RNS Announcement for 2012 results

18 March 2013

MITON GROUP PLC

FINAL RESULTS FOR YEAR ENDED 31 DECEMBER 2012

Miton Group plc (formerly known as MAM Funds plc), the AIM quoted fund management group, announces its annual results for the year ended 31 December 2012.

Financial Highlights	2012 £m	2011 £m	%
Assets Under Management at 31 December	1,786	1,666	+7.2
Net Revenue	11.6	11.2	+3.6
Adjusted Profit(1)	3.9	3.6	+8.3
Profit/(Loss) before Tax	0.9	(0.4)	
Cash generated from operations	3.6	2.5	+44.0
Total Cash Balances at 31 December	12.0	9.9	+21.2
	pence	pence	%
Earnings per share	0.80	0.25	+220.0
Adjusted EPS(2)	2.47	2.45	+0.8
Proposed dividend per share	0.45	0.40	+12.5

Notes
(1) Adjusted Profit is before amortisation, exceptionals and taxation.
(2) Adjusted EPS excludes charges for amortisation and exceptionals and associated taxation.

- Increased AUM to £1.8bn despite mixed market conditions
- Administrative costs, including share-based payments, increased by 4.9%: tightly controlled with cost income ratio at 66.3% compared with 66.1% in 2011.
- Adjusted Profit increased by 8.3% to £3.9m includes £0.2m write back of unutilised provisions and a fall in interest charged.
- Cash balances at the year-end up 21% to £12.0m, with £5.6m considered free cash.
- Earnings per share was particularly depressed in 2011 due to exceptional charges of £1.1m.
- Adjusted EPS is broadly unchanged due to the increases in Adjusted Profit being offset by an increase of 7.1% in the average shares in issue.

Business Highlights

Net inflows:

- Positive net total fund inflows for the year of £62m despite mixed market conditions.

Growing equity specialisation:

- Two successful C share issues for Diverse Income Trust (£30m in July and £31m in December) resulted in total assets increasing to £120m.

- CF Miton UK Multi Cap Income Fund reached £48m in assets only 15 months since launch.

New fund launches:

- In May we launched Miton Global Diversified Income Fund.
- In December we launched the CF Miton UK Smaller Companies Fund.

Existing funds relaunched:
During the year we relaunched and renamed four funds:

- CF Miton Total Return Fund
- CF Miton Worldwide Opportunities Fund
- CF Miton Diversified Growth Fund
- CF Miton Distribution Fund

- the latter two being newly risk-rated funds meeting the increased demands of IFAs.

New fund managers:

- We welcomed four new members to our fund management team heralding the launch of three new funds in 2013 with distinctive strategies in the UK mid and large cap and US multi cap sectors:
- Nick Ford and Hugh Grieves, US equity fund managers; and
- George Godber and Georgina Hamilton, UK equity managers.

Development of business support functions:

- CRM system implemented.
- Group investment management system being introduced in 2013.

Unifying under the Miton Group brand:

- All OEICs renamed Miton
- Plc name changed to Miton Group following shareholder approval

Ian Dighé, Executive Chairman said:

“Miton has had a very active and profitable year. We have stepped up the investment in, and the trajectory of, the business and expect to continue this strategy in 2013. Our refocused and expanded range of funds, and talented fund managers, are building a strong platform for growth.”

ENDS

For further information, please contact:

Miton Group plc	
Ian Dighé, Executive Chairman	07785 703261
Gervais Williams, Managing Director	07811 331824
Robert Clarke, Group Finance Director & Director of Operations	07766 688983
Peel Hunt, Nominated Adviser and Broker	
Guy Wiehahn / Andy Crossley	020 7418 8900
MHP, PR Adviser	
Reg Hoare / Simon Hockridge / Rosa Smith	020 3182 8100

Web: www.mitongroup.com

Chairman's Statement

Results

Against a backdrop of mixed market conditions in 2012, Miton has made good progress with a step up in its market presence and an increase in Adjusted Profit to £3.9m. We addressed the strategic priorities outlined in my statement last year – sowing many seeds for the future capacity and trajectory of the business.

Starting the climb

A summary of the key actions and achievements of the year in this context are set out in detail in the Business & Financial Review.

In summary we have made changes to our existing funds including:

- the merger of two smaller funds with appropriate existing products
- the relaunch of four funds to clarify and redefine their investment proposition.

