £000	Goodwill £000	Total £000
Cost					
At 1 January 2012	33,183	142	33,325	94,462	127,787
Additions	–	–	–	–	–
At 31 December 2012 and 1 January 2013	33,183	142	33,325	94,462	127,787
Additions	–	17	17	12,452	12,469
At 31 December 2013	**33,183**	**159**	**33,342**	**106,914**	**140,256**
Amortisation and impairment					
At 1 January 2012	17,176	107	17,283	59,918	77,201
Amortisation during the year	2,963	11	2,974	–	2,974
At 31 December 2012 and 1 January 2013	20,139	118	20,257	59,918	80,175
Amortisation during the year	2,963	11	2,974	–	2,974
At 31 December 2013	**23,102**	**129**	**23,231**	**59,918**	**83,149**
Net book value:					
At 31 December 2013	**10,081**	**30**	**10,111**	**46,996**	**57,107**
At 31 December 2012	13,044	24	13,068	34,544	47,612

9. Acquistion of PSigma Asset Management Holdings Limited

On 3 July 2013, Miton Group plc acquired the entire share capital of PSigma Asset Management Holdings Limited ('PSigma') consisting of 6,001 ordinary shares of £1 each and one income share of £1 from Punter Southall Group Limited. PSigma Asset Management Holdings Limited wholly owns two regulated subsidiaries: PSigma Unit Trust Managers Limited and PSigma Asset Management Limited.

The acquisition has strengthened our fund management teams and also brought experienced staff into other areas of the business which has accelerated operational improvements.

The fair value of the consideration payable is detailed below:

	2013 £000
Cash paid on completion	**5,250**
Equity instruments issued (4,388,710 ordinary shares of 0.1 pence) on completion	**1,500**
Deferred contingent consideration: payable in July 2014 and July 2015	**6,250**
Total consideration payable	**13,000**

Share placing

Although the initial cash consideration of £5,250,000 was initially funded from cash balances, a placing of 7,470,000 new ordinary shares was completed at 31 pence on 5 July 2013 to maintain a strong cash position.

Equity instruments issued

The fair value of the ordinary shares issued was based on the placing price of 31 pence per share on 5 July 2013.

9. Acquistion of PSigma Asset Management Holdings Limited continued

Contingent deferred consideration

Deferred consideration will be paid in two tranches and in aggregate will amount to no more than £6,250,000, which reflects management's best estimate of the amount payable at 31 December 2013.

The Tranche 1 deferred consideration payable in July 2014 will be calculated as 0.8333% of PSigma's assets under management in excess of £400,000,000 at 30 June 2014 and is capped at a maximum undiscounted amount of £2,500,000. This deferred consideration will be satisfied by the issue of new ordinary shares, the number of which will be determined with reference to the original placing price of 31 pence per share.

The Tranche 2 deferred consideration payable in July 2015 will be calculated as 1.25% of PSigma's assets under management in excess of £400,000,000 at 30 June 2015 and is capped at a maximum undiscounted amount of £3,750,000. Two-thirds of this consideration will be satisfied in cash with the balance satisfied by the issue of new ordinary shares, the number of which will be determined with reference to the original placing price of 31 pence per share.

At 31 December 2013 PSigma had assets under management of £735,800,000.

Fair value of assets acquired and liabilities acquired	2013 £000
Trade and other receivables	2,649
Cash and cash equivalents	1,051
Trade and other payables	(2,993)
Income tax payable	(159)
Total identifiable net assets	548
Goodwill	12,452
Total	13,000

Goodwill arises due to the expected future cash flows generated from the management of the PSigma funds. This is not available for tax relief.

At 31 December 2013, all gross contractual receivables of £2,649,000 have been settled in full. In the period since acquisition, the PSigma companies have contributed £1,796,000 of net revenue and £703,000 of profit after tax to the Group. It is estimated that this would have increased to £3,921,000 net revenue and £1,995,000 profit after tax had the PSigma companies been acquired by the Group on 1 January 2013.

10. Impairment of intangible assets

The Group has determined that as at 31 December 2013 it had one (2012: one) operating segment or cash-generating unit ('CGU') fund management, for the purpose of assessing the carrying value of goodwill and intangible assets. The carrying value of goodwill acquired through business combinations was £46,995,000 (2012: £34,544,000). The carrying value of intangible assets on acquisition was initially recognised as £33,183,000 using a combination of valuation methodologies including the effective royalty rate for the brand and a multi-period excess earnings approach for customer relationships and management contracts with estimated useful lives of between eight and ten years, of which between three and five years remain outstanding.

