

Company Registration No. 4341768 (England and Wales)

Neptune Investment Management Limited

**Annual report and consolidated financial statements
for the year ended 31 December 2017**



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)
	J Dowey	(Chief Economist and Chief Investment Officer)
	R H Green	(Deputy Managing Director)
	D T Lee	(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 Bank plc
21 King's Mall
King Street
Hammersmith
London
W6 0QF

Solicitors Macfarlanes LLP
20 Cursitor Street
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EC4A 1LT

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One Bunhill Row
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Neptune Investment Management Limited

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Neptune Investment Management Limited

Chairman's statement

For the year ended 31 December 2017

Introduction and overview

Global markets continued to deliver robust growth in 2017 and while investor risk appetite was constrained by political uncertainty, not least of which relates to the ongoing Brexit negotiations, the year ended with a marginal reduction in our assets under management, from £3.7bn to £3.6bn.

Investment performance in 2017 remained strong, with approximately two thirds of our funds, weighted by assets under management, outperforming and placed in the first or second quartile over the period. At the time of writing (March 2018) this broad-based strong performance continues, with 15 out of our 20 funds in the top quartile for 2018 to date (see p.6).

The cost reductions put in place by the Executive team over the last two years, generated a significant increase in operating profits (before prior year impairment of intangible assets) of some 44%, giving the Board the confidence to increase the final dividend by 15%.

Global economic growth is now more widespread, underpinning the ongoing strength of markets and whilst we remain vigilant of the potential risks ahead, it was pleasing to note that our fund range stood up exceptionally well during the recent correction (see p.6).

Results and dividends

The audited accounts of the Group, being the Company and its subsidiaries, for the year ended 31 December 2017, show an operating profit of £994,000 (2016: loss of £62,000) from turnover of £32.960 million (2016: £35.142 million). After finance income of £39,000 and other gains of £184,000, the profit before tax is £1.217 million (2016: £12,000). The tax charge for the year is £261,000 (2016: credit of £5,000), leaving a profit after tax of £956,000 (2016: £17,000).

During the year total dividends of 10p per share were paid (2016: 20p per share), absorbing £713,000 (2016: £1.429 million) and leaving a retained profit for the year of £243,000 (2016: deficit of £1.412 million).

Further details on the accounts and the year's trading are given in the Strategic Report on pages 3 to 7.

Cash flow and capital adequacy

The Group's operating cash flow continues to be positive, with a net cash inflow from operating activities of £1.927 million (2016: £45,000). 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 £8.516 million (2016: £8.627 million). The Company's regulatory capital adequacy remains comfortably in surplus and is reviewed by the Board on a monthly basis.

Personnel

Charlie Parker resigned from the board on 3 May 2017 to pursue other opportunities. Dan Lee joined the company in September 2017 as Head of UK Sales and was promoted to the Board on 24 January 2018. James Cripps resigned from his non-executive position on 11 December 2017 and we thank him for over four years of expert service.

Neptune Investment Management Limited

Chairman's statement

For the year ended 31 December 2017

Share capital

No new shares were issued during the year.

Future strategy and prospects

With strong performance across the fund range we believe we are well placed to benefit from continued positive global growth and a recovery in sales. We are however also mindful of the risks, notably the impact of the Brexit negotiations and the potential risks and rewards posed by their final outcome.

J D Punter

Chairman

23 April 2018

Neptune Investment Management Limited

Strategic report

For the year ended 31 December 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

Financial

Group revenue for the year fell by 6.2% to £32.960 million (2016: £35.142 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 £12.685 million (2016: £13.231 million), with the resulting gross profit down 7.5% to £20.275 million (2016: £21.911 million). The gross profit margin declined to 61.5% (2016: 62.3%) and the net margin was 3bp lower, at 66bp (2016: 69bp) due to downward market pressure on fees. The table below provides a summary and further analysis of the key performance indicators:

<i>Analysis of gross profit</i>	2017	2016
AUM at end of year (£million)	3,564	3,733
Average month end AUM (£million)	3,561	3,786
Fee income margin (basis points)	93	92
Retained, post rebate and commission, fee income margin (basis points)	66	69
	<hr/>	<hr/>
	£000	£000
Fee income (from management fees)	32,482	34,863
Other income (excluding interest)	478	279
	<hr/>	<hr/>
Revenue (per statement of comprehensive income)	32,960	35,142
Cost of sales	(12,685)	(13,231)
	<hr/>	<hr/>
Gross profit	20,275	21,911
	<hr/>	<hr/>
Gross profit margin	61.51%	62.35%
	<hr/>	<hr/>

Operating expenditure, excluding impairment of intangible assets, was 9.1% lower than last year at £19.281 million (2016: £21.221million). Administrative expenses, as shown in the Statement of Comprehensive Income on page 13, have fallen by 8.5% to £18.762m (2016: £20.514 million), reflecting the material cost saving initiative implemented by management in 2016 in the light of reduced AUM and revenues.

Against this backdrop staff costs in total were also lower than last year at £10.183 million (2016: £10.688 million), accounting for 52.8% of operating expenditure (2016: 50.4%). Variable staff costs were 163% higher reflecting the higher bonus pool arising from improved profitability, fixed staff costs fell from £9.336 million to £7.258 million in the period.

Neptune Investment Management Limited

Strategic report (continued)

For the year ended 31 December 2017

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

<i>Analysis of operating profit</i>	2017	2016
	£000	£000
Gross profit	20,275	21,911
Fixed costs		
- Staff	7,258	9,336
- Other	9,808	10,533
	17,066	19,869
Variable staff costs	1,696	645
Share option charge	519	707
	19,281	21,221
Impairment of intangible assets	-	752
Total operating expenditure	19,281	21,973
Operating profit/(loss)	994	(62)
<i>Business ratios</i>		
Operating margin (against total revenue)	3.02%	0.18%
Staff costs / gross profit	44.16%	48.80%
Variable staff costs / operating profit pre-variable staff costs	63.05%	110.60%
Return on assets (profit after tax / net assets)	11.23%	0.20%

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 regular 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 2017 (2016: 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 £0.993 million (2016: £1.038 million).

Strategic report (continued)

For the year ended 31 December 2017

Investment

In 2017 we achieved one of our best ever years of overall investment performance, with approximately two-thirds of our funds, weighted by assets under management, placed in the top quartile of their respective Investment Association (IA) sector for performance over the year.

These results form part of a broad and sustained pick-up in investment performance in recent years, following a more challenging preceding period for some of the funds. At the time of writing (March 2018), 70 per cent of our assets under management sit in the top quartile of their respective IA sector for performance over the past two years, as do half over the past three years. Our funds have also performed very well during the market sell-off which occurred in February 2018 and two-thirds of our assets under management, and 15 of our 20 funds, sit in the top quartile in 2018 to date.

While each fund's performance is driven to a significant degree by idiosyncratic factors, we attribute our return to broad-based outperformance in recent years, in part, to some general factors, both external and internal to Neptune.

Externally, the incremental movement of major central banks away from quantitative easing (QE), and other unconventional monetary policy measures during the past couple of years, has made fundamental approaches to active investment management – including Neptune's 'real world' approach – easier to execute once again. Specifically, the arbitrary rewards accruing to bond-like stocks under QE, owing to their substitutability to the bonds purchased in large quantity by central banks as part of QE asset purchase programmes, have receded relative to the rewards accruing to strong real world company fundamentals and rational valuations. This has enabled skilled and discerning managers to outperform again at the historical rate.

Internally, reforms to the business such as the consolidation of the fund range following the industry's Retail Distribution Review have made it easier for us to execute our investment philosophy in its purest and most effective form. Our philosophy rests on the three tenets of team-based independent research that often goes against the grain of consensus opinion, a culture of conviction in our investment ideas, and fund manager freedom to execute our ideas; each of which is best achieved within a highly focused boutique setting.

