

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should seek independent advice from a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your holding of Existing Ordinary Shares, please forward this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

This document comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies. This document does not constitute an offer to the public in accordance with the provisions of section 85 of FSMA and is not a prospectus for the purposes of the Prospectus Rules, nor is it approved by the UK Listing Authority or the FSA.

The directors and proposed directors of the Company, whose names are set out on page 8 of this document, and the Company itself accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, the Proposed Directors and the Company itself (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective, and that dealings will commence on AIM, at 8.00 a.m. on Friday, 7 March 2008. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. The AIM Rules for Companies are less demanding than those of the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. It is emphasised that no application is being made for admission of the Enlarged Share Capital to the Official List of the UK Listing Authority (or to any other recognised investment exchange). The Existing Ordinary Shares are not dealt in on any other recognised investment exchange.

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## **iimia MITONOPTIMAL PLC**

*(Incorporated and registered in England and Wales with registered number 5160210)*

### **Proposals**

for

### **Acquisition of Midas Capital Partners Limited Placing of Ordinary Shares Admission of the Enlarged Share Capital to Trading on AIM Change of Name to Midas Capital plc Adoption of New Articles of Association and Notice of General Meeting**

**Financial Adviser**

***Intelli Corporate Finance Limited***

**Nominated Adviser and Broker**

***Arbuthnot Securities Limited***

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Your attention is drawn to Part 2 of this document, which contains risk factors relating to an investment in the Company. The whole text of this document should be reviewed in light of these risk factors.

Intelli, which is authorised and regulated by the FSA, is acting solely for the Company and no one else in connection with the Proposals and will not be responsible to anyone other than the Company for providing the regulatory and legal protections afforded to customers (as defined by the FSA Rules) of Intelli or for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it.

Arbuthnot, which is authorised and regulated by the FSA, is acting as nominated adviser and broker to the Company and no one else in connection with Admission and will not be responsible to any person other than the Company for providing the regulatory and legal protections afforded to customers (as defined by the FSA Rules) of Arbuthnot or for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. The responsibilities of Arbuthnot, as nominated adviser under the AIM Rules for Nominated Advisers, are owed solely to London Stock Exchange and are not owed to the Company or any director or proposed director of the Company or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this document.

The Placing is only being made in the United Kingdom. In particular, this document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa or Japan and, may not be offered or sold in the United States of America, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia, the Republic of South Africa or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful.

Notice of a general meeting of the Company, to be held at the offices of Taylor Wessing LLP, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX, at 10.00 a.m. on Thursday, 6 March 2008, is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed and, to be valid, should be completed in accordance with the instructions printed on it and returned, as soon as possible but in any event so as to be received by the Company's registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 10.00 a.m. on Tuesday, 4 March, 2008. The return of a completed Form of Proxy will not preclude a member from attending and voting in person at the General Meeting. Your attention is drawn to the letter from the chairman of the Company which is set out in Part 1 of this document and which contains the Independent Directors' recommendation that you vote in favour of the resolutions to be proposed at the General Meeting.



## EXPECTED TIMETABLE

2008

Publication of this document and posting to Shareholders	Tuesday, 12 February
Interim dividend of 2.0p per Existing Ordinary Share declared	Tuesday, 12 February
Ex-dividend date for interim dividend of 2.0p per Existing Ordinary Share	Wednesday, 20 February
Record date for interim dividend of 2.0p per Existing Ordinary Share	Friday, 22 February
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on Tuesday, 4 March
General Meeting	10.00 a.m. on Thursday, 6 March
Admission of the Enlarged Share Capital effective	8.00 a.m. on Friday, 7 March
Acquisition completed	Friday, 7 March
CREST accounts credited with the Placing Shares issued in uncertificated form	Friday, 7 March
Despatch of definitive share certificates for the Placing Shares issued in certificated form	by Friday, 14 March
Interim dividend of 2.0p per Existing Ordinary Share paid	Thursday, 20 March

*Note: Each of the dates in the above timetable is subject to change at the absolute discretion of the Company and Arbutnot.*

## ADMISSION STATISTICS

Number of Existing Ordinary Shares	22,824,041
Number of Consideration Shares to be issued to Midas Shareholders	27,500,129
Placing Price	150p
Number of Placing Shares to be issued	7,000,000
Number of Ordinary Shares in issue immediately following Admission	57,324,170
Gross proceeds of the Placing	£10.5m
Estimated net proceeds of the Placing	£7.7m
Market capitalisation on Admission (at the Placing Price)	£86.0m
Ordinary Share RIC code	
Current	IMO
On Admission	MDS
Ordinary Share ISIN number	GB00B01WR582
Ordinary Share SEDOL number	B01WR58

## DEFINITIONS

In this document, the following expressions have the following meanings, unless the context requires otherwise.

“1985 Act”	the Companies Act 1985 (as amended and to the extent in force)
“2006 Act”	the Companies Act 2006 (to the extent in force)
“Acts”	the 1985 Act and/or the 2006 Act (as the context may require)
“Acquisition” or “Merger”	the proposed acquisition by iMO of the entire issued share capital of Midas from the Midas Shareholders pursuant to the Acquisition Agreements
“Acquisition Agreements”	the principal sale and purchase agreement dated 12 February 2008 between iMO and the Midas Warrantors and the individual sale and purchase agreements to be entered into between iMO and each of the other Midas Shareholders pursuant to which iMO has conditionally agreed to acquire the entire issued share capital of Midas, summaries of all of which are set out in paragraph 8.1.1.1 of Part 6 of this document
“Admission”	re-admission of the Existing Ordinary Shares and admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules for Companies”	the rules for AIM companies as issued by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the rules for nominated advisers as issued by the London Stock Exchange from time to time
“Arbuthnot”	Arbuthnot Securities Limited
“Articles”	the articles of association of the Company from time to time
“Bank of Scotland” or “Bank”	Bank of Scotland PLC
“Board”	the board of directors of the Company from time to time
“Cash Consideration”	the cash consideration payable by iMO to the Vendors pursuant to the terms of the Acquisition Agreements
“certificated” or “certificated form”	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST)
“Company” or “iMO”	iimia MitonOptimal plc, a company incorporated and registered in England and Wales with registered number 5160210
“Completion”	completion of the Acquisition in accordance with the terms of the Acquisition Agreements
“Consideration Shares”	the 27,500,129 new Ordinary Shares to be issued to the Vendors pursuant to the terms of the Acquisition Agreements
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	Euroclear UK & Ireland Limited, the Operator (as defined in the CREST Regulations) of CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“dealing day”	a day on which the London Stock Exchange is open for trading
“Directors”	the directors of the Company as at the date of this document, being those persons whose names and functions are set out on page 7 of this document
“EBITA”	earnings before interest, taxation and amortisation
“Enlarged Group”	the Company and its subsidiary undertakings, including, following Completion, Midas or any one or more of them as the context may require
“Enlarged Share Capital”	the issued share capital of iMO as it will be immediately following Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares

“EPS”	earnings per share
“Existing Group”	the Company and its subsidiary undertakings as at the date of this document or any one or more of them as the context may require
“Existing Ordinary Shares”	the 22,824,041 Ordinary Shares in issue at the date of this document
“Existing Shareholders”	holders of Existing Ordinary Shares
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time, including any regulations made pursuant thereto
“FuM”	funds under management
“FuM&A”	funds under management and advice
“GAAP”	Generally Accepted Accounting Principles
“General Meeting”	the general meeting of iMO convened for 10.00 a.m. on Thursday, 6 March 2008, notice of which is set out at the end of this document, or any adjournment thereof
“HMRC”	HM Revenue & Customs
“IAS”	International Accounting Standards
“IFAs”	independent financial advisers
“IFRS”	International Financial Reporting Standards
“IMA”	Investment Management Association
“iMO Group”	the Company and its subsidiary undertakings from time to time
“Independent Directors”	the Directors other than Gordon Neilly who, by virtue of also being a Midas Shareholder, is not regarded as independent with regard to the Acquisition
“Intelli”	Intelli Corporate Finance Limited, a subsidiary of the Company
“John K Miln”	John K Miln & Co. Limited, a subsidiary of the Company
“LIBOR”	London Inter-Bank Offer Rate
“London Stock Exchange”	London Stock Exchange plc
“M&A”	mergers and acquisitions
“Midas”	Midas Capital Partners Limited, a company incorporated and registered in England and Wales with registered number 4325961
“Midas Shareholders” or “Vendors”	the holders of the entire issued share capital of Midas
“Midas Warrantors”	the directors and senior management of Midas, being Lord Wade of Chorlton, Alan Borrowes, Michael Carr, Adrian Collins, Simon Edwards, Alec Foster and David Thomas
“MitonOptimal”	MitonOptimal Group Limited, Miton Asset Management Limited (formerly MitonOptimal UK Limited), MitonOptimal (South Africa) (Proprietary) Limited and MitonOptimal Guernsey Limited, or any one or more of them as the context may require, all of which are subsidiaries of the Company
“multi-asset”	the investment strategy of investing in a broad range of asset types, such as equities, bonds, property and cash, either directly or indirectly through investment in investment funds or structured products
“multi-manager”	the investment strategy of investing in a broad range of investment management styles and/or asset types, such as equities, bonds, property and cash, generally indirectly through investment in investment funds or structured products
“NAV”	net asset value
“New Ordinary Shares”	the Consideration Shares and the Placing Shares
“Official List”	the Official List of the United Kingdom Listing Authority (being the FSA acting in its capacity as the competent authority for the purposes of Part VII of FSMA)

“Ordinary Shares”	ordinary shares of 10p each in the share capital of iMO
“PBT”	profit before tax
“PCBs”	private client brokers and private client investment managers
“Placing”	the conditional placing of the Placing Shares by Arbutnot, as agent on behalf of the Company, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 12 February 2008 between Arbutnot, iMO, the Directors and the Proposed Directors relating to the Placing, further details of which are set out in paragraph 8.1.1.2 of Part 6 of this document
“Placing Price”	150p, being the price at which each Placing Share is to be issued under the Placing
“Placing Shares”	the 7,000,000 new Ordinary Shares proposed to be issued by iMO pursuant to the Placing
“Proposals”	the Acquisition, the Placing, Admission, the proposed change of name of the Company, the proposed adoption of new articles of association of the Company and related matters, all as described in this document
“Proposed Directors”	the persons who are to be appointed directors of iMO on Completion, being Colin Rutherford, Lord Wade of Chorlton, Simon Edwards and Adrian Collins (the proposed functions of whom are set out on page 7 of this document)
“Prospectus Rules”	the prospectus rules made by the FSA pursuant to section 73A of FSMA
“Resolutions”	the resolutions to be proposed at the General Meeting and set out in the notice convening the General Meeting at the end of this document
“Shareholders”	holders of Ordinary Shares
“Takeover Code”	the City Code on Takeovers and Mergers
“Takeover Panel”	the Panel on Takeovers and Mergers
“uncertificated” or “in uncertificated form”	a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which may be transferred by means of CREST

## DIRECTORS, SECRETARY AND ADVISERS

### Directors

#### Current

William John Long (*Non-executive Chairman*)  
Michael Charles Phillips (*Chief Executive*)  
Alastair Bruce McIntosh (*Managing Director, Investment Services*)  
Gordon Joseph Neilly (*Chairman, Intelli*)  
Scott MacGibbon Campbell (*Executive Director, International Fund Management*)  
Martin Robert Gray (*Executive Director*)  
Nicholas Ian Hamilton (*Non-executive Director*)

#### On Admission

Colin Rutherford (*Non-executive Chairman*)  
William Oulton Wade, Lord Wade of Chorlton (*Non-executive Deputy Chairman*)  
Michael Charles Phillips (*Chief Executive*)  
Simon William Edwards (*Managing Director*)  
Gordon Joseph Neilly (*Chairman, Intelli*)  
Scott MacGibbon Campbell (*Executive Director, International Fund Management*)  
Adrian John Reginald Collins (*Non-executive Director*)  
Nicholas Ian Hamilton (*Non-executive Director*)  
William John Long (*Non-executive Director*)

### Company Secretary

Roger Bennett

### Registered Office

23 Cathedral Yard  
Exeter EX1 1HB  
(Telephone number: 01392 475900)

### Financial Adviser

Intelli Corporate Finance Limited  
63 Queen Victoria Street  
London EC4N 4UA

### Nominated Adviser and Broker

Arbuthnot Securities Limited  
Arbuthnot House  
20 Ropemaker Street  
London EC2Y 9AR

### Solicitors to iMO

Taylor Wessing LLP  
Carmelite  
50 Victoria Embankment  
Blackfriars  
London EC4Y 0DX

### Solicitors to Arbuthnot

Lawrence Graham LLP  
4 More London Riverside  
London SE1 2AU

### Auditors to iMO

Ernst & Young LLP  
Broadwalk House  
Southernhay West  
Exeter EX1 1LF

### Reporting Accountants

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

### Reporting Accountants to the Company on Midas

Baker Tilly Corporate Finance LLP  
Festival Way  
Festival Park  
Stoke-on-Trent ST1 5BB

### Registrars

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0LA

### Principal Banker

Bank of Scotland PLC  
155 Bishopsgate  
London EC2M 3YB

## PART 1

### LETTER FROM THE CHAIRMAN OF iimia MITONOPTIMAL PLC

#### iimia MitonOptimal plc

*(Incorporated and registered in England and Wales with registered number 5160210)*

##### *Directors*

William Long *(Non-executive Chairman)*  
Michael Phillips *(Chief Executive)*  
Bruce McIntosh *(Managing Director, Investment Services)*  
Gordon Neilly *(Chairman, Intelli)*  
Scott Campbell *(Executive Director, International Fund Management)*  
Martin Gray *(Executive Director)*  
Nicholas Hamilton *(Non-executive Director)*

*Registered and Head Office*  
23 Cathedral Yard  
Exeter EX1 1HB

##### *Proposed Directors*

Adrian Collins  
Simon Edwards  
Colin Rutherford  
Lord Wade of Chorlton

12 February 2008

*To Shareholders and, For Information Only, to Holders of Options over Ordinary Shares*

Dear Shareholder

**Proposals  
for  
Acquisition of Midas Capital Partners Limited  
Placing of Ordinary Shares  
Admission of the Enlarged Share Capital to Trading on AIM  
Change of Name to Midas Capital plc  
Adoption of New Articles of Association  
and  
Notice of General Meeting**

#### **Introduction**

The Board announced today that iMO is proposing to merge with Midas Capital Partners Limited, a fast growing fund management company based in Liverpool with FuM of over £1.6 billion as at 31 January 2008. The merger will be effected by iMO acquiring the entire issued share capital of Midas in exchange for the issue of 27,500,129 new Ordinary Shares, representing approximately 48.0 per cent. of the Enlarged Share Capital, and the payment of approximately £59.0 million in cash to Midas Shareholders. The Acquisition values Midas at approximately £100.3 million<sup>1</sup>. The Directors and the Proposed Directors believe that the benefits of the Merger include:

- creating a leading multi-asset fund management business with approximately £2.9 billion of FuM&A<sup>2</sup>;
- further strengthening of the iMO Group's investment expertise, with the addition of a highly rated investment team, and extending its distribution capabilities, through Midas' strong distribution channels;
- increasing the proportion of the iMO Group's revenues that are recurring, whilst spreading the iMO Group's central costs over a broader business base; and
- significant merger synergies, currently estimated to be at least £2.5 million per annum (pre-tax) once the Existing Group and Midas have been fully integrated.