In line with IAS 36, Impairment of Assets, a full impairment review was undertaken as at 31 December 2013. 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.

The 2014 budget figures have been extrapolated over an explicit forecast period of five years. 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% (2012: 3%). The Board considers this rate fairly reflects the long-term nature of the business and the fact that there is no reason to believe it will not continue into the long term. To arrive at net present value, cash flows have been discounted using a discount rate of 12% (2012: 12%). The overall value-in-use was greater than the carrying value and hence no impairment charge has been recognised. In the fund management CGU, sensitivity analysis has established that an increase in the discount rate to 16.6% would be required before an impairment of goodwill and other intangibles would need to be considered.

Notes to the Consolidated Financial Statements continued

At 31 December 2013

11. Property and equipment

	Land and buildings £000	Furniture and equipment £000	Total £000
Cost			
At 1 January 2012	105	271	376
Additions	–	40	40
Disposals	(105)	–	(105)
At 31 December 2012	–	311	311
Additions	–	233	233
At 31 December 2013	**–**	**544**	**544**
Depreciation			
At 1 January 2012	56	172	228
Provided during the year	33	45	78
Disposals	(89)	–	(89)
At 31 December 2012	–	217	217
Provided during the year	–	74	74
At 31 December 2013	**–**	**291**	**291**
Net book value:			
At 31 December 2013	**–**	**253**	**253**
At 31 December 2012	–	94	94

12. Investments

Details of Group undertakings

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

Principal Activities	Name of Subsidiary (all 100% holdings)
Direct subsidiaries	
Non-trading or dormant companies	Exeter Asset Management Limited
	Midas ESOP Limited
	Exeter Investment Group ESOP Trustee Limited
	MAMSB Limited
	Miton Investment Company Limited
	Miton Capital Limited
UK registered intermediate holding company	Miton Group Service Company Limited
Indirect subsidiaries	
FCA regulated investment management companies	Miton Asset Management Limited
	Miton Capital Partners Limited
	PSigma Unit Trust Managers Limited
	PSigma Asset Management Limited
Intermediate holding company	PSigma Asset Management Holdings Limited
Hong Kong registered company	Miton (Hong Kong) Limited

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

13. Trade and other receivables

	2013 £000	2012 £000
Trade receivables	**2,453**	1,162
Prepayments	**1,094**	389
Accrued income	**–**	87
Other receivables	**99**	–
	3,646	1,638

14. Cash and short-term deposits

	2013 £000	2012 £000
Cash at bank and in hand	**11,211**	11,951

Within cash at bank is £3,799,000 (2012: £nil) held for the account of creditors to the Company as identified in the 18 December 2013 capital reduction and disclosed in note 21. This amount was held in a separate escrow account.

15. Trade and other payables

	Note	**2013 £000**	2012 £000
Trade payables		**1,012**	98
Other taxation and social security		**528**	168
Accruals		**2,374**	1,404
Contingent consideration	9	**2,500**	–
		6,414	1,670

16. Provisions

	Restructuring £000	Other fund management provisions £000	Total £000
At 1 January 2013	110	120	230
Provided	322	–	322
Utilised	(24)	–	(24)
Released	(10)	–	(10)
At 31 December 2013	**398**	**120**	**518**

Restructuring

The Group made full provision of £322,000 in the 2013 Statement of Comprehensive Income for the redundancy costs for one executive director and dilapidation costs relating to changes to office accommodation in Reading.

The remaining provisions at 31 December 2013 relate to £50,000 of liquidation costs of dormant subsidiaries and £26,000 of indemnity claims which are expected to be settled within the next 12 months.

Other fund management provisions

This provision is in respect of an issue arising within one fund managed by the Group which is expected to be settled in full by 30 June 2014.