We are currently executing this philosophy across multi asset, developed market equities, emerging market equities and equity income strategies, producing an outstanding offering in each of these four areas.

Neptune Investment Management Limited

Strategic report (continued)

For the year ended 31 December 2017

Distribution

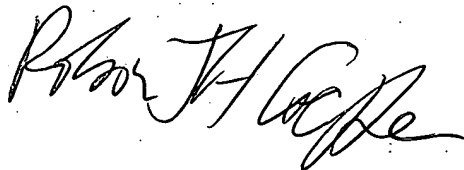
2017 saw a continued reduction in net outflows as the picture stabilised throughout the year. Investor confidence returned with the growth in global GDP, albeit held back still by political uncertainties across Europe and in the United States. The turnaround is a slow process but should benefit from the strength of performance across the Neptune fund range.

There were particularly strong net sales into Europe and Japan. Improving trends were seen in Emerging Markets, Global Equities, Income and the Technology fund. This fits in well with our roadshow activity for 2018 which is confirming this encouraging picture.

The restructuring of the sales team last year was augmented by the appointment of Dan Lee as head of UK Sales. Dan leads a small and growing team focussed on our key clients, working alongside LGBR Capital's focus on regional intermediaries across the UK. The embryonic continental European team, led by Valentine Bugeja, continues to build momentum.

Summary

The actions taken by the management team have borne fruit in 2017, with strong fund performance across the range underpinned by an efficient and cost-controlled operational infrastructure. This has resulted in a substantial improvement in the financial performance of the company and improved returns to shareholders. We are confident that we can continue these trends into 2018.



R J H Geffen
Chief Executive Officer
23 April 2018

Neptune Investment Management Limited

Directors' report

For the year ended 31 December 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

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 10p per share (2016: 20p per share) were paid, absorbing £0.713 million (2016: £1.429 million) and leaving a retained surplus for the year of £0.295 million (2016: £1.412 million deficit).

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	(Resigned 11 December 2017)
J Dowey	
R H Green	
C H Parker	(Resigned 3 May 2017)
*# J D Punter	
* S M Southall	
R M Smith	
D T Lee	(Appointed 24 January 2018)

Risk and Pillar 3

The financial risk policies of the Group are disclosed in note 27 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.

Directors' report (continued)

For the year ended 31 December 2017

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 company and group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and the profit or loss of the company and group for that period.

In preparing the financial statements the directors are required to:

- select suitable accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and group 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

23 April 2018

Neptune Investment Management Limited

Independent auditors' report

To the members of Neptune Investment Management Limited

Opinion

We have audited the financial statements of Neptune Investment Management Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 set out on pages 13 to 42. 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.

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the group and of the parent company as at 31 December 2017 and of the group's and parent company's profit for the year then ended; and
- 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.

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.

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 Auditors' responsibilities for the audit of the financial statements section of our report. 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.

Neptune Investment Management Limited

Independent auditors' report (continued)

To the members of Neptune Investment Management Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this 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 our 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 not identified 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Neptune Investment Management Limited

Independent auditors' report (continued)

To the members of Neptune Investment Management Limited

Auditors' 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



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

23 April 2018

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 2017

		2017		2016	
	Notes	Group £000	Company £000	Group £000	Company £000
Revenue	4	32,960	32,960	35,142	35,142
Cost of sales		(12,685)	(12,685)	(13,231)	(13,411)
Gross profit		20,275	20,275	21,911	21,731
Administrative expenses		(18,762)	(19,828)	(20,514)	(21,653)
Share option expense	21	(519)	(519)	(707)	(707)
Operating profit/(loss) before impairment of intangible assets		994	(72)	690	(629)
Impairment of intangible assets	12	-	-	(752)	-
Operating profit/(loss)	5	994	(72)	(62)	(629)
Dividend income	4	-	342	-	-
Finance income	4	39	39	46	46
Other gains and losses	9	184	184	28	28
Profit/(loss) before taxation		1,217	493	12	(555)
Income tax (expense)/income	10	(261)	(265)	5	50
Profit/(loss) and total comprehensive income for the year		956	228	17	(505)