I am particularly delighted that towards the end of the year we recruited four new members to our fund management team. We therefore welcome Nick Ford, Hugh Grieves, George Godber and Georgina Hamilton, all of whom share our culture and are well known to our existing team. We aim to build upon the success of our UK equity funds with the launch of three new equity funds that they will manage, and which will have distinctive equity strategies in the UK mid & large cap and US multi cap sectors.

The performance and growth of our new equity funds has been particularly encouraging. During the year we raised over £60m in two C share issues for the Diverse Income Trust to take it decisively over £100m of total assets.

The CF Miton UK Multi Cap Income fund grew to just under £50m by the end of the year. The Miton Global Diversified Income Fund was launched in May and a new CF Miton UK Smaller Companies fund was launched successfully in December.

Work in Progress

Although we have made good progress, we have not yet stemmed the outflow of funds managed by our Liverpool office. We have implemented a number of changes which should enable further progress in 2013:

- significant changes to the investment approach of the two main funds have yielded good results in terms of improved investment returns and lower volatility
- the funds are now risk-rated - providing solutions for a growing area of retail investment
- the portfolio strategies are better suited to post credit boom trends
- they have been rebranded under the Miton brand.

During the year, we have examined a number of complementary business development opportunities. One of these was successfully completed after the end of the year when, in February, it was announced that Gervais Williams and Martin Turner were appointed the new managers of the £80m Henderson Fledgling Trust. We continue to attract the interest of individual fund managers and teams, given our strong sales channel and our enthusiasm for building out our range of single strategy funds.

Change of name and fund rebranding

Shareholders approved the change of the Company's name to Miton Group plc in January 2013. Given the track record of the CF Miton Special Situations and CF Miton Strategic funds, the Miton brand is already synonymous with outstanding long term performance, along with closely managed volatility that has often sustained investors' capital at times of market stress. Unifying under a single brand underlines that our fund managers work in common purpose across a number of different asset classes. Miton's proposition is a straightforward combination of leading fund managers, along with largely unconstrained strategies that are carefully applied to take advantage of the changing market trends.

Naturally we have also rebranded all our OEICs under the Miton brand too. The Directors believe that changing the Company's name to Miton Group plc reinforces these brand changes and will help to communicate the distinctive nature of the Group's product range to potential investors and intermediaries.

Dividend
Last year we paid our first dividend for four years as part of a new progressive dividend policy. This year, the Group generated cash from operations of £3.6m (2011: £2.5m). Therefore the Board is proposing to pay a dividend of 0.45p per share on 20 May 2013 to shareholders registered at 2 April 2013 (2011: 0.4p): an increase of 12.5%. The increase reflects the Board's confidence in the future prospects of the Group.

Priorities
There is much to be accomplished in the coming year and beyond in order to continue to grow Assets Under Management.

- Launch new funds managed by our new teams
- Upgrade our group-wide fund management software systems to scale up our capacity to manage additional portfolios
- Continue to bring in enthusiastic staff to increase our effectiveness as a company to deliver excellent customer service in every aspect of our business
- Improve our engagement through new media so we can widen the understanding and appreciation of how our clients' funds are positioned as market conditions evolve.

Our core strategic priorities are to:

- Clearly and effectively promote the Miton investment philosophy.
- Stem the outflow of funds from the OEICs managed by our Liverpool office.
- Increase our fund range so our strategies are matched to a wider range of clients' needs.

Outlook
We are significantly building the capacity of the Group to manage a far greater level of assets under management. This is being achieved through the recruitment of new fund managers, the recent and planned launch of new funds, the winning of new mandates and the upgrading of our systems across the Group. Through these specific initiatives we will raise our business trajectory over the coming years.

Staff
I would like to recognise the dedication and hard work of our employees during 2012. Our business has asked a lot of our staff and they have been more than willing to address the challenges.

Ian Dighé
Executive Chairman
15 March 2013

Business and Financial Review

Introduction

Miton Group plc (formerly known as MAM Funds plc) is the AIM-listed parent company of a fund management group operating through two FSA regulated companies:

- Miton Asset Management Limited; and
- Miton Capital Partners Limited (formerly known as Midas Capital Partners Limited).

We manage investments within:

- eleven open ended funds
- three investment trusts, and
- segregated accounts.

The business now operates under the single Miton brand and has 41 employees working out of offices in Reading, Liverpool and London. Up until December 2012 we operated under the MAM, Miton, Midas and Acuim brands.

Our fund managers seek value for investors without undue regard for indices and benchmarks. They have the flexibility to invest in companies, funds and asset classes that are better placed to preserve value and see it grow over the medium to longer term.