Notes to the Consolidated Financial Statements continued

At 31 December 2013

17. 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

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

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

Credit risk

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

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

	2013 £000	2012 £000
Financial assets		
Trade receivables	**2,453**	1,162
Accrued income	**–**	87
Other receivables	**99**	–
Cash and cash equivalents	**11,211**	11,951
	13,763	13,200

17. Financial risk management objectives and policies continued

Fair value measurement

The fair value of financial assets and financial liabilities equates to their carrying value at the current and previous year ends.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets as at 31 December 2012	13,200	–	–	13,200
Financial assets as at 31 December 2013	13,763	–	–	13,763

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
Undiscounted maturity of liabilities	4,850	2,500	3,750	984

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 multi-asset and single strategy equity portfolios. At 31 December 2013 UK and global equities represented about 69% of Group aggregated holdings. Approximately 12% related to cash and currencies and about 8% to bonds. The remainder was invested in property and alternative investments and resources. If the value of the equity component of our aggregated holdings was to reduce by 10% in value, the impact on our net revenue over 12 months would be a reduction of £1.4m.

Foreign exchange risk

At 31 December 2013 the Group held the equivalent of £35,000 of cash denominated in foreign currency and as such is not exposed to significant foreign exchange risk.

Interest rate risk

The Group has no borrowings and accrues interest on cash balances held on short-term deposit with international banks; therefore, the Group is not subject to significant interest rate risk.

Notes to the Consolidated Financial Statements continued

At 31 December 2013

17. Financial risk management objectives and policies continued

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 10 to 20.

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 FCA has granted the Group a waiver from the requirement to meet the minimum capital requirement under the consolidated supervision rules of the CRD thereby requiring the individual regulated entities in the Group to hold sufficient capital at an individual level. The waiver has been in place since February 2008 and was renewed in July 2013, effective until July 2015. At 31 December 2013, there were four active regulated companies in the Group, all of which are registered in the United Kingdom and regulated by the FCA.

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

The primary objective of the Group's capital management is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to provide a suitable base to sustain the future development of the business, while ensuring compliance with regulatory capital requirements. The Group's capital consists of share capital and reserves of £60,133,000.

18. Share capital

	2013 £000	2012 £000
Authorised:		
250,000,000 ordinary shares of 0.1 pence each	**250**	250

Allotted, called up fully paid: No. of shares	**2013 ordinary shares 0.1 pence each No. 000**	2012 ordinary shares 0.1 pence each No. 000
At 1 January	**148,323**	146,808
Issued on placing	**7,470**	–
Issued on acquisition of PSigma Asset Management Holdings Limited	**4,838**	–
Issued on exercise of share options	**3,459**	1,515
At 31 December	**164,090**	148,323

18. Share capital continued

Allotted, called up fully paid: Value of shares	2013 ordinary shares 0.1 pence each No. 000	2012 ordinary shares 0.1 pence each No. 000
At 1 January	**148**	147
Issued on placing	**8**	–
Issued on acquisition of PSigma Asset Management Holdings Limited	**5**	–
Issued on exercise of share options	**3**	1
At 31 December	**164**	148

The Group's employee benefit trust held 19,080,572 (2012: 15,117,572) of the shares listed above.

Share placing and acquisition of PSigma Asset Management Holdings Limited

On 5 July 2013, the Group issued 4,838,710 initial consideration shares and 7,470,000 placing shares both at 31p in order to part-fund the acquisition.

a) Management Equity Incentive (MEI)

In 2013, David Barron was granted equity incentives over 2,000,000 shares and together with equity incentives over 1,963,000 shares granted to other senior executives, a total of 3,963,000 (2012: 2,000,000) shares were purchased in the market during the year. A total of 19,080,572 shares are held by an employee benefit trust pursuant to the vesting conditions outlined in the Directors' Remuneration Report on page 32. The fair value of the shares at issue and purchase of £6,294,000 (equating to 33 pence per share) has been disclosed as treasury shares in the Consolidated Statement of Changes in Equity and the Consolidated Balance Sheet.

19. Dividends paid and proposed

Dividends on ordinary shares declared and paid during the year

	2013 £000	2012 £000
Final dividend for 2012 — 0.45p per share (2011: 0.40p)	**596**	535

Dividend on ordinary shares proposed for approval by shareholders (not recognised as a liability at 31 December 2013).