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 2017

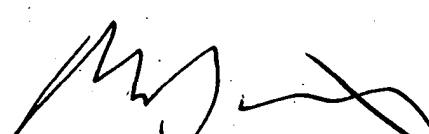
		2017		2016	
	Notes	Group £000	Company £000	Group £000	Company £000
Non-current assets					
Property, plant and equipment	13	380	380	581	581
Deferred tax asset	15	42	42	30	30
		<u>422</u>	<u>422</u>	<u>611</u>	<u>611</u>
Current assets					
Investments	16	550	550	128	128
Trade and other receivables	17	4,245	4,244	4,105	4,105
Current tax recoverable		-	-	36	36
Cash and cash equivalents		8,516	8,515	8,627	8,625
		<u>13,311</u>	<u>13,309</u>	<u>12,896</u>	<u>12,894</u>
Total assets		<u>13,733</u>	<u>13,731</u>	<u>13,507</u>	<u>13,505</u>
Current liabilities					
Trade and other payables	18	4,945	4,944	4,666	4,989
Current tax liabilities		277	277	-	-
		<u>5,222</u>	<u>5,221</u>	<u>4,666</u>	<u>4,989</u>
Net current assets		<u>8,089</u>	<u>8,088</u>	<u>8,230</u>	<u>7,905</u>
Net assets		<u>8,511</u>	<u>8,510</u>	<u>8,841</u>	<u>8,516</u>
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	3,916	3,916	4,111	4,111
Retained earnings		9,844	2,310	9,626	2,121
Own shares reserve	22	(7,533)	-	(7,180)	-
Total equity		<u>8,511</u>	<u>8,510</u>	<u>8,841</u>	<u>8,516</u>

The financial statements were approved by the Board of directors and authorised for issue on 23 April 2018 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 2017**

	Share capital £000	Share premium account £000	Share option reserve £000	Retained earnings £000	Own shares reserve £000	Total £000
Group						
Balance at 1 January 2016	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
Year ended 31 December 2017:						
Total comprehensive income for the year	-	-	-	956	-	956
Dividends	-	-	-	(713)	-	(713)
Transfer between reserves	-	-	(714)	714	-	-
Transactions in own shares	-	-	-	(739)	(353)	(1,092)
Share option expense	-	-	519	-	-	519
Balance at 31 December 2017	75	2,209	3,916	9,844	(7,533)	8,511
Company						
Balance at 1 January 2016	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
Year ended 31 December 2017:						
Total comprehensive income for the year	-	-	-	228	-	228
Dividends	-	-	-	(753)	-	(753)
Transfer between reserves	-	-	(714)	714	-	-
Share option expense	-	-	519	-	-	519
Balance at 31 December 2017	75	2,209	3,916	2,310	-	8,510

Neptune Investment Management Limited

Statements of cash flows

For the year ended 31 December 2017

		2017		2016	
	Notes	Group £000	Company £000	Group £000	Company £000
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	28	1,887	498	283	(891)
Tax refunded/(paid)		40	36	(238)	(154)
Net cash inflow/(outflow) from operating activities		1,927	534	45	(1,045)
Investing activities					
Purchase of property, plant and equipment		(34)	(34)	(23)	(23)
Transactions in own shares		(1,092)	-	(1,173)	-
Purchase of investments		(238)	(238)	-	-
Interest received		39	39	46	46
Dividends received		-	342	-	-
Net cash (used in)/generated from investing activities		(1,325)	109	(1,150)	23
Financing activities					
Dividends paid		(713)	(753)	(1,429)	(1,507)
Net cash used in financing activities		(713)	(753)	(1,429)	(1,507)
Net decrease in cash and cash equivalents		(111)	(110)	(2,534)	(2,529)
Cash and cash equivalents at beginning of year		8,627	8,625	11,161	11,154
Cash and cash equivalents at end of year		8,516	8,515	8,627	8,625

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.