	Opening AUM 1 Jan 2012 £m	Inflows £m	Outflows £m	Net Flows £m	Other including markets £m	Closing AUM 31 Dec 2012 £m
Funds	1,457	412	(410)	2	36	1,495
Investment trusts	127	60	-	60	19	206
Other	82	2	(1)	1	2	85
Total	1,666	474	(411)	63	57	1,786

Review of the year

2012 was a busy year for developing our product range and continuing to invest in the business. In the 2011 Annual Report we set out our strategic priorities and we now provide an update on the progress we are making and give a summary of activity in 2012:

We said we would:

- **develop our Miton multi-asset specialisation**
  - In May we launched Miton Global Diversified Income fund with a target yield of 4% investing in a variety of assets and regions
  - In September we relaunched our Worldwide Opportunities fund to prioritise capital growth through investment in closed end and open ended funds.
  - In December we relaunched our Total Return fund to deliver a low risk return above LIBOR

- **develop and grow our equity single strategy fund range**
  - Our UK Smaller Companies fund was launched in December and targets total investment returns over the long term by investing in smaller UK quoted companies
  - Our US Opportunities fund will be launched in the first quarter of 2013 focusing on a portfolio of US listed companies within the Russell 3000 multicap universe
  - Our UK Value Opportunities fund will also be launched in the first quarter of 2013 to deploy a proven methodology for capitalising on a value portfolio of UK listed companies.

● reverse the trend in Miton Capital (formerly Midas Capital) fund flows
We have not yet stemmed the outflow of funds from Liverpool. Nevertheless good progress has been made and outflows have slowed.

- significant changes to the investment approach of the two main funds have had good results in terms of improved investment returns and lower volatility
- both the management company, Miton Capital Partners Limited and the funds: CF Miton Diversified Growth and CF Miton Distribution fund have been rebranded
- the funds are now risk-rated: providing solutions for a growing area of retail investment.

● clarify and focus our product offering and branding

- In December we rebranded our fund range under the single Miton brand.
- In January we renamed the company Miton Group plc
- The changes to our fund range provide further clarification and focus to our product offering.

● identify and develop complementary business development opportunities

- During the year we have examined a number of opportunities
- One of these was successfully completed after the end of the year when in February it was announced Gervais Williams and Martin Turner would be taking on the management of the Henderson Fledgling Trust £80m portfolio
- Before proceeding with a particular opportunity we apply a strict single requirement: that it must be able to generate sustainable additional value for shareholders over the medium to long term
- Opportunities continue to be evaluated as they arise.

● communicate effectively with shareholders, IFAs, advisers and their ultimate clients

- We continue to develop our core messages and upgrade our communications with the outside world
- Our Customer Relationship Management (CRM) system is enabling us to focus more effectively our marketing and communication effort on relevant contacts
- In 2012 we added to our marketing team and significantly increased the quantity and quality of our communications.

Last year we also outlined our objectives for differentiating our business:

● to make our communication with existing clients, potential investors and others relevant and timely

- We explain above how we have been improving our communication activities
- We will continue to develop and improve in this area using both traditional and more innovative methods of reaching our clients and the outside world.

● to maintain rigorous standards of compliance and risk management

- We continue to be vigilant to ensure high standards are maintained
- Specific procedures to prevent and detect any non-compliance are regularly reviewed and upgraded to include the very latest regulations and developments.

● delivering high levels of service for our customers in order to build relationships

- Our CRM system allows us to provide a more tailored service for intermediaries and for the ultimate investor
- We can also identify those advisors and investors who are likely to benefit from our product range.

Financial review

We are pleased that the Group's Adjusted Profit increased by over 8% to £3.9m for the year ended 31 December 2012. After expensing amortisation of £3.0m profit before tax was £913,000, compared with a loss before tax in 2011 of £427,000.

	2012 £m	2011 £m
Net Revenue	11.6	11.2
Administrative expense	(7.0)	(6.7)
Share based payment	(0.7)	(0.7)
Net interest	-	(0.2)
Adjusted Profit	**3.9**	**3.6**
Exceptional (charges)	-	(1.0)
Amortisation	(3.0)	(3.0)
Profit/(Loss) before Tax	**0.9**	**(0.4)**

Key points:

- Net revenues after fees and commission expense increased by 3.6% reflecting an increase of 3.8% in average Assets Under Management

- Administrative expense increased by 4.5%. Three fund managers were recruited just before the end of the year and therefore only account for a small element of the increase.