	2013 £000	2012 £000
Final dividend for 2013 — 0.54p per share (2012: 0.45p)	**783**	596

Notes to the Consolidated Financial Statements continued

At 31 December 2013

20. Share-based payment

(a) Current schemes

The Group maintains a number of equity settled share option schemes. A summary of the status of the option schemes at 31 December 2013 and 31 December 2012, and changes during the years ended on those dates, is shown below:

2013	MEI	Incentive plans	Share options	Total number of equity incentives	Weighted average exercise price (p)
Reference	(i)	(ii)	(iii)		
Outstanding at 1 January	15,117,572	5,813,832	86,140	21,017,544	33.02
Granted during the year	3,963,000	750,000	–	4,713,000	40.90
Exercised during the year	–	(3,448,832)	–	(3,448,832)	7.04
Forfeited during the year	–	(10,000)	–	(10,000)	0.00
Expired during the year	–	–	(86,140)	(86,140)	50.00
Outstanding at 31 December	19,080,572	3,105,000	–	22,185,572	38.68
Exercisable at 31 December	–	1,555,000	–	1,555,000	29.26

2012	MEI	Incentive plans	Share options	Total number of equity incentives	Weighted average exercise price (p)
Reference	(i)	(ii)	(iii)		
Outstanding at 1 January	13,117,572	7,708,832	144,840	20,971,244	29.91
Granted during the year	2,000,000	–	–	2,000,000	41.50
Exercised during the year	–	(1,515,000)	–	(1,515,000)	5.09
Forfeited during the year	–	(380,000)	(58,700)	(438,700)	9.38
Outstanding at 31 December	15,117,572	5,813,832	86,140	21,017,544	33.02
Exercisable at 31 December	–	4,013,832	86,140	4,019,572	8.20

The weighted average share price for 2013 was 36.07p (2012: 21.83p).

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2013 was £682,980 (2012: £711,985). This expense was in respect of equity-settled share options only, as the Company has no cash-settled share options.

20. Share-based payment continued

(i) Management Equity Incentive ('MEI')

The MEI is designed to incentivise executive directors and managers of the business. During 2013 awards over 3,963,000 shares were granted (2012: 2,000,000) which will vest subject to the satisfaction of performance conditions and continued employment.

The fair value of awards granted under the MEI is estimated as at the date of grant using a trinomial lattice model with assumptions for employee exit and forfeiture rates, dividend yields, share price, composite volatility and performance conditions. The fair value of options granted in the year was £839,781 (2012: £94,394), of which £41,790 was charged to the Statement of Comprehensive Income in the year (2012: £15,338).

Incentive plans

(ii) Management Incentive Plan ('MIP')

The MIP is designed to incentivise executive directors and managers of the business. During 2013 awards over 750,000 shares were granted (2012: nil) which will only vest subject to the satisfaction of performance conditions and continued employment. The aggregate of all MIP awards must not exceed options over 10.2 million 0.1p ordinary shares.

The fair value of awards granted under the MIP is estimated as at the date of grant using a trinomial lattice model with assumptions for employee exit and forfeiture rates, dividend yields, share price, composite volatility and performance conditions. The fair value of options granted in the year was £187,670 (2012: £nil) of which £32,504 was charged to the Statement of Comprehensive Income in the year (2012: £nil).

The number of options issued under incentive plans and outstanding at 31 December 2013 is shown in the table below.

	LTIP	MIP	Total
Outstanding at 1 January 2013	133,832	5,680,000	5,813,832
Granted during the year	–	750,000	750,000
Exercised during the year	(123,832)	(3,325,000)	(3,448,832)
Forfeited during the year	(10,000)	–	(10,000)
Outstanding at 31 December 2013	**–**	**3,105,000**	**3,105,000**

(iii) Share options

Enterprise Management Incentive (EMI)

EMI options are those granted by the Company to its employees under the HM Revenue & Customs approved EMI share option scheme. The options vested in three equal tranches one, two and three years from grant and lapse ten years from grant if not exercised. There were no options outstanding in respect of this plan at 31 December 2013.

Long-Term Incentive Plan (LTIP)

The Group implemented an executive LTIP in 2006. Options were granted to relevant executives in two equal tranches: retention and performance. There were no options outstanding in respect of this plan at 31 December 2013.

