Company Registration No. 4341768 (England and Wales)

Neptune Investment Management Limited

Annual report and consolidated financial statements for the year ended 31 December 2016

Neptune Investment Management Limited

Company information

Directors	J D Punter	(Non-executive Chairman)
	R J H Geffen	(Managing Director and Chief Executive Officer)
	A G Catto	(Non-executive)
	R J N Cripps	(Non-executive)
	J Dowey	(Chief Economist and Chief Investment Officer)
	R H Green	(Deputy Managing Director)
	C H Parker	(Head of Distribution)
	S M Southall	(Non-executive)
	R M Smith	(Chief Financial Officer)

Company number 4341768

Registered office
3 Shortlands
London
W6 8DA

Independent auditors
Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

Bankers
HSBC
21 King's Mall
King Street
Hammersmith
London
W6 0QF

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Neptune Investment Management Limited

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For the year ended 31 December 2016

Introduction and overview

The year divided into two distinct periods: pre the BREXIT referendum, on 23 June, and the period that followed. The first half was characterised by market weakness in the first quarter and renewed volatility. The second half saw the benefits of the near 20% devaluation of sterling feed into higher equity prices. The uncertainty prompted further net outflows across UK retail funds and Neptune finished the year with reduced assets under management (AUM) at £3.7bn.

The enhancements we made to the investment process last year have resulted in a significant improvement in investment performance across the fund range. At the current time, over 80% of our funds, by AUM, sit in the first or second quartile over one and three years.

The changing regulatory and distribution landscape led to a reassessment of our distribution strategy; a restructuring of the distribution team; and the outsourcing of a substantial part across the regions.

We retain our confidence in global economic fundamentals and the US economic recovery that continues to gather pace, despite gradual monetary normalisation. Overall, we are optimistic that we are well placed to benefit from renewed investor appetite and the further strength of global equity markets.

Results and dividends

The audited accounts of the Group, being the Company and its subsidiaries, for the year ended 31 December 2016, show an operating profit before impairment of intangible assets of £690,000 (2015: £2.739 million) from turnover of £35.142 million (2015: £50.563 million). After a one-off impairment charge of £752,000, finance income of £46,000 and other gains of £28,000, the profit before tax is £12,000 (2015: £2.795 million). The tax credit for the year is £5,000 (2015: £543,000 charge), leaving a profit after tax of £17,000 (2015: £2.252 million).

During the year total dividends of 20p per share were paid (2015: 45p per share), absorbing £1.429 million (2015: £3.226 million) and leaving a retained deficit for the year of £1.412 million (2015: £0.974 million) to be funded from reserves.

Further details on the accounts and the year's trading are given in the Strategic Report on pages 3 to 8.

Cash flow and capital adequacy

The Group's operating cash flow continues to be positive, with a net cash inflow from operating activities of £45,000 (2015: £3.409 million). However, after the payment of dividends and share purchases relating to the Company's deferred bonus scheme, the Group's net cash position at the balance sheet date reduced to £8.627 million (2015: £11.161 million). The Company's regulatory capital adequacy remains comfortably in surplus and is reviewed by the Board on a monthly basis.

Personnel

After 13 years of faithful service to the Company Robert Warner resigned from the Board at the year-end; we wish him well for his retirement. This completed a long-standing succession plan that saw Robert Smith promoted to Chief Financial Officer and join the Board in April 2016. Robert Pickering also resigned from the Board in April 2016. I remain grateful to all members of staff for their hard work and commitment and am confident that we have the right team in place to meet the challenges ahead.

Share capital

No new shares were issued during the year.

Future strategy and prospects

We are well placed to benefit from the continued global economic recovery that should become more broad based in the year ahead. There are potential worries too, not least the political calendar across Continental Europe, but any setbacks should provide opportunities for investors over the longer-term.

J D Punter
Chairman
21 April 2017

The directors present the strategic report and financial statements for the year ended 31 December 2016.

Financial

Group revenue for the year fell by 30% to £35.142 million (2015: £50.563 million) as a result of the lower average assets under management (AUM) over the year as a whole, with gross sales and positive market movements being outweighed by gross redemptions. The direct costs of sales, which include fund administration and accounting charges, rebates and commissions payable to third parties, totalled £13.231 million (2015: £22.158 million), with the resulting gross profit down 23% to £21.911 million (2015: £28.405 million). The gross profit margin improved significantly to 62.3% (2015: 56.2%) as a result of the movement of assets into 'clean' share classes, which do not attract rebates: the reduction in gross revenue from these share classes was mostly offset by a corresponding reduction in rebate expense and the net margin was only 1bp lower, at 69bp (2015: 70bp). The table below provides a summary and further analysis of the key performance indicators:

Analysis of gross profit	**2016**	**2015**
AUM at end of year (£million)	3,733	4,524
Average month end AUM (£million)	3,786	4,773
Fee income margin (basis points)	92	105
Retained, post rebate and commission, fee income margin (basis points)	69	70
Average FTSE 100	6,522	6,590
	£000	**£000**
Fee income (from management fees)	34,863	50,012
Other income (excluding interest)	279	551
Revenue (per statement of comprehensive income)	35,142	50,563
Cost of sales	(13,231)	(22,158)
Gross profit	21,911	28,405
Gross profit margin	62.35%	56.18%

Operating expenditure, excluding impairment of intangible assets, was 17.3% lower than last year at £21.221 million (2015: £25.666 million). Administrative expenses, as shown in the Statement of Comprehensive Income on page 13, have fallen by 17.2% to £20.514m (2015: £24.787 million), reflecting the material cost saving initiative implemented by management in the light of reduced AUM and revenues. Total operating costs of £21.973 million include a non-recurring impairment charge of £752,000.