- Adjusted Profit of £3.9m increased by 8.3% over the previous year. Adjusted Profit has benefited from no interest charge in the year and from the release of provisions no longer required of £228,000.

Cash and cashflow
Cash generated from operations of £3.6m increased from £2.5m in 2011.

Total cash balances held at the year end as per our Consolidated Balance Sheet were £12.0m (2011:£9.9m) of which £5.6m (2011: £3.5m) is considered free cash – analysed as follows:

	£m	£m
Total Group Cash		12.0
less:		
Regulatory capital requirement	3.9	
Regulatory capital contingency	1.5	
Provisions unwinding over 12 months	0.2	
Year end payables in excess of regular working capital	0.8	
		6.4
Estimated free cash		5.6

Other balance sheet items
The balance sheet includes £34.5m of goodwill and £13.1m of intangible assets. An annual review is carried out to assess the value in use of the relevant business assets. In 2012 this was again assessed as being in excess of the combined carrying value of £47.6m and therefore no impairment write-down is required. The original capitalised cost of the intangible assets is written off over their useful lives resulting in an annual amortisation charge of £3.0m.

Provisions outstanding at the end of the year of £230,000 reduced from the opening balance of £1,332,000 on 1 January as a result of £891,000 being utilised and £228,000 being released as no longer required.

The Management Equity Incentive scheme (MEI) treasury shares of £4.7m are held in an employee benefit trust pending possible vesting between 2015 and 2019. They are required to be shown as a deduction from total equity funds. Cumulative retained earnings stand at £24.7m.

Robert Clarke
Group Finance Director & Director of Operations
15 March 2013

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

		2012 £000	2011 £000
Revenue		22,333	21,423
Fees and commission expense		(10,751)	(10,244)
Net revenue		11,582	11,179
Administration expenses		(7,014)	(6,666)
Share-based payment		(712)	(701)
Amortisation of intangibles		(2,974)	(2,974)
Exceptional operating expense		-	(773)
Operating profit from Continuing Operations	4	882	65
Exceptional loss on restructuring and financing		-	(325)
Finance revenue		31	3
Finance costs		-	(170)
Profit/(loss) for the year from Continuing Operations before taxation		913	(427)
Taxation		153	501
Profit for the year from Continuing Operations after taxation		1,066	74
Discontinued Operations			
Profit for the year from Discontinued Operations		-	243
Profit for the year attributable to equity holders of the parent		1,066	317

		pence	pence
Earnings per share			
— Basic and diluted	6a	0.80	0.25
Earnings per share from Continuing Operations			
— Basic and diluted	6b	0.80	0.06

Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

	Share Capital £000	Share Premium £000	Treasury Shares £000	MEI Treasury Shares £000	Warrant Reserve £000	Capital Redemption Reserve £000	Creditors Reserve £000	Retained Earnings £000	Total £000
At 1 January 2011	70	24	(52)	–	239	5,527	799	28,068	34,675
Profit for the year	–	–	–	–	–	–	–	317	317
Placing shares issued	61	19,939	–	–	–	–	–	–	20,000
Cost of share issue	–	(513)	–	–	–	–	–	–	(513)
Exercise of warrants	2	239	–	–	(239)	–	–	–	2
Redemption of Preference Shares	–	–	–	–	–	6,035	–	(6,035)	–
Sale of treasury shares	–	–	52	–	–	–	–	–	52
Shares issued to Management Equity Incentive (MEI)	13	4,283	–	(4,296)	–	–	–	–	–
Shares issued on exercise of options	1	308	–	–	–	–	–	(296)	13
Share-based payments	–	–	–	–	–	–	–	701	701
Deferred tax direct to equity	–	–	–	–	–	–	–	48	48
Transfer from Creditors Reserve	–	–	–	–	–	–	(432)	432	–
At 1 January 2012	**147**	**24,280**	**–**	**(4,296)**	**–**	**11,562**	**367**	**23,235**	**55,295**
Profit for the year	–	–	–	–	–	–	–	1,066	1,066
Shares purchased for Management Equity Incentive (MEI)	–	–	–	(398)	–	–	–	–	(398)
Shares issued on exercise of options	1	314	–	–	–	–	–	(248)	67
Share-based payments	–	–	–	–	–	–	–	712	712
Deferred tax direct to equity	–	–	–	–	–	–	–	81	81
Transfer from Creditors Reserve	–	–	–	–	–	–	(367)	367	–
Dividends	–	–	–	–	–	–	–	(535)	(535)
At 31 December 2012	**148**	**24,594**	**–**	**(4,694)**	**–**	**11,562**	**–**	**24,678**	**56,288**