Notes to the Consolidated Financial Statements continued

At 31 December 2013

20. Share-based payment continued

(b) Exercise dates of outstanding equity incentives

Exercise dates	MIP	MEI	Total
Exercisable up to 28 January 2020 @ 0.1p per share	55,000	–	55,000
Exercisable up to 28 January 2020 @ 10p per share	500,000	–	500,000
Exercisable between 18 May 2013 and 18 May 2020 @ 25p per share	1,000,000	–	1,000,000
Exercisable between 18 May 2014 and 18 May 2021 @ 10p per share	800,000	–	800,000
Exercisable between 31 March 2015 and 10 May 2019 @ 33p per share	–	7,558,786	7,558,786
Exercisable between 28 February 2016 and 17 July 2023 @ 10p per share	300,000	–	300,000
Exercisable between 13 March 2016 and 17 July 2023 @ 10p per share	450,000	–	450,000
Exercisable between 31 March 2016 and 10 May 2019 @ 50p per share	–	7,558,786	7,558,786
Exercisable between 31 March 2017 and 9 May 2020 @ 33p per share	–	1,213,000	1,213,000
Exercisable between 31 March 2017 and 9 May 2020 @ 50.325p per share	–	750,000	750,000
Exercisable between 31 March 2018 and 9 May 2020 @ 57.1875p per share	–	1,250,000	1,250,000
Exercisable between 25 Nov 2018 and 9 May 2020 @ 48.250p per share	–	750,000	750,000
	3,105,000	**19,080,572**	**22,185,572**

At 31 December 2013, all options that were outstanding can be summarised within a range of exercise prices as follows:

Range of exercise price	**2013** Outstanding option numbers	Weighted average remaining contractual life (years)	Weighted average exercise price	2012 Outstanding option numbers	Weighted average remaining contractual life (years)	Weighted average exercise price
0p to 0.9p	**55,000**	**6**	**0.10p**	1,093,832	7	0.09p
1p to 50p	**20,130,572**	**5**	**37.20p**	19,923,712	6	34.83p
51p to 200p	**2,000,000**	**6**	**54.61p**	–	–	–
	22,185,572			21,017,544		

(c) Fair value estimates

Management Incentive Plan (MIP)

The fair value of awards granted in 2013 was based on the following assumptions:

	Award 1
Grant date	17 July 2013
Number of options granted	750,000
Share price at grant date	34.5p
For grants of options made, the following assumptions have been used:	
Annualised volatility	60%
Risk free interest rate at award date	2.7%
Expected dividend yield	1.3%
Term to vesting from grant date	32 months
Exercise price	10.0p
Expected life of option from grant date	3.75 years

20. Share-based payment continued

Management Equity Incentive (MEI)

The fair value of awards granted in 2013 was based on the following assumptions:

	Award 1	Award 2	Award 3	Award 4
Grant date	17 July 2013	20 Nov 2013	20 Nov 2013	20 Nov 2013
Number of options granted	1,213,000	750,000	1,250,000	750,000
Share price at grant date	34.5p	48.0p	48.0p	48.0p
For grants of options made, the following assumptions have been used:				
Annualised volatility	60%	60%	60%	60%
Risk free interest rate at award date	2.7%	2.7%	2.7%	2.7%
Expected dividend yield	1.3%	0.9%	0.9%	0.9%
Term to vesting from grant date	44 months	40 months	52 months	60 months
Exercise price	33.0p	50.325p	57.188p	48.250p
Expected life of option from grant date	4.75 years	4.4 years	5.4 years	6.0 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 based upon a GARCH analysis which provides a forecast equivalent to an exponentially weighted average rate incorporating regression towards the mean of the historical trend line. Volatility rates for intermediate points in time were obtained by interpolation. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual 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 UK gilts rate with a corresponding maturity as published in the Financial Times.

The mid-market value of the Company's shares at 31 December 2013 was 48.0 pence. The mid-market value varied between 22.0 pence and 51.4 pence per share during the year.

21. Nature and purpose of reserves

Capital reduction

The Group received shareholder approval at a General Meeting in November 2013 for a reduction of capital. On 17 December 2013 the Chancery Division of the High Court of Justice confirmed the cancellation of the share premium account and capital redemption reserve of Miton Group plc subject to the Group establishing a creditors reserve.

Creditors reserve

The Group put into escrow an amount of cash in respect of creditors at the date of the capital reduction totalling £4,058,000 to comply with the terms of the Court. At 31 December 2013, £3,799,000 was held in the escrow account.

Notes to the Consolidated Financial Statements continued

At 31 December 2013

22. Obligations under non-cancellable operating leases

The Group has entered into commercial leases on certain properties and items of equipment. These leases have a duration of between three and ten years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2013 £000	2012 £000
Not later than one year	20	18
After one year but not more than five years	466	291
After five years	–	–
	486	309

23. Contingent consideration

As stated in note 9, the deferred contingent consideration on the acquisition of PSigma Asset Management Holdings Limited will be paid in two tranches and in aggregate will amount to no more than £6,250,000: up to £2,500,000 in July 2014 and up to £3,750,000 in July 2015.