Against this backdrop staff costs in total were also lower than last year at £10.688 million (2015: £14.408 million), accounting for 50.4% of operating expenditure before impairment charge (2015: 56.1%). Variable staff costs were 83.4% lower reflecting the reduced levels of profitability, with fixed staff costs also falling from £9.637 million to £9.336 million after incurring restructuring costs in the period: the full impact of management's actions to control costs will not be realised until 2017.

A charge of £752,000 has been taken in the year arising from the impairment of intangible assets held in Neptune Investment Contracts Limited. The assets arose in relation to the rights to manage funds acquired a number of years ago. These funds can no longer be separately identified from the funds into which they were merged on acquisition and therefore no longer meet the applicable accounting standards for recognition of the corresponding intangible asset. Accordingly, they have been impaired in value to £nil (2015: £752,000). There is no impact on the cash and financial resources of the Group from this impairment.

The table below provides a summary and further analysis of the operating profit:

Analysis of operating profit		**2016**	**2015**
		£000	**£000**
Gross profit		21,911	28,405
Fixed costs	- Staff	9,336	9,637
	- Other	10,533	11,258
		19,869	20,895
Variable staff costs		645	3,892
Share option charge		707	879
		21,221	25,666
Impairment of intangible assets		752	-
Total operating expenditure		21,973	25,666
Operating (loss)/profit		(62)	2,739

Buisness ratios

Operating margin (against total revenue)	0.18%	5.42%
Staff costs / gross profit	48.80%	50.70%
Variable staff costs / operating profit pre-variable staff costs	110.60%	58.70%
Return on assets (profit after tax / net assets)	0.20%	21.00%

Principal risks and uncertainties

The main risks arising from the Group's financial instruments are liquidity risk and currency risk. The Group is exposed to no material credit risk. The Group's fee income, commission income and the majority of its cost of sales are all affected directly by the value of the Group's AUM and are exposed to market risk accordingly. The directors review and agree policies for managing these risks and these are summarised below. Short-term debtors and creditors have been excluded from all the following disclosures.

(a) Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets with the emphasis on safety rather than return. This is achieved by placing surplus funds on deposit as and when the directors deem appropriate and by keeping the deposit-taking institutions under review.

(b) Currency risk

The Group is exposed to an insignificant amount of transaction related foreign exchange risk. The Company's cash reserves are held in the UK in Sterling and USD; the USD being held to mitigate currency risk for USD denominated expenditure. Other foreign exchange risk is not mitigated.

(c) Fair values

The fair values of the Group's financial instruments are considered to be equal to their book value.

(d) Borrowing facilities and interest rate risk

The Group has cash reserves that are sufficient to finance its trading operations for the foreseeable future. It has no borrowing facilities and interest rate risk is consequently not material to the Group.

(e) Market risk

The directors review the market risk applicable to the Group on a monthly basis, by considering the likelihood of market falls across the Group's AUM and its consequent effect on the Group's profitability, net assets and capital adequacy. The Group's policy is to take out a suitably protective hedging instrument in the event that the directors believe such cover to be appropriate and worthwhile in all the circumstances. No such hedging instruments were purchased during 2016 (2015: None). The likely direct impact on the Group's profit after tax of a 5% downward movement in the average monthly value of AUM throughout the year amounts to £1.038 million (2015: £1.338 million).

Investment

Over the past year, as always, we continued to work to tweak and enhance our investment process as the economy evolves around us, while staying true to our real world investment philosophy. This, we believe, has and will continue to provide our fund managers with more focused stock ideas and sector research.

First, given considerable technological change now taking place across the economy, fundamentally disrupting whole sectors in its wake, we have joined up our research on some groups of sectors so that we can fully take into account their increasing interactions with one another in the new economy. We now analyse energy and utilities together, including renewable 21st century energy sources; health care and chemicals together; and consumer discretionary and staples together.

Second, we have made a new distinction between globally and regionally driven sectors, to take into account when research is best conducted with a primary focus on factors specific to the regional market at hand, or conversely, factors relating to global conditions, such as the strength of the global economy or the global technological frontier. We continue to see global factors as generally dominant in today's economy, but view the consumer and industrials sectors as primarily driven by regional factors and, as such, research on these two sectors are best conducted on a regional basis.

It is pleasing that these enhancements have coincided with a significant improvement in performance from the Neptune fund range, and a stabilisation in assets under management in the second half of 2016. However, we must acknowledge that market dynamics played a major role in this improvement.

Escalating fears over China's slowdown, combined with uncertainty over the Fed's monetary policy and a plummeting oil price, saw widespread volatility sweep across markets globally in the first half of 2016. Already expensive bonds and bond proxies performed strongly, even though earnings growth in many cases was lacklustre at best, whereas more economically sensitive companies generally underperformed – regardless of real world fundamentals.

Contrary to many around us warning of a full scale crisis, we believed it was the wrong moment to capitulate to market falls, the wrong moment to listen to ill-informed bears on China and the wrong moment to close out positions based on the fundamental trends underway – conviction that was rewarded as the real world drivers reasserted themselves later in the year. Finally, the market woke up to the fact that Chinese policy makers had not lost control, and that the dramatic fall in the oil price was a supply-side shock rather than something more sinister. Warnings of a global recession soon faded.