The Directors and the Proposed Directors expect the Acquisition to enhance the Company's underlying earnings per share<sup>3</sup> once the Existing Group and Midas have been fully integrated<sup>4</sup>.

<sup>1</sup> Valuing the Consideration Shares at the Placing Price.

<sup>2</sup> Based on the Existing Group's and Midas' FuM&A as at 31 January 2008.

<sup>3</sup> Adjusted EPS from continuing operations, including other operating income but before exceptional items, share based payments, amortisation and any performance fees, on a diluted basis.

<sup>4</sup> This statement should not be interpreted to mean that the underlying EPS will necessarily be greater than that for the year ended 31 December 2007.



The Board also announced today that, in order to provide part of the funding for the Cash Consideration, iMO is proposing to raise £10.5 million (before expenses) through the placing of 7,000,000 new Ordinary Shares at 150p per share with institutional and other investors. The balance of the Cash Consideration will be funded out of iMO's existing cash resources and new facilities with the Bank of Scotland.

Owing to the size and relative value of Midas in relation to the Company, the Acquisition constitutes a reverse takeover under the AIM Rules for Companies and therefore requires the approval of Existing Shareholders at a general meeting of the Company. A general meeting of the Company has been convened for 10.00 a.m. on Thursday, 6 March 2008 at the offices of Taylor Wessing LLP, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX, for the purpose of seeking such approval. The notice convening this meeting is set out at the end of this document.

To complete the Acquisition and implement the Placing it will also be necessary to give the Directors the required powers and authorities to issue and allot the New Ordinary Shares. In addition, if the Acquisition is approved, the trading of the Existing Ordinary Shares on AIM will be cancelled and the Company will apply for re-admission of the Existing Ordinary Shares and admission of the New Ordinary Shares to trading on AIM.

The Directors are proposing, in conjunction with the Acquisition, to change the Company's name to Midas Capital plc and a resolution to this effect will be proposed at the General Meeting. The Directors are also taking the opportunity of the General Meeting to propose a resolution to adopt new articles of association of the Company to bring the Articles into line with recent changes in company law and current practice.

The purpose of this document is to provide you with details of the Proposals, to explain why the Independent Directors consider the Proposals to be in the best interests of the Company and its Shareholders, to seek your approval for the Proposals at the General Meeting and to recommend that Shareholders vote in favour of the Resolutions which are necessary to approve and implement the Proposals.

**Information on the Existing Group**

**Introduction**

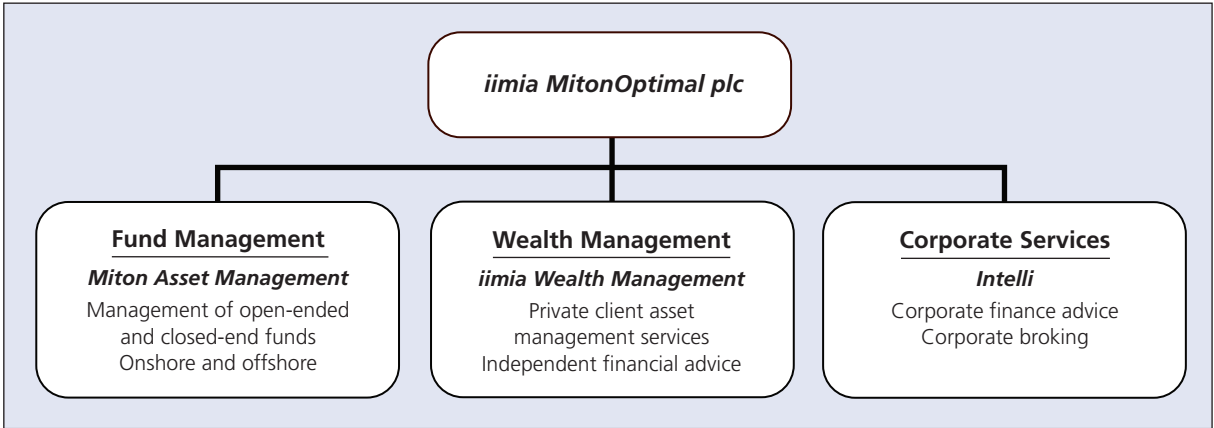
iMO is the parent company of the iMO Group. The original business of the iMO Group was formed in 2001 by two legal firms in Exeter and a team of financial services industry professionals (including Michael Phillips, iMO's chief executive) to provide investment management services to private investors and small institutions.

Since the original business was formed, the iMO Group's management has pursued a growth strategy (both organic and through acquisition) to build the iMO Group and create shareholder value by focusing on developing its investment services division. During 2003 and 2004, the original business acquired three IFA businesses. Thereafter:

- in August 2004, the original business reversed into Exeter Investment Group plc, an investment management and third party funds administration business with FuM of approximately £180 million;
- in September 2005, the Company acquired Intelli Corporate Finance Limited, a corporate finance advisory company specialising in the asset management and closed-end fund sectors;
- in July 2006, the Company sold its third party funds administration business for cash, realising a £9.2 million profit;
- in August 2007, the Company acquired John K Miln, an IFA with more than £200 million of funds under advice; and
- in October 2007, the Company completed its merger with MitonOptimal, a multi-manager investment management business with over £360 million of FuM.

These acquisitions have enabled the iMO Group to expand geographically and in the range and scale of activities undertaken.

As shown in the following chart, the iMO Group now operates through three divisions: fund management (operating principally under the "Miton" brand), wealth management (operating under the "iimia" brand) and corporate services (operating under the "Intelli" brand).



The iMO Group now has over 130 employees, with offices in Exeter, London, Reading, Edinburgh, Northampton, Bournemouth, Falmouth, Plymouth and Cape Town (South Africa). It also has a presence in Guernsey and Hong Kong. As at 31 January 2008, the iMO Group had FuM&A of over £1.2 billion.

The Ordinary Shares were admitted to trading on AIM in August 2004. As at 8 February 2008, approximately 44.1 per cent. of the Ordinary Shares were held by the Directors and iMO Group employees.

### ***Fund Management***

The fund management division manages the iMO Group's open-ended and closed-end investment funds. The division adopts a multi-manager approach, with an asset allocation style, to investing, and invests in both open-ended and closed-end funds. As at 31 January 2008, the division had FuM of £0.6 billion.

The fund management division was transformed in October 2007 with the merger of the Company and MitonOptimal, broadening the division's fund range and more than doubling its FuM. The integration of the Company's and MitonOptimal's fund of funds businesses under the Miton brand is progressing well.