24. Related party transactions

PSigma Unit Trust Managers Limited is the Authorised Corporate Director (ACD) for the unit trusts listed below. The following amounts are included in Net Revenue:

	2013 £000	2012 £000
PSigma Income Fund	2,845	–
PSigma Global Equity Fund	177	–
PSigma American Fund	170	–
PSigma Dynamic Multi Asset Fund	38	–
Total	3,230	–

During the year purchases totalling £17,806 (2012: £9,647) at normal market prices were made by Group companies from 8el (Aggregated Telecom) Ltd, a company of which Martin Gray was a director until 23 January 2013.

Additionally, services totalling £22,008 (2012: £22,830) were provided to the Group on an arm's length basis, by Gray Associates (business consultancy), of which Martin Gray's brother is the proprietor.

25. Post balance sheet events

On 24 January 2014, the Group announced the proposed sale of Miton Capital Partners Limited to Seneca Investment Managers Limited for a total of up to £4,500,000. The proposed consideration will comprise cash of £3,500,000 payable on completion, plus a potential deferred payment of up to £1,000,000. The sale is subject, *inter alia*, to FCA approval and is expected to complete on 31 March 2014.

Company Financial Statements

31 December 2013

Miton

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). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent Auditors' Report to the members of Miton Group plc

We have audited the parent Company financial statements of Miton Group plc for the year ended 31 December 2013 which comprise the Company balance sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 64, the directors are responsible for the preparation of the parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent cCompany financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the Group financial statements of Miton Group plc for the year ended 31 December 2013.

Amarjit Singh

(Senior statutory auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor – London
21 March 2014

Company Balance Sheet

as at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	2	**261**	85
Investments in subsidiaries	3	**29,193**	55,322
		29,454	55,407
Current assets			
Debtors	4	**417**	1,417
Cash at bank	5	**4,274**	4,425
		4,691	5,842
Creditors: amounts falling due within one year			
Creditors	6	**5,915**	1,148
Provision for liabilities	7	**388**	80
		6,303	1,228
Net current (liabilities)/assets	6a	**(1,612)**	4,614
Total assets less current liabilities		**27,842**	60,021
Creditors: amounts falling due greater than one year	8	**3,750**	–
		24,092	60,021
Capital and reserves			
Share capital	9	**164**	148
Share premium	10	**–**	24,594
MEI treasury shares		**(6,294)**	(4,694)
Merger reserve	10	**5,658**	5,658
Capital redemption reserve	10	**–**	11,562
Creditors reserve	10	**3,799**	–
Retained earnings	10	**20,765**	22,753
Total equity shareholders' funds		**24,092**	60,021

These accounts were approved and authorised for issue by the Board on 21 March 2014 and signed on its behalf by:

Ian Dighé
Executive Chairman

Company Registration No. 05160210

Notes to the Company Financial Statements

At 31 December 2013

1. Accounting policies

Basis of preparation

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 21 March 2014.

The financial statements are prepared under the historical cost convention and United Kingdom Generally Accepted Accounting Practice (UK GAAP). These policies have been applied consistently.

No profit and loss 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 41 to 46. 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 2013 as the Company earns management fee income from other members of the Group.

Share-based payment

The parent Company shows the share-based payment charge to employees in subsidiaries as an increase in the carrying value of those subsidiary investments and a corresponding further credit is taken to retained earnings.

Investments in subsidiaries

Investments in subsidiaries are carried in the Company's balance sheet 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.

Obligations under operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. 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 is part of a UK group which prepares publicly available consolidated financial statements in which the results of the Company are included, and it is therefore exempted from the requirements to disclose related party transactions.

Cash flow statement

The parent Company 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 under the terms of FRS1 (Revised) from the requirements to prepare a cash flow statement.

Notes to the Company Financial Statements continued

At 31 December 2013

2. Tangible fixed assets

	Furniture and equipment £000
Cost	
At 1 January 2013	223
Additions	248
At 31 December 2013	**471**
Depreciation	
At 1 January 2013	138
Charge for year	72
At 31 December 2013	**210**
Net book value	
At 31 December 2013	**261**
At 31 December 2012	85

3. Investments

	Unlisted subsidiaries £000
Cost	
At 1 January 2013	123,447
Investment in PSigma Asset Management Holdings Limited	13,000
Share based payment charge in respect of investments	250
At 31 December 2013	**136,697**
Provision for diminution in value	
At 1 January 2013	68,125
Provision during year	39,379
At 31 December 2013	**107,504**
Net book value	
At 31 December 2013	**29,193**
At 31 December 2012	55,322

The subsidiary undertakings as at 31 December 2013 are as listed in note 12 to the consolidated financial statements.