The shock of Brexit led to a temporary return of bearish sentiment, but overall the stale and pessimistic mind-set that has seen bond and bond-like assets thrive in recent years has been losing its grip for the last year. The election win of Donald Trump did nothing to dampen investors' spirits; indeed, his pro-growth, pro-inflation policy statements strengthened them.

Bond yields are on the rise. The US 10-year government yield has risen from less than 1.4% in July 2016 to 2.5% today, accounted for by all components: rising growth expectations, rising inflation expectations and a rising term premium. The Fed tightening cycle is back in play, and the market no longer lives in fear of the next rate rise. In such a backdrop, we are confident that the stage is set for companies that can achieve real world growth to once again thrive.

In such a tumultuous year, it is again pleasing that every Neptune fund managed to deliver a positive return to investors, with the likes of Neptune Russia & Greater Russia and Neptune Latin America managing 72% and 51% respectively. It was a milestone year for Kunal Desai, whose Neptune India Fund outperformed its benchmark for the third year in a row, and Chris Taylor's Neptune Japan Institutional Fund finished its first full calendar year in the top decile of the IA Japan sector.

Mark Martin's Neptune UK Mid Cap Fund continued to do what it has done so consistently well in the past and protected investors from the worst of the Brexit-related sell-off, and elsewhere in the UK Robin Geffen's Neptune Income Fund finished in the top quartile of the IA UK Equity Income sector. The Fund has started 2017 on the front foot as well, and is currently top decile in the sector over a one and three year period.

Rob Burnett's Neptune European Opportunities Fund finished second in the 107-strong IA Europe ex UK sector after a challenging first quarter. The manager has long championed the opportunity in European value, and was justly rewarded following the rotation out of expensive bond-proxies into value, which began in February.

During the year, we continued to review the fund range to ensure that it met the requirements of investors, whilst fully expressing the diverse investment capabilities of the investment team. In July the Neptune US Mid Cap Fund was launched under the management of Patrick Close. Patrick's tried and tested process of identifying quality companies trading on attractive valuations has a long history of outperformance in the US mid cap space, and we are confident that he will deliver considerable alpha to investors in the coming years.

We also took steps to hire Robin Milway as head of stock strategy in September. Robin, who also heads up the Neptune US Opportunities Fund, brings with him a wealth of experience running analyst teams at Cooper Investments in Australia and EFGAM in the UK. We have been delighted by the contribution he has made to the day-to-day running of the team, and are encouraged by the start he has made on the US Opportunities Fund. At time of writing, the Fund is ahead of the S&P 500 since Robin took over in September, delivering returns of nearly 20%.

Awards

We added further awards to our name in 2016 and I take great pride in listing these below:

Portfolio Adviser Fund Awards 2016

Neptune UK Mid Cap Fund wins the UK Equity Platinum award

Money Observer Rated Funds

Neptune Latin America Fund made it into the Rated Funds list

Investment Week Specialist Investment Awards

Neptune India Fund nominated for the Emerging Markets Single Country Fund

Distribution

The first half of 2016 was marked by co-ordinated outflows from equity mutual funds across the world. Neptune was not immune to this and experienced significant outflows from a number of strategies. However, the pace of these outflows gradually receded in the second half of the year. This recovery phase was also occurring alongside the steadily improving relative performance profile of Neptune's fund range.

The EU Referendum punctuated the year and we believe led to our UK Mid Cap fund experiencing outflows throughout the year despite its strong long-term performance profile. However, this was partly offset by the renewed performance strength of our European Opportunities fund and towards the end of the year our Income fund.

The distribution landscape for funds underwent significant change in 2016 as all firms, Neptune included, prepared their distribution models to respond to the forthcoming MiFID II legislation. Neptune has responded to this change by seeking new ways to engage with a large number of potential clients. In late 2016 we formed a partnership with LGBR Capital. LGBR Capital employs a large team of telephone sales people which has enabled Neptune to reach a wider group of potential clients.

Outside of the UK our efforts to grow our distribution in continental Europe continued with our head of European Sales, Valentine Bugeja, delivering our first Geneva and Zurich conferences. She is seeing strong demand for our European Opportunities fund, and a developing appetite for our emerging markets products.

Within distribution we are developing our client investment strategy team under the leadership of Joshua Ausden. This team is made up of experts on our funds who have the capacity to nurture our existing shareholders and help potential investors understand how our funds can be practically used within their existing portfolios.

Finance and administration

I am grateful for the stability and dedication of our operational teams who run a tight ship in a cost effective manner. Richard Green remains my Deputy Managing Director who, with Robert Smith, Chief Financial Officer and Company Secretary, leads the back office teams: Neal Gilbert, Head of Fund Administration, continues to ensure the smooth running of our fund accounting and custody administration, as well as Investment Middle Office, whilst Karen Barker, our Head of Compliance, continues to monitor all our activities. Iain Jee efficiently ensures our facilities, technology and infrastructure run smoothly; whilst Mark Canham has stepped up in the year to lead the Investor Services team. This team enables me to focus on managing our clients' money confident in the operational efficiency of the business.

Summary

Whilst 2016 was an exceptionally challenging year for all fund management firms we believe that Neptune's management team has taken the necessary steps to facilitate steadily improving profitability in the years ahead. We have rigorously focused on investment performance and strong client communications and are now delivering this on an efficient cost base.