The fund range currently comprises nine UK-domiciled open-ended funds, five Guernsey-domiciled open-ended funds, one South African-domiciled open-ended fund and two UK investment trusts. Of the UK-domiciled open-ended funds, which represented 68.1 per cent. of the fund management division's FuM at 31 January 2008, seven were in the top quartile (and of those, three were in the top decile) of their IMA sectors over the periods since launch to 31 January 2008<sup>5</sup>. CF Miton Special Situations Portfolio, with assets of £96 million as at 31 January 2008, reached its 10th anniversary at the end of 2007 and was ranked in the top decile of its IMA sector over the one, three, five and 10 year periods to 31 January 2008<sup>5</sup>. Further information on the short, medium and long-term performance of the Existing Group's UK-domiciled open-ended funds is set out under the heading "Prospects for the Enlarged Group" later in this letter and in paragraph 12 of Part 6 of this document.

A number of the iMO Group's investment funds qualify for performance fees (as at 31 December 2007, 44.7 per cent. of the fund management division's FuM qualified for performance fees, which compares with 69.5 per cent. as at 31 December 2006). The ability to earn performance fees depends on relative movements in LIBOR, the market and cash inflows.

Whilst the Company's merger with MitonOptimal in October 2007 extended the iMO Group's distribution capabilities with the addition of MitonOptimal's well-established sales team, as well as providing access to selected markets such as South Africa and Hong Kong, iMO's management has identified the need to increase further the iMO Group's distribution capabilities.

### ***Wealth Management***

Having initially been built through a series of acquisitions, this division was restructured in 2005. In August 2007, John K Miln was acquired adding further strength to the iMO Group's franchise in the South West. This business has now been successfully integrated.

The wealth management division provides comprehensive, fee-based financial management services, including investment advice and discretionary portfolio management services, to private clients, charities, self-invested personal pensions and trusts. The division now has approximately 1,800 discretionary clients and over 17,000 advisory clients.

As at 31 January 2008, the wealth management division had FuM&A of approximately £0.6 billion. Part of the wealth management division's strategy is to convert its investment advisory mandates into discretionary investment management mandates, thereby creating a more stable revenue stream.

### ***Corporate Services***

When Intelli was acquired by the Company in 2005, its principal focus was corporate finance advice to asset management businesses and closed-end investment funds.

The corporate services division's revenues are principally transaction fee based. However, the division has benefited from the introduction of a broking service in 2006, using iimia plc's London Stock Exchange membership to trade as Intelli Stockbrokers. As well as providing stockbroking services and share dealing in the closed-end fund sector, this area now has 14 retained closed-end fund clients, which has increased the division's recurring revenues.

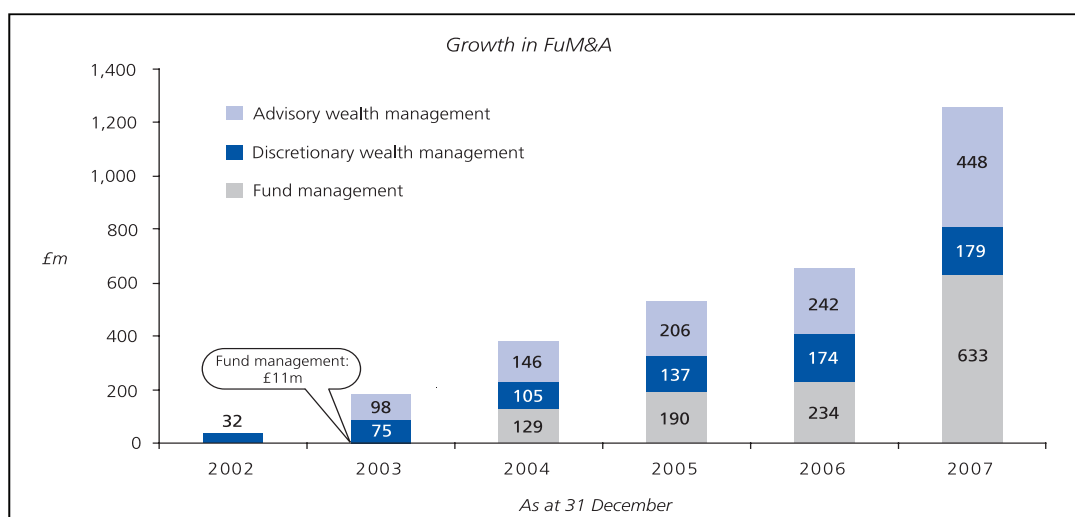
The more difficult conditions in the closed-end fund sector, particularly for fund raisings, prevalent last year are expected to continue this year. However, with its dual sector focus, Intelli is able to offset the impact of these conditions on its revenues by participating in the increased M&A activity in the asset management sector.

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<sup>5</sup> *Financial Express*, return on investment calculated on the basis of UK sterling, NAV-NAV, net income reinvested.

## FuM&A

The following chart shows the growth in the iMO Group's FuM&A since the end of 2002.



## Summary Financial Information

The following table summarises the recent revenues and profits of the iMO Group's divisions. More detailed historical financial information on the iMO Group is set out in Part 3 of this document.

	<i>Period to 31 December</i>			<i>6 Months to 30 June</i>	
	<i>UK GAAP<sup>2</sup></i>	<i>UK GAAP<sup>2</sup></i>	<i>IFRS<sup>1,3</sup></i>	<i>IFRS<sup>1,4</sup></i>	<i>IFRS<sup>1,4</sup></i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Average FuM&A during period <sup>5</sup>	n/a	n/a	610.0	578.5	667.4
Net sales by division					
Investment services <sup>6</sup>	2.6	6.9	9.9	5.7	4.5
Corporate services <sup>7</sup>	–	2.2	3.4	1.0	1.4
Total group revenue <sup>8</sup>	2.6 <sup>9</sup>	9.4 <sup>9</sup>	12.9	6.4	5.7
<i>Growth</i>	–	266.4%	36.8%	–	(12.0%) <sup>10</sup>
Profit by division					
Investment services <sup>6</sup>	(5.3)	0.7	3.1	2.2	1.2
Corporate services <sup>7</sup>	–	1.2	1.3	(0.1)	(0.1)
Total group profit before tax <sup>11</sup>	(6.5) <sup>9</sup>	0.8 <sup>9</sup>	2.1	1.4	0.8
<i>Group profit margin</i>	–	8.0%	16.2%	21.0%	14.8%
<i>Growth</i>	–	–	177.2%	–	(38.0%)
EPS (p) <sup>12</sup>	n/a	9.62	15.16	7.21	4.05
<i>Net sales of investment services as %</i>					
<i>average FuM&amp;A (p.a.)</i>	–	–	1.6%	2.0%	1.4%
<i>Direct costs of investment services as %</i>					
<i>average FuM&amp;A (p.a.)</i>	–	–	(1.1%)	(1.2%)	(1.0%)

### Notes:

<sup>1</sup> iMO is required to adopt IFRS as its primary basis of accounting for the year ended 31 December 2007 and, therefore, has restated its financial information for the year ended 31 December 2006 and for the six months ended 30 June 2006 under IFRS.

<sup>2</sup> This information (excluding the ratios) has been audited.

<sup>3</sup> This information (excluding the ratios) has been reviewed by the Company's auditors.

<sup>4</sup> This information is unaudited.

<sup>5</sup> This is the arithmetic average of the iMO Group's FuM&A at the end of each month in the period. Prior to the year ended 31 December 2006, the iMO Group's FuM&A were not recorded on a monthly basis and, therefore, the average FuM&A on a monthly basis is not available.

<sup>6</sup> Fund management and wealth management divisions.

<sup>7</sup> Intelli was acquired on 30 September 2004.

<sup>8</sup> Includes other operating income and excludes intra-group sales.

<sup>9</sup> Excludes discontinued operations.