Notes to the financial statements (continued)

For the year ended 31 December 2017

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 are classified as at FVTPL when the financial asset is

- contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies;
- held for trading; or
- it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- the asset has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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.

1 Accounting policies (continued)

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.

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.

Notes to the financial statements (continued)
For the year ended 31 December 2017

1 Accounting policies (continued)

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.

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 Accounting policies (continued)

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.

1.15 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 Accounting policies (continued)

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 affect 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 relevant to the Group, and which have not yet been applied in these financial statements, were in issue but not yet effective. In some cases these standards and guidance have not been endorsed for use in the European Union:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40	Transfers of Investment Property
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 17	Insurance Contracts
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures

The directors have assessed the impact of the standards in issue but not yet effective and have noted below their conclusions on the key new standards.

IFRS 9 Financial Instruments

IFRS 9 issued in July 2014 introduces new requirements for the classification and measurement of financial instruments. It is effective for all accounting periods beginning on or after 1 January 2018. A detailed description of the standard is available on the IFRS website: <http://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments/>

The directors have considered the impact of IFRS 9 Financial Instruments for the next accounting period, and believe the key changes to Neptune's accounting policies to be as follows:

- Equity investments previously measured at cost less any impairment will now be recognised at their fair value at the end of subsequent accounting periods, with the changes in fair value being recognised through profit or loss.
- The directors will assess the recoverability of receivables and loans with a view to recognising any impairment losses as necessary in line with the expected credit loss basis.
- The directors are aware of the additional disclosure requirements of IFRS 9 Financial Instruments and will ensure their inclusion in the financial statements for the year ended 31 December 2018.

2 Adoption of new and revised standards and changes in accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 (latest amendment issued in April 2016) introduces a new standard for the recognition of revenue from contracts with customers. It is effective for all accounting periods beginning on or after 1 January 2018. A detailed description of the standard is available on the IFRS website: <http://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers/>

The directors have considered the potential impact of IFRS 15 Revenue from Contracts with Customers for the next accounting period and believe there to be no impact on the revenue recognition policies of Neptune Investment Management Limited.

IFRS 16 Leases

IFRS 16 (latest amendment issued in January 2016) introduces a new basis for the accounting of leases. It is effective for all accounting periods beginning on or after 1 January 2019. A detailed description of the standard is available on the IFRS website: <http://www.ifrs.org/issued-standards/list-of-standards/ifrs-16-leases/>

The directors have considered the potential impact of IFRS 16 Leases for the accounting period beginning on 1 January 2019 for all existing lease agreements. At present, the existing lease agreements are either of too short a nature or too low a value to qualify for a transitional change. The directors are aware that the new standard may impact future lease agreements and will account for any new agreements in line with IFRS 16 Leases.

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.

Neptune Investment Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

4 Revenue

	2017		2016	
	Group	Company	Group	Company
	£000	£000	£000	£000
Fee income	32,482	32,482	34,863	34,863
Rental income	178	178	177	177
Miscellaneous income	300	300	102	102
	<u>32,960</u>	<u>32,960</u>	<u>35,142</u>	<u>35,142</u>
Other significant revenue				
Finance income	39	39	46	46
Dividends received	-	342	-	-
	<u>-</u>	<u>342</u>	<u>-</u>	<u>-</u>

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

5 Operating loss

Operating loss for the year is stated after charging:

	2017		2016	
	Group	Company	Group	Company
	£000	£000	£000	£000
Depreciation of property, plant and equipment	235	235	254	254
Impairment of intangible assets	-	-	752	-
Staff costs (see note 7)	10,183	10,183	10,688	10,688
	<u>10,418</u>	<u>10,418</u>	<u>11,694</u>	<u>10,942</u>

