

Miton Asset Management Limited

**Financial statements
for the year ended 31 December 2018**

Company No. 01949322



Miton Asset Management Limited
Financial Statements for the year ended 31 December 2018

Directors	David Barron Bart Edgar Piers Harrison
Secretary	Catriona Fletcher
Registered Office	6 th Floor Paternoster House 65 St Paul's Churchyard London EC4M 8AB
Bankers	Bank of Scotland plc 33 Old Broad Street London EC2N 1HW HSBC 165 Fleet Street London EC4A 2DY
Solicitors	Stephenson Harwood 1 Finsbury Circus London EC2M 7SH
Auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Miton Asset Management Limited

Financial Statements for the year ended 31 December 2018

STRATEGIC REPORT

The Directors present their Strategic Report and the audited financial statements (the "financial statements") of Miton Asset Management Limited (the "Company") for the year ended 31 December 2018.

Operating and financial review

The principal activity of the Company during the year continued to be the provision of investment management services to 16 (2017: 14) open and closed ended investment funds. Assets under Management ("AuM") ended the year at £4,217 million compared with £3,641 million as at 31 December 2017.

The Company is regulated by the Financial Conduct Authority ("FCA").

The Directors are satisfied that the results for the year are broadly in line with expectations. The profit for the year after taxation amounted to £5,172,782 (2017: £3,022,777).

The key financial and other performance indicators during the year were as follows:

	2018	2017	Change
	£	£	%
Closing AuM	4,216,500,145	3,641,239,811	15.8
Average AuM	4,196,835,297	3,173,697,073	32.2
Turnover	33,003,770	25,767,690	28.1
Administrative expenses	19,516,027	16,260,935	20.0

The LF Miton European Opportunities Fund continued its growth during year with AuM of £364 million at 31 December 2018 (2017: £181 million) representing an increase of 101%.

The LF Miton UK Multi Cap Income Fund saw net inflows of £400 million and was amongst the leading funds in the highly-competitive UK Equity Income sector, and at the year-end it had assets of £1.3 billion (2017: £1.0 billion).

LF Miton US Opportunities Fund has returned 105.3% since launch in March 2013 and has seen strong inflows and good returns, which have been delivered, with little or no exposure to the major technology stocks that have been responsible for so much of the rise of the broader market indices.

The offering of both equity funds and more outcome-based multi-asset funds represents a strong point of differentiation. The multi-asset range also continued to see positive inflows over the year. AuM managed by the team increased by 1% to end the year at £847 million, up from £839 million in 2017.

The focus on diversification of the fund range remains a key strategic objective. Three investment teams saw net inflows in excess of £200 million into their respective strategies during the year. We endeavour to see this trend continue.

Turnover increased by 28.1% during the year reflecting the growth in the average AuM. The average AuM was £4,197 million, an increase of 32.2% over £3,174 million achieved in 2017. Administrative expenses increased by 20% during the year; this increase was predominantly due to higher variable employment costs arising from the move to all fund managers being remunerated through personnel costs rather than through the issuance of shares, shareholder dilution and share-based payments. Higher net revenues generated by the company and the resulting profitability also increased the pools available for variable employment awards.

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STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Company faces a range of risks originating both externally and from within the fund management business.

Economic and market risk

Market risk arises in relation to the investments held by the funds managed by the Company and the revenue generated from the management charge on the value of those assets. The funds are invested in a wide range of asset classes under different investment mandates including single strategy equity, multi-asset and portfolios of collective investment schemes. The overall market risk is well diversified away from specific market dependencies. To the extent that different asset classes, industries and countries behave differently in times of higher volatility, the Company's funds under management and revenues are likely to be less affected than would be the case in a business with a single asset class.

External and regulatory risks

External risks include those arising from non-adherence to relevant regulations and legislation and any changes as they occur. The Companies Act and the FCA Handbook 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.

The Company operates in a complex and dynamic regulatory environment. The Company's ultimate parent company, Miton Group plc, prepares an ICAAP on a group-wide basis and the Pillar 3 disclosure is available on the Miton Group plc website. As a consequence, the Company does not produce an ICAAP or make Pillar 3 disclosures on an individual company basis.

Operational risk

Operational risk is the risk of loss arising from a failure in internal systems, procedures, outsourced functions and also from external events. Three fundamental elements of our operational structure are people, information technology and outsourced services.