<sup>10</sup> Based on corresponding figures for six months ended 30 June 2006.

<sup>11</sup> Includes central group costs.

<sup>12</sup> Adjusted EPS from continuing operations, including other operating income and performance fees but before exceptional items, share based payments and amortisation, on a diluted basis.

The financial information set out in the table above excludes John K Miln and MitonOptimal which were purchased in August and October 2007 respectively. For the year ended 28 February 2007 and the six months ended 31 August 2007, MitonOptimal made a profit on ordinary activities after tax of £0.8 million and £0.9 million respectively<sup>6</sup>.

<sup>6</sup> Aggregating the financial results of Miton Asset Management Limited, MitonOptimal (South Africa) (Proprietary) Limited and MitonOptimal Guernsey Limited for the periods stated.

In a trading update published on 16 January 2008 prior to entering the close period for its preliminary results for the year ended 31 December 2007, the Company announced that all divisions of the iMO Group had performed well in the second half of 2007 and that the iMO Group's results for the year ended 31 December 2007 were expected to be in line with market expectations despite a much tougher market environment during this period. The full text of that trading statement is set out in section 5 of Part 3 of this document.

**Information on Midas**

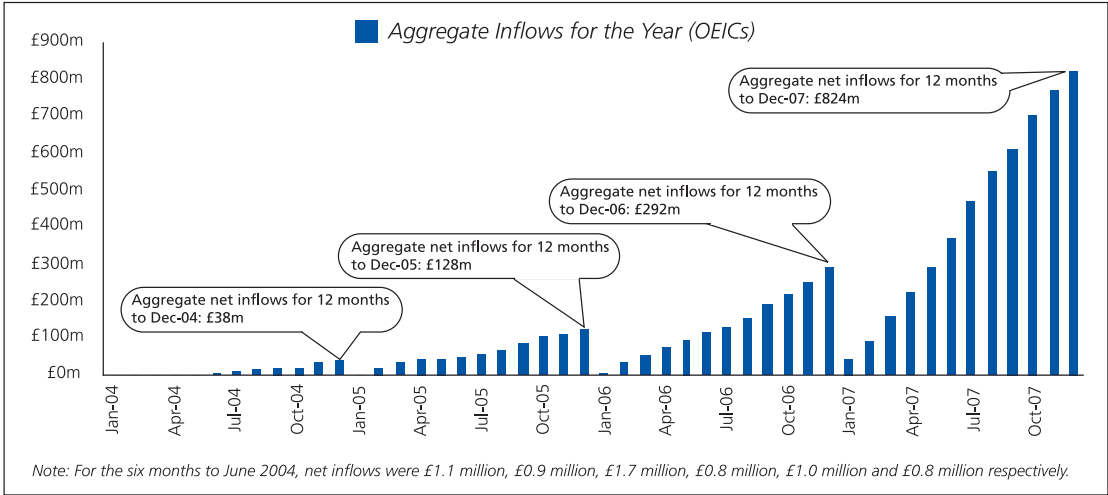
**Introduction**

Midas is a fast growing fund management company based in Liverpool. It was formed in early 2002 by Simon Edwards and Alan Borrows, who were responsible for managing the £3 billion Merseyside Pension Fund from 1995 to 2002.

Midas has a specialist multi-asset approach, focusing on attractive long-term returns through a highly diversified asset mix. It manages two open-ended funds, together accounting for some 77.1 per cent. of Midas' FuM at 31 January 2008, and one investment trust, in addition to a small number of segregated mandates for pension funds, charitable funds, trusts and high net worth individuals.

More than 2,000 IFA firms have invested in Midas' funds and this number continues to grow. Midas has also established links with major fund platforms, providing investors with direct access to its funds, and relationships with a number of life offices, enabling Midas' funds to be accessed via life and pension products. Fund platforms and life company platforms are now Midas' principal distribution channels, with a large number of IFAs choosing to access Midas' funds for their clients through these means.

The strength of Midas' distribution is demonstrated by the following chart, which shows net inflows in each month in the last four calendar years.

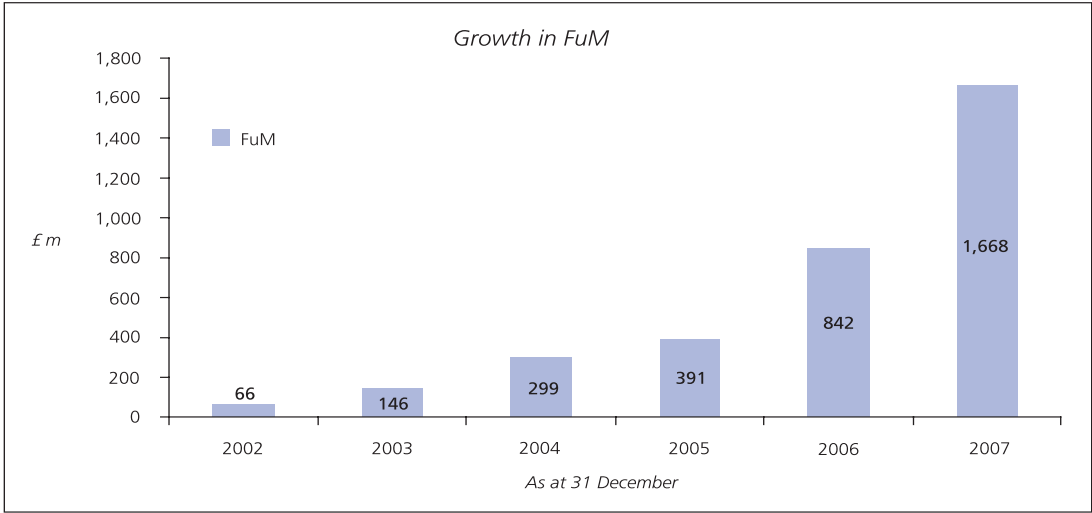


As at 31 January 2008, Midas had FuM of over £1.6 billion.

Midas has 18 employees, including its investment team of six individuals and business development team of six individuals. Midas' directors, staff and families have a significant ownership interest, collectively holding approximately 53.1 per cent. of Midas' issued share capital.

**FuM**

The following chart shows the strong organic growth in Midas' FuM since the end of 2002.



## Investment Performance

Midas has an excellent long-term investment performance record.

The open-ended funds were both ranked in the top decile of their sectors over the period since launch to 31 January 2008<sup>7</sup>. Further information on the short, medium and long-term performance of Midas' open-ended funds is set out under the heading "Prospects for the Enlarged Group" later in this letter and in paragraph 12 of Part 6 of this document.

The team's pension fund performance record, combining their periods managing the Merseyside Pension Fund and managing a pension fund portfolio at Midas, compared with all UK pension funds measured by the WM Company for the period to 31 December 2007, puts the team in the top quartile over three years, the top percentile over five years and the top decile over 10 years.<sup>8</sup>

## Summary Financial Information

The following table summarises the recent historical revenues and profits of Midas. More detailed historical financial information on Midas is set out in Part 4 of this document.