R J H Geffen
Chief Executive Officer
21 April 2017

Directors' report
For the year ended 31 December 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities
The principal activity of the Company and Group during the year under review was that of investment managers. Throughout the year the Company was authorised and regulated by the Financial Conduct Authority.

Results and dividends
The Group results for the year are set out on page 13.

During the year total dividends of 20p per share (2015: 45p per share) were paid, absorbing £1.429 million (2015: £3.226 million) and leaving a retained deficit for the year of £1.412 million (2015: £0.974 million) to be funded from reserves.

Directors
The directors who held office during the year and up to the date of signature of the financial statements, together with their current membership of the Audit (*) and Remuneration (#) Committees, were as follows:

	R J H Geffen	
*#	A G Catto	
*	R J N Cripps	
	J Dowey	
	R H Green	
	C H Parker	
	R M Pickering	(resigned 22 April 2016)
*#	J D Punter	
*	S M Southall	
	R H Warner	(resigned 31 December 2016)
	R M Smith	(appointed 21 April 2016)

Risk and Pillar 3
The financial risk policies of the Group are disclosed in note 25 to the financial statements. The Company's Pillar 3 disclosures can be located on the Company's website at www.neptunefunds.com.

Auditors
Saffery Champness LLP have indicated their willingness to continue in office and a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Statement of directors' responsibilities

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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 in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Statement of disclosure to 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 of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

R M Smith
Director
21 April 2017

Neptune Investment Management Limited

Independent auditors' report
To the members of Neptune Investment Management Limited

We have audited the financial statements of Neptune Investment Management Limited for the year ended 31 December 2016 set out on pages 13 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors
As explained more fully in Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the 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 and 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 affairs of the group and the parent company as at 31 December 2016 and of the group's profit and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 the 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 identified no material misstatements in the Strategic Report and the Directors' Report.

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.

Michael Di Leto (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

21 April 2017

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Neptune Investment Management Limited

Statements of comprehensive income
For the year ended 31 December 2016

	Notes	2016 Group £000	2016 Company £000	2015 Group £000	2015 Company £000
Revenue	4	35,142	35,142	50,563	50,563
Cost of sales		(13,231)	(13,411)	(22,158)	(22,338)
Gross profit		21,911	21,731	28,405	28,225
Administrative expenses		(20,514)	(21,653)	(24,787)	(27,112)
Share option expense	21	(707)	(707)	(879)	(879)
Operating profit/(loss) before impairment of intangible assets		690	(629)	2,739	234
Impairment of intangible assets	12	(752)	-	-	-
Operating (loss)/profit	5	(62)	(629)	2,739	234
Dividend income	4	-	-	-	143
Finance income	4	46	46	56	56
Other gains and losses	9	28	28	-	-
Profit/(loss) before taxation		12	(555)	2,795	433
Income tax	10	5	50	(543)	(450)
Profit/(loss) and total comprehensive income for the year		17	(505)	2,252	(17)

The income statement has been prepared on the basis that all operations are continuing operations.

Neptune Investment Management Limited

Statements of financial position
As at 31 December 2016

	Notes	2016 Group £000	2016 Company £000	2015 Group £000	2015 Company £000
Non-current assets					
Intangible assets	12	-	-	752	-
Property, plant and equipment	13	581	581	812	812
Deferred tax asset	15	30	30	13	13
		611	611	1,577	825
Current assets					
Investments	16	128	128	100	100
Trade and other receivables	17	4,105	4,105	5,639	5,638
Current tax recoverable		36	36	-	-
Cash and cash equivalents		8,627	8,625	11,161	11,154
		12,896	12,894	16,900	16,892
Total assets		13,507	13,505	18,477	17,717
Current liabilities					
Trade and other payables	18	4,666	4,989	7,568	7,745
Current tax liabilities		-	-	190	151
		4,666	4,989	7,758	7,896
Net current assets		8,230	7,905	9,142	8,996
Net assets		8,841	8,516	10,719	9,821
Equity					
Called up share capital	19	75	75	75	75
Share premium account	20	2,209	2,209	2,209	2,209
Share option reserve	21	4,111	4,111	4,771	4,771
Retained earnings		9,626	2,121	10,899	2,766
Own shares reserve	22	(7,180)	-	(7,235)	-
Total equity		8,841	8,516	10,719	9,821

The financial statements were approved by the Board of directors and authorised for issue on 21 April 2017 and are signed on its behalf by:

R H Green
Director

R M Smith
Director

Company Registration No. 4341768

Neptune Investment Management Limited

Statements of changes in equity
For the year ended 31 December 2016

Group	Share capital £000	Share premium account £000	Share option reserve £000	Retained earnings £000	Own shares reserve £000	Total £000
Balance at 1 January 2015	75	2,209	5,827	12,100	(6,993)	13,218
Year ended 31 December 2015:						
Total comprehensive income for the year	-	-	-	2,252	-	2,252
Dividends	-	-	-	(3,226)	-	(3,226)
Transfer between reserves	-	-	(1,935)	1,935	-	-
Transactions in own shares	-	-	-	(2,162)	(242)	(2,404)
Share option expense	-	-	879	-	-	879
Balance at 31 December 2015	75	2,209	4,771	10,899	(7,235)	10,719
Year ended 31 December 2016:						
Total comprehensive income for the year	-	-	-	17	-	17
Dividends	-	-	-	(1,429)	-	(1,429)
Transfer between reserves	-	-	(1,367)	1,367	-	-
Transactions in own shares	-	-	-	(1,228)	55	(1,173)
Share option expense	-	-	707	-	-	707
Balance at 31 December 2016	75	2,209	4,111	9,626	(7,180)	8,841