Neptune Investment Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

6 Auditors' remuneration

	2017		2016	
	Group	Company	Group	Company
	£000	£000	£000	£000
Fees payable to the Company's auditors:				
For audit services				
Audit of the financial statements	37	37	36	36
Other audit related services	62	62	50	50
	<u>99</u>	<u>99</u>	<u>86</u>	<u>86</u>
For other services				
Tax services	9	9	11	11
Other services	23	23	4	4
	<u>32</u>	<u>32</u>	<u>15</u>	<u>15</u>

7 Employees

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

	2017	2016
	Number	Number
Management, administration and operations	<u>75</u>	<u>89</u>

Their aggregate remuneration comprised:

	2017	2016
	£000	£000
Wages and salaries	7,932	8,120
Social security costs	1,104	1,178
Pension costs	628	683
Share-based payments	519	707
	<u>10,183</u>	<u>10,688</u>

Neptune Investment Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

8 Directors' remuneration

	2017 £000	2016 £000
Remuneration for qualifying services	2,492	2,073
Pension contributions	354	469
Share-based payments	298	359
	<u>3,144</u>	<u>2,901</u>

The number of directors who exercised share options during the year was 4 (2016 - 5).

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

	2017 £000	2016 £000
Remuneration for qualifying services	1,418	918
Pension contributions	292	385
Share-based payments	224	254
	<u>1,934</u>	<u>1,557</u>

9 Other gains and losses

	2017 £000	2016 £000
Change in value of financial assets held for trading	<u>184</u>	<u>28</u>

Neptune Investment Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

10 Income tax expense

	2017		2016	
	Group £000	Company £000	Group £000	Company £000
Current tax				
Current year taxation	290	277	45	-
Adjustments in respect of prior periods	(17)	-	(33)	(33)
	<u>273</u>	<u>277</u>	<u>12</u>	<u>(33)</u>
Deferred tax				
Deferred tax credit	(12)	(12)	(17)	(17)
	<u>(12)</u>	<u>(12)</u>	<u>(17)</u>	<u>(17)</u>
Total tax charge/(credit)	<u>261</u>	<u>265</u>	<u>(5)</u>	<u>(50)</u>

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

	2017		2016	
	Group £000	Company £000	Group £000	Company £000
Profit/(loss) before taxation	<u>1,217</u>	<u>493</u>	<u>12</u>	<u>(555)</u>
Expected tax charge/(credit) based on a corporation tax rate of 19.25%	234	95	2	(111)
Expenses not deductible in determining taxable profit	13	13	33	33
Income not taxable	-	(66)	-	-
Adjustment in respect of prior years	(17)	-	(33)	(33)
Group relief	-	-	-	(109)
Tax relief on share options	(94)	(94)	(213)	(213)
Share based payment charge	100	100	141	141
ESOT contribution	-	208	-	232
Other tax adjustments	25	9	65	10
Tax charge/(credit) for the year	<u>261</u>	<u>265</u>	<u>(5)</u>	<u>(50)</u>

Neptune Investment Management Limited

Notes to the financial statements (continued)
For the year ended 31 December 2017

11 Dividends

During the year total dividends of 10p per share (2016: 20p per share) were paid, absorbing £0.713 million (2016: £1.429 million) and leaving a retained surplus for the year of £0.295 million (2016: £1.412 million deficit). Included in the above dividend payment was £0.472 million (2016: £0.858 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 2016 and 31 December 2016	752
At 31 December 2017	752
Amortisation and impairment	
At 1 January 2016	-
Impairment loss	752
At 31 December 2016 and 31 December 2017	752
Carrying amount	
At 31 December 2017	-
At 31 December 2016	-
At 31 December 2015	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.