Key priorities for our technology and systems are to maintain operational performance and reliability. The various outsourced services provided 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.

Credit risk

The Company is subject to credit risk arising as a result of counterparty exposure in the Company'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 cash deposits between at least two suitable institutions.

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STRATEGIC REPORT *(continued)*

Financial instrument risk

Miton Group plc and its subsidiaries ("the Group") has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Going concern

The operating and financial review sets out the Company's business activities, financial position and factors likely to affect its future development, performance and position. Additionally, it lays out the Company's objectives, policies and processes for managing the key risks it faces.

The Company has sufficient financial resources and as a consequence, the Directors believe that the Company 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 Company 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.

By order of the Board



C Fletcher
Company Secretary
15 March 2019

Miton Asset Management Limited
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DIRECTORS' REPORT

The Directors present their report and the financial statements of the Company for the year ended 31 December 2018.

Dividends

£3,500,000 dividends were declared and paid in the current year (2017: £1,250,000).

Directors

The Directors of the Company who served during the year and up to the date of approval are listed on page 1.

Directors' liabilities

The Company did not have any liabilities with the Directors during the year. No indemnities were granted to Directors during the year.

Financial instruments

Details of the financial instruments are provided in the Strategic Report on page 4.

Disclosure of information to the Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he is obliged to take as a Director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution concerning the re-appointment of Ernst & Young LLP as auditors will be proposed at the Annual General Meeting.

By order of the Board



C Fletcher
Company Secretary
15 March 2019

Miton Asset Management Limited
Financial Statements for the year ended 31 December 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 accounts;
- prepare the accounts 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 accounts 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITON ASSET MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Miton Asset Management Limited for the year ended 31 December 2018 which comprise Income Statement, Statement of Changes in Equity and Statement of Financial Position and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- 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.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITON ASSET MANAGEMENT LIMITED (continued)

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITON ASSET MANAGEMENT LIMITED (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

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

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INCOME STATEMENT
For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	2	33,003,770	25,767,690
Cost of sales			
Fees and commission expense		<u>(7,125,213)</u>	<u>(5,763,884)</u>
Gross profit		25,878,557	20,003,806
Administrative expenses			
Other operating expenses		<u>(19,516,027)</u>	<u>(16,260,935)</u>
Operating profit	3	6,362,530	3,742,871
Other interest receivable	5	<u>22,955</u>	<u>1,017</u>
Profit on ordinary activities before taxation		6,385,485	3,743,888
Tax on profit on ordinary activities	6	<u>(1,212,703)</u>	<u>(721,111)</u>
Profit on ordinary activities after taxation		<u><u>5,172,782</u></u>	<u><u>3,022,777</u></u>

All amounts relate to continuing activities.

There are no items of other comprehensive income and therefore the profit for the year is also the total comprehensive income.

The notes on pages 13 to 17 form part of these accounts.

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STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Note	Share Capital £	Profit and Loss £	Total £
At 1 January 2017		7,402	7,153,997	7,161,399
Profit for the year		-	3,022,777	3,022,777
Equity dividends paid	11	-	(1,250,000)	(1,250,000)
At 31 December 2017		7,402	8,926,774	8,934,176
Profit for the year		-	5,172,782	5,172,782
Equity dividends paid	11	-	(3,500,000)	(3,500,000)
At 31 December 2018		7,402	10,599,556	10,606,958

The notes on pages 13 to 17 form part of these accounts.

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STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018 £	2017 £
Current assets			
Debtors	8	2,667,697	2,334,553
Cash at bank		<u>9,902,220</u>	<u>9,305,275</u>
Total assets		<u>12,569,917</u>	<u>11,639,828</u>
Creditors - amounts falling due within one year			
Trade and other creditors	9	962,097	495,880
Amounts due to Group undertakings		<u>1,000,862</u>	<u>2,209,772</u>
		<u>1,962,959</u>	<u>2,705,652</u>
Net current assets		<u>10,606,958</u>	<u>8,934,176</u>
Net assets		<u>10,606,958</u>	<u>8,934,176</u>
Capital and reserves			
Called up share capital	10	7,402	7,402
Profit and loss account		<u>10,599,556</u>	<u>8,926,774</u>
Total shareholders' funds		<u>10,606,958</u>	<u>8,934,176</u>

The financial statements were approved and authorised for issue by the Board on 15 March 2019.