Company	Share capital £000	Share premium account £000	Share option reserve £000	Retained earnings £000	Own shares reserve £000	Total £000
Balance at 1 January 2015	75	2,209	5,827	4,238	-	12,349
Year ended 31 December 2015:						
Total comprehensive income for the year	-	-	-	(17)	-	(17)
Dividends	-	-	-	(3,390)	-	(3,390)
Transfer between reserves	-	-	(1,935)	1,935	-	-
Share option expense	-	-	879	-	-	879
Balance at 31 December 2015	75	2,209	4,771	2,766	-	9,821
Year ended 31 December 2016:						
Total comprehensive income for the year	-	-	-	(505)	-	(505)
Dividends	-	-	-	(1,507)	-	(1,507)
Transfer between reserves	-	-	(1,367)	1,367	-	-
Share option expense	-	-	707	-	-	707
Balance at 31 December 2016	75	2,209	4,111	2,121	-	8,516

Neptune Investment Management Limited

Statements of cash flows
For the year ended 31 December 2016

	Notes	2016 Group £000	2016 Company £000	2015 Group £000	2015 Company £000
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	28	283	(891)	4,364	1,860
Tax paid		(238)	(154)	(955)	(837)
Net cash inflow/(outflow) from operating activities		45	(1,045)	3,409	1,023
Investing activities					
Purchase of property, plant and equipment		(23)	(23)	(547)	(547)
Purchase of investments		-	-	(100)	(100)
Purchase of own shares		(1,173)	-	(2,404)	-
Interest received		46	46	66	66
Dividends received		-	-	-	143
Net cash (used in)/generated from investing activities		(1,150)	23	(2,985)	(438)
Financing activities					
Dividends paid		(1,429)	(1,507)	(3,226)	(3,390)
Net cash used in financing activities		(1,429)	(1,507)	(3,226)	(3,390)
Net decrease in cash and cash equivalents		(2,534)	(2,529)	(2,802)	(2,805)
Cash and cash equivalents at beginning of year		11,161	11,154	13,963	13,959
Cash and cash equivalents at end of year		8,627	8,625	11,161	11,154

1 Accounting policies

Company information

Neptune Investment Management Limited ("the Company") and its subsidiaries (together "the Group") are investment managers and the Company has been authorised and regulated by the Financial Conduct Authority since 19 April 2005.

Neptune Investment Management Limited is a company limited by shares incorporated in England and Wales. The registered office is 3 Shortlands, London, W6 8DA.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements have been prepared on the historical cost basis except for the revaluation of current asset investments. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

1.2 Going concern

The directors have at the time of approving the financial statements, 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.

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

1 Accounting policies (continued)

(a) Rendering of services

The Group receives investment management fees, based on a percentage of the assets under management, in the period in which the service is performed.

(b) Rental income

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(c) Dividend and interest revenue

Dividend income from investments is recognised when the right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.4 Intangible assets other than goodwill

Acquired management licences are shown at historical cost. Trademarks and licences have an indefinite useful life and are tested annually for impairment and carried at cost less accumulated impairment losses.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	over the period of the lease
Plant and equipment	3 years
Office equipment	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1 Accounting policies (continued)

1.6 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (continued)

1.9 Financial assets

Financial assets are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Interest and dividends are included in 'Investment income' and gains and losses on remeasurement included in 'other gains and losses' in the income statement.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

1 Accounting policies (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

Where any group company, including the Company's Employee Share Ownership Trust, purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. This deduction is effected through the Own Shares Reserve. No gain or loss is recognised in the statements of comprehensive income on the purchase, issue, sale or cancellation of the Company's own equity shares. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to 'other comprehensive income', in which case the deferred tax is also dealt with in 'other comprehensive income'. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

A termination benefit liability is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

1 Accounting policies (continued)

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered the service entitling them to the contributions.

1.16 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Basis of consolidation

The consolidated financial statements incorporate the financial statements of subsidiary entities. A subsidiary is defined as an entity over which the Company has control. Control is achieved when the Company has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affects its returns.

Consolidation of a subsidiary begins when the Company obtains control and ceases when control is lost. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three control elements listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with the Group's accounting policies.

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Amendments to IAS 12 - Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Amendments to IAS 7 - Disclosure initiative	1 January 2017
IFRS 9 Financial instruments	1 January 2018
IFRS 15 Revenue from contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15	1 January 2018
Clarifications to IFRS 15 Revenue from contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018

3 Critical accounting judgements and key sources of estimation uncertainty

Share based payments
The Company has granted share options to certain employees and directors of the Group. The share options granted become exercisable at varying future dates. If certain conditions are met, following the vesting period, the employee will be eligible to exercise their option at an exercise price determined on the date the share options are granted.

The share based payment charge is recognised in the statement of comprehensive income and is calculated based on the Company's estimate of the number of share options that will eventually vest.

Assumptions regarding the fair value of the Company's shares and assumptions regarding employee fluctuation are taken into account when measuring the value of share-based payments for employees, which are required to be accounted for as equity-settled share-based payment transactions pursuant to IFRS 2. The resulting staff costs are recognised pro rata in the statement of comprehensive income to reflect the services rendered as consideration during the vesting period.