Neptune Investment Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

13 Property, plant and equipment

	Leasehold improvements £000	Plant and equipment £000	Office equipment £000	Total £000
Cost				
At 1 January 2016	2,051	591	1,803	4,445
Additions	-	-	23	23
At 31 December 2016	2,051	591	1,826	4,468
Additions	5	8	21	34
At 31 December 2017	2,056	599	1,847	4,502
Accumulated depreciation and impairment				
At 1 January 2016	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
Charge for the year	87	4	144	235
At 31 December 2017	1,885	591	1,646	4,122
Carrying amount				
At 31 December 2017	171	8	201	380
At 31 December 2016	253	4	324	581
At 31 December 2015	340	12	460	812

14 Investment in subsidiaries

Company	2017 £	2016 £
Investment in subsidiaries	2	2

At 31 December 2017, the Company held 100% of the ordinary share capital of Neptune Investments Contracts Limited and Neptune Equester Limited, both registered in England and Wales. Neptune Investment Contracts Limited was dormant during the year ended 31 December 2017. Neptune Equester Limited was dormant during the year ended 31 December 2017, and was dissolved on 2 January 2018.

Neptune Investment Management Limited

Notes to the financial statements (continued)
For the year ended 31 December 2017

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 2016	5	8	13
Deferred tax movements in prior year			
Credit/(charge) to profit or loss	18	(1)	17
Deferred tax asset at 31 December 2016	23	7	30
Deferred tax movements in current year			
Credit/(charge) to profit or loss	14	(2)	12
Deferred tax asset at 31 December 2017	<u>37</u>	<u>5</u>	<u>42</u>

16 Investments

	2017		2016	
	Group £000	Company £000	Group £000	Company £000
Financial assets held for trading	<u>550</u>	<u>550</u>	<u>128</u>	<u>128</u>

The above assets held for trading are non-derivative financial assets. The assets are measured using Level 1 fair value hierarchy, where the fair value measurement can be derived from quoted prices (unadjusted) in active markets for identical assets.

Neptune Investment Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

17 Trade and other receivables

	2017		2016	
	Group	Company	Group	Company
	£000	£000	£000	£000
Trade receivables	52	52	-	-
Other receivables	17	17	24	24
Prepayments	4,176	4,175	4,081	4,081
	<u>4,245</u>	<u>4,244</u>	<u>4,105</u>	<u>4,105</u>

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

18 Trade and other payables

	2017		2016	
	Group	Company	Group	Company
	£000	£000	£000	£000
Trade payables	764	763	496	495
Amounts due to subsidiary undertakings	-	-	-	324
Accruals	3,886	3,886	3,866	3,866
Social security and other taxation	231	231	240	240
Other payables	64	64	64	64
	<u>4,945</u>	<u>4,944</u>	<u>4,666</u>	<u>4,989</u>

The amounts due to the subsidiary undertakings consists of an intercompany loan which is used as an 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

	2017	2016
	£000	£000
Ordinary share capital		
Issued and fully paid		
7,535,245 Ordinary shares of 1p each	<u>75</u>	<u>75</u>

Neptune Investment Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

20 Share premium account

	2017	2016
	£000	£000
At 1 January 2017 and 31 December 2017	2,209	2,209

21 Share option reserve

	Group	Company
	£000	£000
At 1 January 2016	4,771	4,771
Share options expense	707	707
Transfer to retained earnings	(1,367)	(1,367)
At 31 December 2016	4,111	4,111
Share option expense	519	519
Transfer to retained earnings	(714)	(714)
At 31 December 2017	3,916	3,916

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.

Notes to the financial statements (continued)
For the year ended 31 December 2017

21 Share option reserve (continued)

EMI scheme	Number	Weighted average exercise price (£)
Number of options outstanding at 1 January 2017	17,547	13.88
Forfeited in the year	(5,547)	13.98
Number of options outstanding at 31 December 2017	12,000	13.83
Number of options exercisable at 31 December 2017	12,000	13.83

The exercise price of the options outstanding at 31 December 2017 ranges between £12 and £20. The weighted average remaining contractual life of the options outstanding at 31 December 2017 is 5.8 years (2016: 6.9 years).