D Barron
 Director



The notes on pages 13 to 17 form part of these financial statements.

Miton Asset Management Limited
Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Company information

Miton Asset Management Limited is a private limited company incorporated in England, the registered office is 6th Floor, Paternoster House, 65 St Paul's Churchyard, London, EC4M 8AB.

Statement of compliance

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

Basis of preparation

Judgements and key sources of estimation uncertainty

The preparation of the 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. There were no significant estimates in the year.

Revenue recognition

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

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

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

- provision is made for the deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (CONTINUED)

Cash flow statement

On the grounds that the Company is a subsidiary undertaking, 100% of whose voting rights are controlled within a group which prepares publicly available consolidated financial statements in which the results of the Company are included, it is exempt from the requirement to prepare a cash flow statement under FRS 102 Section 1.12 (b).

Functional currency

The financial statements are prepared in sterling which is the functional currency.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment of debtors are recognised in the income statement in other operating expenses.

2 TURNOVER

Turnover represents the amounts derived from providing investment management services which fall within the Company's ordinary activities, supplied by the Company in the United Kingdom, exclusive of VAT.

3 OPERATING PROFIT

	2018	2017
	£	£
Operating profit is stated after charging:		
Management charges	19,424,174	16,244,600
Auditors' remuneration – statutory audit *	-	-

* In 2018 Auditors' remuneration of £17,500 (2017: £19,500) was paid by other Miton Group companies.

4 DIRECTORS' EMOLUMENTS

The Company has no direct employees. The remuneration of the Directors is paid by other Miton Group companies, and no Directors received remuneration specifically for their services to this Company. It is not possible to apportion their total remuneration between companies within the Group. Disclosures are provided within the Group accounts.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5 OTHER INTEREST RECEIVABLE	2018	2017
	£	£
Bank interest	22,955	1,017
	<u>22,955</u>	<u>1,017</u>

6 TAXATION

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2018	2017
	£	£
Current tax		
UK corporation current tax	1,213,242	721,110
Tax (over)/under provided in previous years	(539)	1
Total current tax charge	<u>1,212,703</u>	<u>721,111</u>
Deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>1,212,703</u>	<u>721,111</u>

(b) Factors affecting total tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK. The differences are reconciled below:

	2018	2017
	£	£
Profit on ordinary activities before tax	6,385,486	3,743,888
Profit on ordinary activities multiplied by the weighted average standard rate of corporation tax in the UK of 19% (2017: 19.26%)	1,213,242	721,110
Adjustment in respect of prior years	<u>(539)</u>	<u>1</u>
Total tax charge	<u>1,212,703</u>	<u>721,111</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7 INVESTMENT IN SUBSIDIARY

On 31 January 2018 Miton (Hong Kong) Limited was formally dissolved through a solvent members voluntary liquidation.

8 DEBTORS	2018	2017
	£	£
Trade debtors	1,911,591	1,528,403
Prepayments	23,876	3,836
Amounts due from Group undertakings	722,783	789,653
Other debtors	9,447	12,661
	<u>2,667,697</u>	<u>2,334,553</u>
9 TRADE AND OTHER CREDITORS	2018	2017
	£	£
Trade creditors	40,431	10,966
Accruals	416,868	69,254
Corporation tax	504,798	415,660
	<u>962,097</u>	<u>495,880</u>
10 CALLED UP SHARE CAPITAL	2018	2017
	£	£
Authorised 100,000 Ordinary Shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid 7,402 Ordinary Shares of £1 each	<u>7,402</u>	<u>7,402</u>
11 DIVIDENDS	2018	2017
	£	£
Declared and paid during the year:		
10 December 2018: £472.85 per share (2017: £168.87 per share)	<u>3,500,000</u>	<u>1,250,000</u>
	<u>3,500,000</u>	<u>1,250,000</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12 ULTIMATE PARENT COMPANY

The ultimate parent company is Miton Group plc which is registered in England and Wales. Consolidated financial statements for the Group can be obtained from the Registered Office at 6th Floor, Paternoster House, London, EC4M 8AB or from the Group's website, www.mitongroup.com.

13 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 33.5 of FRS 102 not to show related party transactions between Group undertakings within its accounts on the basis that it is a wholly owned subsidiary of Miton Group plc.