Consolidated Balance Sheet
as at 31 December 2012

	Notes	2012 £000	2011 £000
Non-current assets			
Goodwill		34,544	34,544
Intangible assets		13,068	16,042
Property and equipment		94	148
		47,706	50,734
Current assets			
Trade and other receivables		1,638	1,589
Income tax receivables		-	60
Cash and cash equivalents	5	11,951	9,941
		13,589	11,590
Total assets		61,295	62,324
Current liabilities			
Trade and other payables		1,670	1,583
Income tax payable		638	446
Provisions		230	1,332
		2,538	3,361
Non-current liabilities			
Deferred tax liabilities		2,469	3,651
Provisions		-	17
		2,469	3,668
Total liabilities		5,007	7,029
Net assets		56,288	55,295
Equity			
Share capital		148	147
Share premium		24,594	24,280
MEI treasury shares		(4,694)	(4,296)
Capital redemption reserve		11,562	11,562
Creditors reserve		-	367
Retained earnings		24,678	23,235
Total equity		56,288	55,295

Ian Dighé
Executive Chairman
15 March 2013

Consolidated Statement of Cash Flows
for the year ended 31 December 2012

	2012 £000	2011 £000
Operating activities		
Profit for the year	1,066	317
Adjustments to reconcile profit to net cash flow		
from operating activities:		
Tax on Continuing Operations	(153)	(501)
Net finance (revenue)/cost	(31)	167
Depreciation	78	77
Amortisation of intangible assets	2,974	2,974
Share-based payment	712	701
Decrease/(increase) in trade and other receivables	38	(64)
Increase/(decrease) in trade and other payables	26	(939)
Movement in provisions	(1,119)	(567)
Exceptional loss on restructuring and financing	-	325
Cash generated from operations	3,591	2,490
Income tax paid	(695)	(1,371)
Net cash flow from operating activities	2,896	1,119
Investing activities		
Interest received	31	3
Purchase of property and equipment	(24)	(100)
Purchase of intangible assets	-	(26)
Proceeds from disposal of treasury shares	-	52
Net cash flow from investing activities	7	(71)
Financing activities		
Purchase of treasury shares	(425)	-
Proceeds from share issue	67	20,063
Costs of share issue	-	(513)
Interest paid	-	(1,155)
Repayment of borrowings	-	(17,584)
Early redemption payment	-	(325)
Dividends paid	(535)	-
Net cash flow from financing activities	(893)	486
Increase in cash and cash equivalents	2,010	1,534
Cash and cash equivalents at the beginning of the year	9,941	8,407
Cash and cash equivalents at the year end	11,951	9,941

Notes
At 31 December 2012

1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of Miton Group plc (formerly known as MAM Funds plc) and its subsidiaries (the "Group") for the year ended 31 December 2012 were authorised for issue by the Board of directors on 15 March 2013 and the balance sheet was signed on the Board's behalf by Ian Dighé. Miton Group plc (formerly known as MAM Funds plc) is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2012.

2. Accounting policies - basis of preparation

This financial information does not constitute statutory accounts, but has been extracted from the statutory accounts for the years ended 31 December 2012 and 31 December 2011 on which unqualified audit reports, which did not contain a statement under s498(2) or s498(3), have been issued. The statutory accounts for the year ended 31 December 2011 were posted to shareholders on 12 April 2012 and delivered to the Registrar on 11 June 2012 and the statutory accounts for the year ended 31 December 2012 will be delivered to the Registrar following their adoption at the Annual General Meeting. The preliminary announcement has been prepared on the same basis as that used in the preparation of the previous year's Annual Report and was approved for issue by the board of directors on 15 March 2013.

The statutory accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held at 10.30 am on 15 May 2013 in the David Burbidge Suite at 12 Austin Friars, London EC2N 2HE.

The registered office address is 10 – 14 Duke Street, Reading, RG1 4RU.

Copies of the Annual Report and accounts and notice of Annual General Meeting will be published on the Group's website www.mitongroup.com and posted to shareholders on [1] April 2013. They will be available to the public at the registered office from the same time.

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

This preliminary announcement contains certain forward looking statements with respect to the financial condition, results of operations and businesses and plans for Miton Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that have not yet occurred. There are a number of different factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. Nothing in this statement should be construed as a profit forecast.