	Period to 31 March			6 Months to 30 September	
	UK GAAP <sup>2</sup>	IFRS <sup>1,2</sup>	IFRS <sup>1,3</sup>	IFRS <sup>1,3</sup>	IFRS <sup>1,3</sup>
	2005	2006	2007	2006	2007
	£m	£m	£m	£m	£m
Average FuM&A during period <sup>4</sup>	n/a	n/a	753.4	628.1	1,334.6
Net sales	1.4	2.2	4.9	2.1	4.6
<i>Growth</i>	–	55.2%	118.9%	–	118.1%
Profit before tax	0.5	1.2	3.5	1.5	3.6
<i>Profit margin</i>	34.7%	55.0%	70.7%	69.9%	79.3%
<i>Growth</i>	–	146.0%	181.5%	–	147.4%
Net sales of investment services as % average FuM (p.a.)	–	–	0.6%	0.7%	0.7%
Direct costs of investment services as % average FuM (p.a.)	–	–	(0.2%)	(0.2%)	(0.2%)

Notes:

<sup>1</sup> As iMO is required to adopt IFRS as its primary basis of accounting for the year ended 31 December 2007, Midas has restated its financial information for the two years ended 31 March 2007 and has prepared its interim results for the six months ended 30 September 2007 (and its comparative interim results for the six months ended 30 September 2006) under IFRS.

<sup>2</sup> This information (excluding the ratios) has been reported on by Midas' auditors.

<sup>3</sup> This information is unaudited.

<sup>4</sup> This is the arithmetic average of Midas' FuM at the end of each month in the period. Prior to the year ended 31 March 2007, Midas' FuM were not recorded on a monthly basis and, therefore, the average FuM on a monthly basis is not available.

## Principal Terms of the Acquisition

The Company has entered, or will enter, into the Acquisition Agreements with the Midas Shareholders to acquire the entire issued share capital of Midas. The Midas Warrantors have entered into the principal Acquisition Agreement. Although the Acquisition Agreements with certain individual Midas Shareholders will not be entered into until Completion, each of those shareholders has irrevocably appointed an attorney to enter into the relevant agreement on their behalf.

Under the terms of the principal Acquisition Agreement, the Company has conditionally agreed to pay a consideration of approximately £100.3 million to be satisfied, on Completion, by the allotment and issue of 27,500,129 new Ordinary Shares to the Vendors and the payment of approximately £59.0 million in cash to the Vendors. The Consideration Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and the Placing Shares, including the right to receive all dividends and other distributions declared, paid or made on the Ordinary Shares after Admission but will not rank for the interim dividend of 2.0p per Ordinary Share announced this morning and payable on Thursday, 20 March 2008.

All Midas Shareholders have given, or will give, warranties in relation to capacity, authority and title to the shares being sold by them. In addition, the Midas Warrantors have given general, commercial and tax warranties and tax indemnities regarding Midas.

The Acquisition is conditional upon, among other things, receiving the requisite clearances from the FSA, the resolutions required to give effect to the Acquisition and the Placing being passed at the General Meeting and Admission.

<sup>7</sup> Source: Financial Express, return on investment calculated on the basis of UK sterling, NAV-NAV, net income reinvested.

<sup>8</sup> Source: With the exception of the period between April 2002 and September 2002, the performance record has been calculated using the WM Spectrum Performance Measurement system and is based solely on data provided by Mersey Pension Fund and the mutual clients of both the World Markets Company plc ("WM") and Midas. The data used for the period between April 2002 and September 2002 is based on calculated returns extracted from the WM All Funds Universe of fund data. Due to the requirement for the insertion of a model portfolio for the period between April 2002 and September 2002, the data used to calculate the performance record does not constitute an official WM Company Track Record and is not recognised as National Association of Pension Funds or Global Investment Performance Standards compliant.

Subject to certain exceptions, the Midas Shareholders have undertaken not to dispose of their interests in Consideration Shares for a period of 12 months following Completion and thereafter not to dispose of more than 25 per cent. of such interests for a further 12 months (further details are set out under the heading "Lock-ins" later in this letter) and Midas' management and staff have agreed to reinvest, in aggregate, at least £20 million of the Cash Consideration that they receive in the Enlarged Group's investment funds for a minimum of 12 months following Completion and 50 per cent. of the amount originally reinvested for a minimum of 24 months.

Further details of the Acquisition Agreements and the lock-in and reinvestment agreements are set out in paragraph 8.1.1.1 of Part 6 of this document.

### **iMO's Financing Arrangements, Including the Placing**

In order to finance part of the Cash Consideration, iMO proposes to raise £10.5 million before expenses (£7.7 million net of expenses and transaction costs related to the Proposals<sup>9</sup>) by way of a placing of 7,000,000 Ordinary Shares at 150p per share. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and the Consideration Shares, including the right to receive all dividends and other distributions declared, paid or made on the Ordinary Shares after Admission but will not rank for the interim dividend of 2.0p per Ordinary Share announced this morning and payable on Thursday, 20 March 2008. The Placing is conditional upon, among other things, the resolutions required to give effect to the Acquisition and the Placing being passed at the General Meeting, the Acquisition Agreements having become unconditional on Admission.

The balance of the Cash Consideration will be funded out of iMO's existing cash resources and new £40 million term loan facilities with the Bank of Scotland.

Details of the Placing Agreement and the new bank facilities are set out in paragraphs 8.1.1.2 and 8.1.1.4 of Part 6 of this document.

### **Benefits of the Merger**

The Directors and the Proposed Directors believe that iMO and Midas are complementary businesses and that their merger will create a pre-eminent player in the multi-asset fund manager market with approximately £2.9 billion of FuM&A<sup>10</sup>. The Enlarged Group will have strength and depth in its investment and business development teams. In addition, Midas' strong distribution channels should provide enhanced distribution opportunities for the Existing Group's funds.

The Merger will increase the proportion of the iMO Group's revenues that are recurring and spread the iMO Group's central costs over a broader business base. In addition, the Directors and the Proposed Directors expect merger synergies of at least £2.5 million per annum (pre-tax) once the Existing Group and Midas have been fully integrated.

The Directors and the Proposed Directors expect the Merger to enhance the Company's underlying earnings per share<sup>11</sup> once the Existing Group and Midas have been fully integrated<sup>12</sup>.

### **The Enlarged Group**

#### ***Name***

iMO will continue as the parent company of the Enlarged Group and it is proposed that its name will be changed at the General Meeting to Midas Capital plc.

#### ***Operational Structure***

The Enlarged Group will continue to operate through three divisions: fund management (operating under the "Midas" and "Miton" brands), wealth management (operating under the "iimia" brand) and corporate services (operating under the "Intelli" brand).

#### ***Board***

A number of changes will be made to the Board with effect from Completion. I will step down as non-executive chairman, but continue as a non-executive director, of the Company and Colin Rutherford will be appointed as non-executive chairman in my place. Bruce McIntosh and Martin Gray will stand down as directors of the Company but will continue as employees of the Enlarged Group. Simon Edwards will be appointed as managing director, with overall responsibility for the fund management division. Lord Wade of Chorlton will join the Board as non-executive deputy chairman and Adrian Collins will be appointed to the Board as a non-executive director.

The Board intends to appoint a group finance director as soon as practicable following Completion. Pending that appointment, Gordon Neilly has agreed to assume responsibility at the Board level for overseeing the operation of the Enlarged Group's finance function.

<sup>9</sup> Excluding the fee (but not VAT) payable to Intelli pursuant to the engagement letter referred to in paragraph 8.1.1.5 of Part 6 of this document as such fee will be eliminated in the Company's consolidated accounts.

<sup>10</sup> Based on the Existing Group's and Midas' FuM&A as at 31 January 2008.

<sup>11</sup> Adjusted EPS from continuing operations, including other operating income but before exceptional items, share based payments, amortisation and any performance fees, on a diluted basis.

<sup>12</sup> This statement should not be interpreted to mean that the underlying earnings per share will necessarily be greater than those for the year ended 31 December 2007.

Details of members of the Board following Completion are set out below.