Impairment of intangible assets
The carrying amounts of the Group's intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised where the recoverable amount is less than the carrying value of the asset. Any impairment losses are recognised in the income statement.

4 Revenue

	2016		2015	
	Group	Company	Group	Company
	£000	£000	£000	£000
Fee income	34,863	34,863	50,012	50,012
Commission income	-	-	176	176
Rental income	177	177	178	178
Miscellaneous income	102	102	197	197
	35,142	35,142	50,563	50,563
Other significant revenue				
Finance income	46	46	56	56
Dividends received	-	-	-	143

The Group operates in the Investment Management industry within the United Kingdom.

5 Operating (loss)/profit

Operating (loss)/profit for the year is stated after charging:

	2016		2015	
	Group	Company	Group	Company
	£000	£000	£000	£000
Depreciation of property, plant and equipment	254	254	213	213
Impairment of intangible assets	752	-	-	-
Staff costs (see note 7)	10,688	10,688	14,408	14,408

6 Auditors' remuneration

	2016		2015	
	Group	Company	Group	Company
Fees payable to the Company's auditors:	£000	£000	£000	£000
For audit services				
Audit of the financial statements	45	45	40	40
Other audit related services	41	41	43	43
	86	86	83	83
For other services				
Tax services	11	11	10	10
Other services	4	4	8	8
Total non-audit fees	15	15	18	18

7 Employees

The average monthly number of persons (including directors) employed by the Group during the year was:

	2016 Number	2015 Number
Management, administration and operations	89	103

Their aggregate remuneration comprised:

	2016 £000	2015 £000
Wages and salaries	8,120	11,133
Social security costs	1,178	1,626
Pension costs	683	770
Share-based payments	707	879
	10,688	14,408

8 Directors' remuneration

	2016	2015
	£000	£000
Remuneration for qualifying services	2,073	2,770
Pension contributions	469	414
Share-based payments	359	485
	2,901	3,669

The number of directors who exercised share options during the year was 5 (2015 - 6).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2016	2015
	£000	£000
Remuneration for qualifying services	918	1,675
Pension contributions	385	343
Share-based payments	254	393
	1,557	2,411

9 Other gains and losses

	2016	2015
	£000	£000
Change in value of financial assets held for trading	28	-

10 Income tax expense

	2016		2015	
	Group	Company	Group	Company
	£000	£000	£000	£000
Current tax				
Current year taxation	45	-	464	371
Adjustments in respect of prior periods	(33)	(33)	25	25
	12	(33)	489	396
Deferred tax				
Deferred tax (credit)/charge	(17)	(17)	54	54
Total tax (credit)/charge	(5)	(50)	543	450

The (credit)/charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2016		2015	
	Group	Company	Group	Company
	£000	£000	£000	£000
Profit/(loss) before taxation	12	(555)	2,795	433
Expected tax charge/(credit) based on a corporation tax rate of 20.00%	2	(111)	566	88
Expenses not deductible in determining taxable profit	33	33	49	49
Adjustment in respect of prior years	(33)	(33)	25	25
Group relief	-	(109)	-	-
Tax relief on share options	(213)	(213)	(338)	(338)
Share based payment charge	141	141	178	178
ESOT contribution	-	232	-	475
Other tax adjustments	65	10	63	(27)
Tax (credit)/charge for the year	(5)	(50)	543	450

11 Dividends

During the year total dividends of 20p per share (2015: 45p per share) were paid, absorbing £1.429 million (2015: £3.226 million) and leaving a retained deficit for the year of £1.412 million (2015: £0.974 million) to be funded from reserves. Included in the above dividend payment was £0.858 million (2015: £2.023 million) paid to shareholders who were also directors of the Company at the time of payment.

12 Intangible assets

Group	Other intangibles £000
Cost	
At 1 January 2015 and 31 December 2015	752
At 31 December 2016	752
Amortisation and impairment	
At 1 January 2015 and 31 December 2015	-
Impairment loss during the year	752
At 31 December 2016	752
Carrying amount	
At 31 December 2016	-
At 31 December 2015	752
At 31 December 2014	752

These intangible assets arose from the purchase of the right to act as investment advisers on various funds, including associated costs and deferred consideration. In the opinion of the directors, the intangibles assets have been fully impaired.

13 Property, plant and equipment

	Leasehold improvements	Plant and equipment	Office equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2015	2,011	590	1,297	3,898
Additions	40	1	506	547
At 31 December 2015	2,051	591	1,803	4,445
Additions	-	-	23	23
At 31 December 2016	2,051	591	1,826	4,468
Accumulated depreciation and impairment				
At 1 January 2015	1,627	567	1,226	3,420
Charge for the year	84	12	117	213
At 31 December 2015	1,711	579	1,343	3,633
Charge for the year	87	8	159	254
At 31 December 2016	1,798	587	1,502	3,887
Carrying amount				
At 31 December 2016	253	4	324	581
At 31 December 2015	340	12	460	812
At 31 December 2014	384	23	71	478

14 Investment in subsidiaries

	2016	2015
Company	£	£
Investment in subsidiaries	2	1

The Company owns 100% of the ordinary share capital of Neptune Investments Contracts Limited and Neptune Equester Limited, both of which are registered in England and Wales. Neptune Investments Contracts Limited is an investment management business and Neptune Equester Limited is dormant.

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting period.