EPP scheme	Number	Weighted average exercise price (£)
Number of options outstanding at 1 January 2017	187,415	nil
Granted in the year	119,009	nil
Exercised in the year	(40,756)	nil
Forfeited in the year	(11,908)	nil
Number of options outstanding at 31 December 2017	253,760	nil
Number of options exercisable at 31 December 2017	2,182	nil

The exercise price of the options outstanding at 31 December 2017 is £nil. The weighted average remaining contractual life of the options outstanding at 31 December 2017 is 5.2 years (2016: 3.8 years).

Unapproved scheme	Number	Weighted average exercise price (£)
Number of options outstanding at 1 January 2017	1,174,429	8.35
Granted in the year	223,000	12.00
Forfeited in the year	(193,100)	12.00
Number of options outstanding at 31 December 2017	1,204,329	8.44
Number of options exercisable at 31 December 2017	772,829	6.45

The exercise price of the options outstanding at 31 December 2017 ranges between £1.60 and £12. The weighted average remaining contractual life of the options outstanding at 31 December 2017 is 7.6 years (2016: 6.6 years).

21 Share option reserve (continued)

For the EPP share options granted in the year, the weighted average fair value of the options is £3.22. 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	£3.45
Exercise price	£nil
Expected volatility	26%
Expected option life	3 years
Dividend yield	2.89%
Risk free rate	0.25%

For the Unapproved share options granted in the year, the weighted average fair value of the options is £0.01. 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	£3.45
Exercise price	£12
Expected volatility	26%
Expected option life	5 years
Dividend yield	2.89%
Risk free rate	0.25%

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 options vesting:

EMI and Unapproved schemes	60%
EPP scheme	90%

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.

£0.714 million has been transferred to Retained Earnings during the year in respect of share options which were either exercised or forfeited.

Neptune Investment Management Limited**Notes to the financial statements (continued)****For the year ended 31 December 2017****22 Own shares reserve**

Group	Number of shares	Carrying value £000
At 1 January 2016	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
Purchase of shares	130,455	1,146
Sale of shares	(4,500)	(54)
Exercise of share options	(40,756)	-
Losses arising on the exercise of share options	-	(739)
At 31 December 2017	484,714	7,533

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 Capital risk management

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

24 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:

	2017 £000	2016 £000
Minimum lease payments under operating leases	574	708

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:

	2017 £000	2016 £000
Within one year	888	873
Between two and five years	895	1,618
	1,783	2,491

Lessor

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

	2017 £000	2016 £000
Within one year	213	186
Between two and five years	45	258
	258	444

25 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 £31.658 million (2016: £32.686 million) and the balance outstanding at 31 December 2017 was £2.645 million (2016: £2.673 million).

During the year, fees totalling £18,055 (2016: £21,255) were paid to Punter Southall Health and Protection Consulting Limited ("PSHP") for staff benefits consultancy advice. There were no amounts (2016: £nil) outstanding at 31 December 2017. 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.

26 Controlling party

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

27 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).

Neptune Investment Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

28 Cash generated from operations

	2017		2016	
	Group £000	Company £000	Group £000	Company £000
Profit/(loss) for the year after tax	956	228	17	(505)
Adjustments for:				
Taxation charged/(credited)	261	265	(5)	(50)
Investment income	(39)	(381)	(46)	(46)
Impairment of intangible assets	-	-	752	-
Depreciation	235	235	254	254
Other gains and losses	(184)	(184)	(28)	(28)
Share based payment expense	519	519	707	707
Movements in working capital:				
(Increase)/decrease in trade and other receivables	(140)	(139)	1,534	1,533
Increase/(decrease) in trade and other payables	279	(45)	(2,902)	(2,756)
Cash generated from/(absorbed by) operations	1,887	498	283	(891)