*Colin Rutherford – Non-executive Chairman (48)*

Colin was chairman, chief executive officer and a founder of Rutherford Manson Dowds, a Scottish firm of chartered accountants which was sold (excluding the business that became Intelli) to Deloitte in 1999. Following that sale, he remained as executive chairman of Intelli until September 2005. He has been or is chairman and director of a number of public and private companies including Eurosales Finance PLC, SGI (formerly Circus Capital) Fund, Renaissance Services SAOG, Argent Energy plc and Imagine Homes Limited. He is a chartered accountant and alumnus of Heriot Watt University and Harvard Business School.

*Lord Wade of Chorlton – Non-executive Deputy Chairman (75)*

Lord Wade became chairman of Midas in 2002. Following his appointment to the House of Lords in 1990, he sold most of his farming and cheese making interests, the focus of his early career. He is chairman of Midas, Nimtech and Rising Stars Growth Fund Limited and a consultant to Enterprise Ventures Limited and is involved in a number of North West initiatives covering wealth creation, innovation and technology. He is an adviser to Davies Wallis Foyster and King Sturge & Co. He is also currently chairman, non-executive director or adviser to a number of other commercial organisations.

*Michael Phillips – Chief Executive (45)*

Michael is a fellow of the Securities Institute and is chief executive of the iMO Group. He co-founded Christows in 1991, and in a period of nine years built Christows into a group with FuM&A of over £500 million on behalf of approximately 3,000 clients. He was responsible for the day-to-day operations of Christows until January 2001 when, following the acquisition of Christows by The Evolution Group plc, he left and went on to form the original business of the iMO Group. He joined the Board in 2004 at the iMO Group's inception, having been chief executive of the predecessor iimia Group since its foundation in 2001.

*Simon Edwards – Managing Director (44)*

Simon was chief investment manager of the Merseyside Pension Fund from 1995 until 2002. Over this time he built up the team and was closely involved in the selection of specialist third party funds, property and venture capital investment as well as overall equity market investment. He left the Merseyside Pension Fund to set up Midas. Between 1992 and 1995 he was a director at Credit Suisse First Boston, based in London.

*Gordon Neilly – Chairman, Intelli Corporate Finance (47)*

Gordon qualified as a chartered accountant with Thompson McLintock & Co. Gordon was business development director of Ivory & Sime plc (1993-1997) with responsibility for developing its investment trust business, and formerly its finance director (1990-1993). He joined RMD Corporate Finance's (now Intelli's) listed advisory business in 1997 and has extensive corporate finance experience, particularly in the closed-end fund and asset management sectors. He joined the Board in September 2005.

*Scott Campbell – Executive Director, International Fund Management (39)*

Scott commenced his career with AMP Group in 1989. He then joined Appleton in 1996 and was appointed managing director of Appleton International in 1997. Scott moved the location of the operation to London in 2000 and successfully continued the development of the business as chief executive officer whilst also acting as chief investment officer. He resigned from Appleton in April 2002 to set up his own institutional offshore fund management company, which resulted in the creation of Optimal Fund Management in July 2002. Scott has achieved a five star ranking and awards from Standard & Poor's for the management of a variety of offshore funds. Optimal Fund Management merged with Miton Investments in 2005. Scott joined the Board in October 2007 following the completion of the merger of iMO and MitonOptimal.

*Adrian Collins – Non-executive Director (53)*

Adrian has worked in the fund management business for over 30 years, a large part of which was at Gartmore Investment Management Limited where, latterly, he was managing director. He is a consultant to Strand Partners Limited, a corporate finance business based in the West End of London. He is chairman of Corvus Capital plc and is also on the boards of City Natural Resources High Yield Trust plc, Deutsche Land plc, New City High Yield Trust plc and a number of other companies.

*Nicholas Hamilton – Non-executive Director (58)*

Nicholas, also a fellow of the Securities Institute, qualified as a chartered accountant with Deloitte where he remained until 1984, latterly in the roles of group manager of both corporate finance and marketing. He spent six years at Schroder Securities as head of corporate finance. In 1991 he joined Carr Kitcat & Aitken in the same role. He became a non-executive director of listed Claremont Garments plc, a leading ladieswear supplier to Marks & Spencer, in the same year and, in 1994, he became executive group finance director. In 1998 he launched his own consultancy business as part of which he has been a director of a number of public and private companies. He joined the Board in July 2005 as an independent non-executive director.

#### *William Long – Non-executive Director (64)*

William joined the Board as chairman in 2004 at the iMO Group's inception, having chaired the predecessor iimia Group since its foundation in 2001. He is a fellow of the Securities Institute with over 30 years' experience of the securities industry. He became a member of the Stock Exchange in 1972 and a partner in Laing & Cruickshank. In 1981 he joined the Exeter partnership of Milton Mortimer & Co, which was acquired by National Investment Group (NIG) in 1986, of which he became business development director. William subsequently managed the Southern division of Capel-Cure Myers Capital Management Ltd and became private client director of CCM after its acquisition by Old Mutual, responsible for turnover of over £55 million.

#### ***Ownership Structure of the Enlarged Group and Implications under the Takeover Code***

On Admission, the Vendors will hold, in total, Ordinary Shares representing around 50 per cent. of the Enlarged Share Capital. The largest single Vendor with Ordinary Shares representing approximately 16.7 per cent. of the Enlarged Share Capital will be Simon Edwards, currently chief executive of Midas and proposed managing director of the Enlarged Group. In total, approximately 44.6 per cent. of the Enlarged Share Capital will be held by the Directors, Proposed Directors and staff of the Enlarged Group.

The Takeover Panel has accepted the view of the Company and its nominated adviser, Arbuthnot, that the Vendors should not be deemed to be acting in concert (as defined in the Takeover Code) and that, accordingly, on Admission no person, together with persons acting in concert with him, will be interested in Ordinary Shares carrying 30 per cent. or more of the voting rights exercisable at a general meeting of the Company for the purposes of Rule 9 of the Takeover Code. The Company will remain subject to the Takeover Code.

#### **Prospects for the Enlarged Group**

Based on figures for unit trust/OEIC sales released by the IMA, the unit trust/OEIC market experienced a net outflow from retail investors in November 2007, the first time that redemptions have exceeded sales, and this trend continued in December 2007. The credit crisis and higher volatility in equity markets have reduced the risk appetite of retail investors which has been reflected in strong net sales of cautious managed funds (November 2007: +£150.4 million; December 2007: +£129.8 million), balanced managed funds (November 2007: +£37.0 million; December 2007: +£57.4 million), money market funds and guaranteed protected funds.<sup>13</sup> In contrast, most equity sectors were firmly out of favour during November and December 2007.

Notwithstanding the more volatile market conditions, both the Existing Group and Midas saw net inflows into their funds in November 2007, December 2007 and January 2008.

The Directors and Proposed Directors believe that the Enlarged Group will be well positioned to take advantage of the growing demand for reduced risk and multi-asset investment products, with one of the most experienced investment teams operating in this area within the UK, combined with an excellent long-term investment record across its product range, as shown in the following table.