The Company has reviewed the value of its investment in subsidiaries and as a result has made a write-down of £39,379,000 (2012: £34,000) to reflect the net realisable value of two subsidiaries: Miton Capital Partners Limited and Exeter Asset Management Limited.

4. Debtors

	2013 £000	2012 £000
Trade debtors	**–**	18
Amounts due from Group companies	**17**	1,261
Other debtors	**75**	–
Prepayments and accrued income	**325**	138
	417	1,417

5. Cash and short-term deposits

	2013 £000	2012 £000
Cash at bank and in hand	**4,274**	4,425

Within cash at bank is £3,799,000 of certain balances held for the account of creditors to the Company as identified in the 18 December 2013 capital reduction and disclosed in note 21 to the consolidated financial statements. The amount due was held in a separate escrow account.

6. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	**30**	23
Other taxation and social security	**302**	109
Accruals and deferred income	**760**	655
Amounts due to Group companies	**2,094**	239
Corporation tax	**229**	122
Contingent deferred consideration	**2,500**	–
	5,915	1,148

a) Net current liabilities

Of the creditors falling due within one year, the deferred contingent consideration of £2,500,000 is a non-cash item referring to an issue of shares relating to deferred consideration for the acquisition of PSigma and referred to in note 9 to the consolidated financial statements.

7. Provisions for Liabilities

	Restructuring £000
At 1 January 2013	80
Provided in the period	312
Utilised in the period	(4)
At 31 December 2013	**388**

Restructuring

The Company made full provision in the 2013 Statement of Comprehensive Income for the redundancy costs for one executive director and dilapidation costs relating to changes in office accommodation in Reading.

8. Creditors: amounts falling due greater than one year

As stated in note 9 to the consolidated financial statements, the deferred consideration on the acquisition of PSigma Asset Management Holdings Limited will be paid in two tranches and in aggregate will amount to no more than £6,250,000.

Notes to the Company Financial Statements continued

At 31 December 2013

9. Share capital

Allotted, called up fully paid: No. of shares	2013 ordinary shares 0.1 pence each No. 000	2012 ordinary shares 0.1 pence each No. 000
At 1 January	**148,323**	146,808
Issued on placing	**7,470**	–
Issued on acquisition of PSigma Asset Management Holdings Limited	**4,838**	–
Issued on exercise of share options	**3,459**	1,515
At 31 December	**164,090**	148,323

Allotted, called up fully paid: Value of shares	2013 ordinary shares 0.1 pence each No. 000	2012 ordinary shares 0.1 pence each No. 000
At 1 January	**148**	147
Issued on placing	**8**	–
Issued on acquisition of PSigma Asset Management Holdings Limited	**5**	–
Issued on exercise of share options	**3**	1
At 31 December	**164**	148

10. Reserves

	Retained earnings £000	Merger reserve £000	Share premium £000	Capital redemption reserve £000	Creditors reserve £000	Total £000
At 1 January 2013	22,753	5,658	24,594	11,562	–	64,567
Loss for the year	(38,488)	–	–	–	–	(38,488)
Dividends	(596)	–	–	–	–	(596)
Shares issued on placing	–	–	2,308	–	–	2,308
Shares issued on acquisition of PSigma Asset Management Holdings Ltd	–	–	1,495	–	–	1,495
Shares issued on exercise of options	(1,072)	–	1,325	–	–	253
Capital Reduction	41,284	–	(29,722)	(11,562)	–	–
Share-based payments – company	433	–	–	–	–	433
Share-based payments – investments	250	–	–	–	–	250
Transfer to creditors reserve	(3,799)	–	–	–	3,799	–
As at 31 December 2013	**20,765**	**5,658**	**–**	**–**	**3,799**	**30,222**

The Company's loss after taxation for the year ended 31 December 2013 was £38,488,000 (2012: profit £2,008,000).

11. Share-based payment

The share-based payments as at 31 December 2013 are as detailed in note 20 to the consolidated financial statements.

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

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting (the "Meeting") of the Company will be held at 10.30 am on 14 May 2014 in Room 420 at Stephenson Harwood LLP offices, 1 Finsbury Circus, London, EC2M 7SH for the following purposes:

ORDINARY BUSINESS:

As ordinary business to consider and, if thought fit, to pass the following resolutions numbers 1 to 6, all of which will be proposed as ordinary resolutions.