3.Segmental Reporting

The group has one revenue stream, fund management fees, which are derived almost entirely from Europe (98% Europe; 2% Hong Kong).

4. Group Operating Profit

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

	Notes	2012 £000	2011 £000
Auditors' remuneration	4(b)	144	105
Staff costs		5,185	5,542
Operating lease rentals			
– plant and machinery		-	1
– land and buildings		106	177
Depreciation		78	77
Amortisation		2,974	2,974
Exceptional operating expense	4(c)	-	773

(b) Auditors' remuneration

The remuneration of the Auditors is analysed as follows:

		2012 £000	2011 £000
Audit of the consolidated financial statements		57	52
Audit of Company's subsidiaries pursuant to legislation		27	27
Other fees to Auditors	— taxation compliance services	25	16
	— other non-audit services	35	10
		144	105

(c) Exceptional operating (income)/expense

	2012 £000	2011 £000
Group restructuring costs	-	690
Capital reconstruction costs	-	(76)
Other costs	-	159
	-	773

In 2011, following the announcement of the changes to the Board on 5 December 2011, the Group made full provision in the 2011 Statement of Comprehensive Income for the compensation costs for loss of office to which one executive director and one senior manager became entitled. A provision of £456,000 for those compensation costs and related employment taxes was charged to the exceptional operating expense line within the 2011 Statement of Comprehensive Income. In addition during 2011, costs of £184,000 were incurred in respect of redundancy costs and £50,000 relating to other restructuring costs.

Capital reconstruction costs provided in 2010 were released to the 2011 Statement of Comprehensive Income following a review by management resulting in a gain of £76,000.

Other exceptional operating costs in 2011 comprised £109,000 in respect of the closure of one open ended fund, £40,000 relating to provisions for dilapidations and £10,000 relating to other fund management provisions.

5. Cash and short term deposits

	2012 £000	2011 £000
Cash at bank and in hand	11,951	9,941

Within cash at bank are £Nil (2011: £367,000) held for the account of creditors to the Company as identified in the 23 August 2010 capital reconstruction. The amount due to these creditors as at 31 December 2012 of £Nil (2011: £367,000) was held in a separate escrow account

6. Earnings per share

Basic earnings per share from the Continuing and Discontinued Operations is calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

In calculating diluted earnings per share, IAS 33 Earnings Per Share requires that the profit/(loss) of the continuing and discontinued operations is divided by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of any potential dilutive ordinary shares that would be issued on their conversion to ordinary shares during the period. However, options issued under the Long-Term Incentive Plan (LTIP) and the Management Incentive Plan (MIP) and the shares issued under the Management Equity Incentive (MEI) have been excluded from all diluted earnings per share calculations. The conditions of the option grants fall within the definition of contingently issuable shares, and the shares issued under the MEI are treated as cancelled and non dilutive as required by IAS 33.

(a) Reported earnings per share from the combined operations

This includes both the continuing and Discontinuing Operations' profit/(loss) for the period and has been calculated as follows:

	2012			2011		
	Profit £000	Shares No.	Earnings per share pence	(Loss)/ Profit £000	Shares No.	Earnings per share pence
Profit from Continuing Operations	1,066			74		
Profit from Discontinued Operations	-			243		
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	1,066			317		
Basic and Diluted	1,066	134,092,866	0.80	317	125,150,273	0.25

(b) Reported earnings per share from Continuing Operations

This is based on the profit/(loss) for the Continuing Operations in the period and was as follows:

	2012 pence	2011 pence
Basic and diluted	0.80	0.06

(c) Adjusted earnings per share from Continuing Operations

Adjusted earnings per share is based on Adjusted Profit after tax, where Adjusted Profit is stated after charging interest and share-based payments but before amortisation and exceptional items.

Adjusted Profit for calculating Adjusted earnings per share:

	2012 £000	2011 £000
Profit/(loss) for the period from Continuing Operations		
before taxation	913	(427)
Add back:		
Exceptional loss on restructuring and financing	-	325
Exceptional operating expense	-	773
Amortisation	2,974	2,974
Adjusted Profit	3,887	3,645
Taxation:		
Tax in the Statement of Comprehensive Income for Continuing Operations	153	501
Tax effect of adjustments	(729)	(1,083)
Adjusted Profit after tax for the calculation of Adjusted earnings per share	3,311	3,063

Adjusted earnings per share from Continuing Operations was as follows:

	2012 pence	2011 pence
Basic and diluted	2.47	2.45