	Decelerated capital allowances £000	Other timing differences £000	Total £000
Deferred tax asset at 1 January 2015	60	7	67
Deferred tax movements in prior year			
(Charge)/credit to profit or loss	(55)	1	(54)
Deferred tax asset at 31 December 2015	5	8	13
Deferred tax movements in current year			
Credit/(charge) to profit or loss	18	(1)	17
Deferred tax asset at 31 December 2016	23	7	30

16 Investments

	2016		2015	
	Group £000	Company £000	Group £000	Company £000
Financial assets held for trading	128	128	100	100

17 Trade and other receivables

	2016 Group £000	2016 Company £000	2015 Group £000	2015 Company £000
Trade receivables	-	-	170	170
Other receivables	24	24	21	21
Prepayments	4,081	4,081	5,448	5,447
	4,105	4,105	5,639	5,638

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

18 Trade and other payables

	2016 Group £000	2016 Company £000	2015 Group £000	2015 Company £000
Trade payables	496	495	947	943
Amounts due to subsidiary undertakings	-	324	-	180
Accruals	3,866	3,866	6,138	6,138
Social security and other taxation	240	240	378	378
Other payables	64	64	105	106
	4,666	4,989	7,568	7,745

The amounts due to the subsidiary undertakings consists of an intercompany loan which is used as a n operating account by the subsidiary concerned. This loan does not incur interest, does not have a set repayment schedule and is repayable on demand.

19 Share capital

	2016 £000	2015 £000
Ordinary share capital		
Issued and fully paid		
7,535,245 Ordinary shares of 1p each	75	75

20 Share premium account

	2016 £000	2015 £000
At 1 January 2016 and 31 December 2016	2,209	2,209

21 Share option reserve

	Group £000	Company £000
At 1 January 2015	5,827	5,827
Share options expense	879	879
Transfer to retained earnings	(1,935)	(1,935)
At 31 December 2015	4,771	4,771
Share option expense	707	707
Transfer to retained earnings	(1,367)	(1,367)
At 31 December 2016	4,111	4,111

The Company operates three share option schemes as follows:

(i) Enterprise Management Incentives ("EMI") Scheme. Options were granted to all employees under this scheme, at market value, with a minimum vesting period of five years. No new options have been granted under this scheme since 2010, when the Company ceased to qualify under the EMI rules.

(ii) Unapproved Scheme. Options continue to be granted to all employees under this scheme, at market value, with a minimum vesting period of five years.

(iii) Equity Participation Plan ("EPP"). Introduced in 2011, with initial grants made in 2012, this scheme is utilised to reward key senior executives as part of their performance-related remuneration. The awards are in the form of nil-priced options to acquire ordinary shares in the Company, with a minimum vesting period of three years.

21 Share option reserve (continued)

EMI scheme	Number	Weighted average exercise price (£)
Number of options outstanding at 1 January 2016	21,647	14.13
Forfeited in the year	(4,000)	15.25
Number of options outstanding at 31 December 2016	17,647	13.88
Number of options exercisable at 31 December 2016	17,647	13.88

The exercise price of the options outstanding at 31 December 2016 ranges between £12 and £20. The weighted average remaining contractual life of the options outstanding at 31 December 2016 is 7 years (2015: 8 years).

EPP scheme	Number	Weighted average exercise price (£)
Number of options outstanding at 1 January 2016	194,610	nil
Granted in the year	77,325	nil
Exercised in the year	(66,587)	nil
Forfeited in the year	(17,933)	nil
Number of options outstanding at 31 December 2016	187,415	nil
Number of options exercisable at 31 December 2016	-	nil

The exercise price of the options outstanding at 31 December 2016 is £nil. The weighted average remaining contractual life of the options outstanding at 31 December 2016 is 3.8 years (2015: 4.2 years).

Unapproved scheme	Number	Weighted average exercise price (£)
Number of options outstanding at 1 January 2016	1,242,479	9.69
Granted in the year	125,000	12.00
Forfeited in the year	(193,050)	9.55
Number of options outstanding at 31 December 2016	1,174,429	8.35
Number of options exercisable at 31 December 2016	799,429	6.63

The exercise price of the options outstanding at 31 December 2016 ranges between £1.60 and £12. The weighted average remaining contractual life of the options outstanding at 31 December 2016 is 6.6 years (2015: 6.7 years).

21 Share option reserve (continued)

For the EPP share options granted in the year, the weighted average fair value of the options is £9.65. The fair value of the options was measured using the Black-Scholes options valuation model. The inputs to that model in respect of the EPP share options were as follows:

Share price	£10.15
Exercise price	£nil
Expected volatility	29%
Expected option life	3 years
Dividend yield	1.97%
Risk free rate	0.5%

For the Unapproved share options granted in the year, the weighted average fair value of the options is £2.46. The fair value of the options was measured using the Black-Scholes options valuation model. The inputs to that model in respect of the Unapproved share options were as follows:

Share price	£10.11
Exercise price	£12
Expected volatility	40%
Expected option life	5 years
Dividend yield	1.98%
Risk free rate	0.4%

The risk free rate is estimated based on the average Bank of England base rate in the period.

Expected share price volatility is based on similar listed fund managers.

Likelihood of exercise of options:	
EMI and Unapproved schemes	60%
EPP scheme	90%

In February 2016, the terms of all Unapproved options outstanding were modified such that the exercise price was reduced to £12. The incremental fair value was measured using the Black-Scholes options valuation model. The inputs to that model in respect of the modification were as follows:

Share price	£10.15
Expected volatility	29%
Expected option life	5 years
Dividend yield	1.97%
Risk free rate	0.5%

The incremental fair value granted, to be recognised over the remaining vesting period, as a result of this modification is £228,428.