Ordinary resolutions

1. That the Company's annual audited accounts for the year ended 31 December 2013, together with the Directors' Report and the Auditors' Report on those accounts, be received and adopted.

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

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

4. That the directors be authorised to pay a dividend of 0.54p per ordinary 0.1p share in the Company.

5. That the directors' Remuneration Report for the year ended 31 December 2013, which is set out in the Annual Report of the Company for the year ended 31 December 2013, be approved.

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

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

   (b) That Gervais Williams, who retires pursuant to Article 106 of the Company's Articles of Association and who, being eligible, offers himself for election, be elected as a director of the Company.

   (c) That Martin Gray, who retires pursuant to Article 106 of the Company's Articles of Association and who, being eligible, offers himself for election, be elected as a director of the Company.

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

   (e) That Nicholas Hamilton, who retires pursuant to Article 106 of the Company's Articles of Association and who, being eligible, offers himself for election, be elected as a director of the Company.

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

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

SPECIAL BUSINESS:

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

7. THAT, in substitution for any subsisting authorities to the extent unused, the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act'), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

   (a) up to an aggregate nominal amount of £54,691 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph (b) below in excess of £54,691); and

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

(b) comprising equity securities (as defined by section 560 of the CA 2006) up to an aggregate nominal amount of £109,382 (such amount to be reduced by the nominal amount of any shares allotted or rights granted pursuant to the authority in paragraph (a) above) in connection with an offer by way of a rights issue:

(i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

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

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 14 August 2015 except that the Company may at any time before such expiry make any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

8. THAT, subject to the passing of resolution 7 above, the directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 7 above or by way of a sale of treasury shares, as if section 561 of the Act did not apply to any such allotment or sale, provided that the power conferred by this resolution shall be limited to:

(a) the allotment or sale of equity securities, either in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities, subject only to such exclusions or other arrangements as the directors of the Company may consider necessary or expedient to deal with any treasury shares, fractional entitlements or legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and

(b) the allotment or sale (otherwise than pursuant to resolution 8(a)) of equity securities up to an aggregate nominal value of £8,205.

The power conferred by this resolution shall expire (unless previously renewed, revoked or varied by the Company in general meeting) on 14 August 2015, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the directors of the Company may allot or sell equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

9. THAT the Company be and is generally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 0.1 pence each provided that:

(a) the maximum aggregate number of ordinary shares that may be purchased is 8,204,542;

(b) the minimum price which may be paid for each ordinary share is 0.1 pence;

(c) the maximum price which may be paid for each ordinary share is not more than 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange for the five business days immediately preceding the day of purchase; and

(d) unless previously renewed, varied or revoked, the authority conferred by this resolution shall expire on 14 August 2015 save that the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Registered office
10–14 Duke Street
Reading, RG1 4RU

Roger Bennett
Secretary
21 March 2014

Shareholder Information and Financial Calendar

Annual General Meeting	14 May 2014
2014 half year results announced	September 2014
2014 full year results announced	March 2015
Closing mid-market share price on 31 December 2013	47p
Stock Code	MGR
Listing details	The Company's ordinary shares are quoted on the AIM. The price of the ordinary shares appears within the AIM section of the Financial Times.

Secretary and Advisers

Company Secretary and Registered Office*
Roger Bennett
10–14 Duke Street
Reading
RG1 4RU

Registrars
Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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

Bankers
Bank of Scotland
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

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

Company registration number 5160210

www.mitongroup.com

* On 31 March 2014 the Company's registered office will move to 51 Moorgate, London, EC2R 6BH.

Created by
Jonesandpalmer
www.jonesandpalmer.co.uk
empowering corporate communications

Open-ended funds

Miton Global Diversified Income Fund
The Miton Global Diversified Income Fund aims to produce attractive levels of income in a low yield environment by investing across a wide spectrum of regions and asset classes.

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

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

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

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

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

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

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

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

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

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

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

Closed end funds

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

Miton Worldwide Growth Investment Trust plc
The company's investment objective is to outperform 3 month LIBOR + 2% over the longer term, principally through exploiting inefficiencies in the pricing of closed end funds.

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

www.mitongroup.com

Miton Group plc, 51 Moorgate
London EC2R 6BH