21 Share option reserve (continued)

The Company transfers the fair value of share options that have been exercised during the year out of the Share Option Reserve into Retained Earnings, as shown in the Statement of Changes in Equity.

£1.367 million has been transferred to Retained Earnings during the year in respect of 66,587 EPP share options exercised, and 109,550 Unapproved share options which were forfeited and 4,000 EMI share options which were forfeited.

22 Own shares reserve

Group	Number of shares	Carrying value £000
At 1 January 2015	348,320	6,993
Purchase of shares	162,092	2,584
Exercise of share options	(119,399)	(180)
Losses arising on the exercise of share options	-	(2,162)
At 31 December 2015	391,013	7,235
Purchase of shares	75,089	1,173
Exercise of share options	(66,587)	-
Losses arising on the exercise of share options	-	(1,228)
At 31 December 2016	399,515	7,180

During the year the Company has made contributions to the Neptune Employee Share Ownership Trust ("ESOT"), which have been utilised to enable the ESOT to purchase shares from shareholders who wish to sell, as authorised by the directors of the Company, at a price negotiated between the parties. Contributions to the ESOT are only made if the Company has a sufficient capital adequacy surplus and if the directors believe it is in the best interests of the Company. Accordingly, such capital adequacy constraints mean that not all requests from shareholders to sell shares can be honoured. The accounts of the ESOT are consolidated and the net book cost and carrying value of shares owned at the balance sheet date is debited to the Own shares reserve.

23 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2016 £000	2015 £000
Minimum lease payments under operating leases	708	732

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £000	2015 £000
Within one year	873	385
Between two and five years	1,618	2,425
	2,491	2,810

Lessor

At the reporting end date the Group had contracted with tenants for the following minimum lease payments:

	2016 £000	2015 £000
Within one year	186	150
Between two and five years	258	444
	444	594

24 Related party transactions

The remuneration of key management personnel, who are all directors of the Company, is disclosed in note 8.

The Company acts as Authorised Corporate Director and Unit Trust Manager for a number of investment funds and unit trusts, which may be considered to be related parties. Investment management fees receivable from these funds during the year amounted to £32.686 million (2015: £47.468 million) and the balance outstanding at 31 December 2016 was £2.673 million (2015: £3.565 million).

During the year, fees totalling £21,255 (2015: £14,500) were paid to Punter Southall Health and Protection Consulting Limited ("PSHP") for staff benefits consultancy advice. There was £nil (2015: £nil) outstanding at 31 December 2016. PSHP is a subsidiary of Punter Southall Group Limited, of which, two directors of the Company, Mr J D Punter and Mr S M Southall, are shareholders. Mr Punter is a director of both PSHP and Punter Southall Group Limited.

25 Financial risk management

The Group uses financial instruments, other than derivatives, comprising cash, liquid resources and various items such as sundry debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk and currency risk. The Group is exposed to no material credit risk. The Group's fee income, commission income and the majority of its cost of sales are all affected directly by the value of the Group's AUM on a daily basis and are exposed to market risk accordingly. The directors review and agree policies for managing these risks and these are summarised below. Short-term debtors and creditors have been excluded from all the following disclosures.

(a) Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets with the emphasis on safety rather than return. This is achieved by placing surplus funds on deposit as and when the directors deem appropriate and by keeping the deposit-taking institution(s) under review.

(b) Currency risk

The Group is exposed to an insignificant amount of transaction related foreign exchange risk. The Company's cash reserves are held in the UK in Sterling and USD; the USD being held to mitigate currency risk for USD denominated expenditure. Other foreign exchange risk is not mitigated.

(c) Fair values

The fair values of the Group's financial instruments are considered to be equal to their book value.

(d) Borrowing facilities and interest rate risk

The Group has cash reserves that are sufficient to finance its trading operations for the foreseeable future. It has no borrowing facilities and interest rate risk is consequently not material to the Group.

(e) Market risk

The directors review the market risk applicable to the Group on a monthly basis, by considering the likelihood of market falls across the Group's AUM and its consequent effect on the Group's profitability, net assets and capital adequacy. The Group's policy is to take out a suitably protective hedging instrument in the event that the directors believe such cover to be appropriate and worthwhile in all the circumstances. No such hedging instruments were purchased during 2016 (2015: None). The likely direct impact on the Group's profit after tax of a 5% downward movement in the average monthly value of AUM throughout the year amounts to £1.038 million (2015: £1.338 million).

26 Capital risk management

Externally imposed capital requirements to which the Company is subject have been complied with in the period.

27 Controlling party

In the opinion of the directors, there is no one ultimate controlling party.

28 Cash generated from operations

	2016		2015	
	Group	Company	Group	Company
	£000	£000	£000	£000
Profit/(loss) for the year after tax	17	(505)	2,252	(17)
Adjustments for:				
Taxation (credited)/charged	(5)	(50)	543	450
Investment income	(46)	(46)	(56)	(199)
Impairment of intangible assets	752	-	-	-
Depreciation	254	254	213	213
Change in value of financial assets	(28)	(28)	-	-
Share based payment expense	707	707	879	879
Movements in working capital:				
Decrease in trade and other receivables	1,534	1,533	1,205	1,206
Decrease in trade and other payables	(2,902)	(2,756)	(672)	(672)
Cash generated from/(absorbed by) operations	283	(891)	4,364	1,860