<i>Performance of the Enlarged Group's UK Open-ended Funds (to 31 January 2008<sup>1</sup>)</i>						
<i>Fund</i>	<i>Launched</i>	<i>Peer Group<sup>2</sup></i>	<i>Last 5 Years</i>		<i>Since Launch</i>	
			<i>Return (%)</i>	<i>Quartile Ranking</i>	<i>Return (%)</i>	<i>Quartile Ranking</i>
CF iimia						
Accelerated	Apr-03	AM	–	–	112.5	1st
Growth	Jan-05	AM	–	–	31.7	3rd
Growth & Income	Jan-05	BM	–	–	35.8	1st
Income	Jan-05	CM	–	–	32.1	1st <sup>3</sup>
CF Midas						
Balanced Growth	Apr-02	BM	116.6	1st <sup>3</sup>	66.0	1st <sup>3</sup>
Balanced Income	Apr-02	CM	83.9	1st	53.4	1st <sup>3</sup>
CF Miton						
Arcturus Fund	Nov-06	CM	–	–	3.8	1st
Cautious Income Portfolio	Mar-01	CM	57.7	2nd	30.2	3rd
Global Portfolio	Mar-01	AM	103.5	2nd	62.7	1st <sup>3</sup>
Strategic Portfolio	Dec-96	BM	60.1	4th	96.2	1st
Special Situations Portfolio	Dec-97	BM	128.4	1st <sup>3</sup>	211.9	1st <sup>3</sup>

*Notes:*

<sup>1</sup> Source: Financial Express, return on investment expressed as a percentage, UK sterling, NAV-NAV, net income reinvested.

<sup>2</sup> AM: IMA Active Managed; BM: IMA Balanced Managed; CM: IMA Cautious Managed.

<sup>3</sup> Decile ranking.

<sup>13</sup> Source: Investment Management Association Monthly Statistics (Sector Summary).



The Directors and Proposed Directors believe that the agreement of Midas' management, staff and families to re-invest, in aggregate, at least £20 million of the Cash Consideration in the Enlarged Group's investment funds on the basis described under the heading "Principal Terms of the Acquisition" above demonstrates their confidence in the Enlarged Group's future investment performance.

Whilst turbulent stockmarket conditions will present challenges for all asset management businesses, the Directors and Proposed Directors believe that the multi-asset approach to seeking investment returns should continue to attract a high proportion of inflows into the Enlarged Group's funds in difficult markets.

The Directors and Proposed Directors expect the wealth management division, which is already benefiting from the acquisition of John K Miln, to make further progress in the current year.

Difficult stockmarket conditions will undoubtedly present challenges for Intelli's business but the Directors and Proposed Directors are encouraged by the strong pipeline and diversity of activity and clients with which Intelli has commenced the current year.

In view of the prospects for the individual divisions and the expected benefits of the Merger referred to earlier in this letter, the Directors and Proposed Directors view the Enlarged Group's long-term prospects with confidence.

### **Lock-ins**

Immediately following Admission, the Vendors will be interested in, in aggregate, approximately 27.5 million Consideration Shares, representing approximately 48.0 per cent. of the Enlarged Share Capital. The Vendors will undertake to the Company and Arbuthnot, subject to certain exceptions (including the ability to accept a takeover offer for the Company and to give an irrevocable undertaking to accept a takeover offer for the Company), not to dispose of or transfer any Consideration Shares for a period of 12 months from Admission and, thereafter, not to dispose of or transfer more than 25 per cent. of the Consideration Shares in which they are interested prior to the second anniversary of Admission.

Further details of the lock-in agreements are contained in paragraph 8.1.1.1 of Part 6 of this document.

### **Related Party Transaction**

In view of his holding of 30,000 ordinary shares in Midas, representing approximately 3.5 per cent. of its issued share capital, the Company's entry into an Acquisition Agreement with Gordon Neilly, a Director and executive chairman of Intelli, will constitute a transaction with a related party under the AIM Rules for Companies. The Independent Directors consider, having consulted with the Company's nominated adviser, Arbuthnot, that the terms of this agreement are fair and reasonable so far as the Company's shareholders are concerned.

### **Dividend Policy**

The Directors have declared an interim dividend of 2.0p per Ordinary Share in respect of the year ended 31 December 2007, which will be payable on Thursday, 20 March 2008 to Shareholders on the register of members at the close of business on Friday, 22 February 2008, having an ex-dividend date of Wednesday, 20 February 2008. This dividend will not be payable in respect of the Consideration Shares or the Placing Shares. This will be the first dividend paid by the Company. The Board intends to adopt a progressive dividend policy which will reflect the long-term earnings and cashflow potential of the Company, whilst maintaining an appropriate level of dividend cover. It is envisaged that the Company will pay a final dividend in May of each year, commencing in 2009.

### **Corporate Governance**

The Board recognises the importance of sound corporate governance. The Company complies with the Corporate Governance Guidelines for AIM Companies issued by the Quoted Companies Alliance taking into account the size and nature of the Company and its operations.

The Board has established audit and remuneration committees. Each of the committees is chaired by a non-executive director of the Company. The committees have duties and responsibilities formally delegated to them by the Board.

The audit committee is primarily responsible for: (i) ensuring that the financial performance of the Company is properly monitored and reported on; (ii) meeting with the auditors and reviewing reports from the auditors relating to the Company's accounting and internal controls; and (iii) reviewing the effectiveness of the Company's systems of internal control. On Admission, the audit committee will comprise Nicholas Hamilton (chairman), Adrian Collins, William Long, Colin Rutherford and Lord Wade of Chorlton.

The remuneration committee is responsible for setting the remuneration and other terms of employment of the Company's directors. On Admission, the remuneration committee will comprise William Long (chairman), Adrian Collins, Nicholas Hamilton, Colin Rutherford and Lord Wade of Chorlton.

The Board has adopted a share dealing code for the Company's directors and employees, which is appropriate for a company whose shares are admitted to trading on AIM (in order to, among other things, ensure compliance with Rule 21 of the AIM Rules for Companies and on a similar basis to that set out in the "Model Code" annexed to the FSA's Listing Rules). The Company intends to take all reasonable steps to ensure compliance with the share dealing code by its directors and employees.

## Admission to AIM and Dealings

Application will be made to the London Stock Exchange for Existing Ordinary Shares to be re-admitted and the New Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective, and dealings in the Enlarged Share Capital are expected to commence, at 8.00 a.m. on Friday, 7 March 2008.

## General Meeting

You will find at the end of this document a notice convening the General Meeting, to be held at the offices of Taylor Wessing LLP, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX, at 10.00 a.m. on Thursday, 6 March 2008, at which the following resolutions will be proposed:

- *Resolution 1*: an ordinary resolution to approve the Acquisition for the purposes of the AIM Rules for Companies.
- *Resolution 2*: an ordinary resolution, subject to the passing of resolution 1, authorising the Company's directors under section 80 of the 1985 Act to allot:
  - the New Ordinary Shares pursuant to the terms of the Acquisition and the Placing; and
  - further new Ordinary Shares up to a nominal amount of £1,910,000, being the equivalent of approximately one-third of the Enlarged Share Capital, in accordance with industry guidelines.

This authority will replace the authority given at the last annual general meeting of the Company and will expire on the date of the next annual general meeting of the Company or 15 months after the date of the passing of this resolution, whichever is earlier.

- *Resolution 3*: a special resolution, subject to the passing of resolution 2, to disapply statutory pre-emption rights for:
  - the issue of the Consideration Shares and the Placing Shares;
  - any future issue of new Ordinary Shares to existing Shareholders made *pro rata* to existing holdings (typically, this would involve a rights issue which means that, although an issue of Ordinary Shares will be made to Shareholders in accordance with their existing holdings (and will therefore have no dilutive effect), the Company's directors do not have to comply with the procedural requirements of the 1985 Act); and
  - allotments for cash of Ordinary Shares up to a nominal amount of £287,000, which is equivalent to approximately 5 per cent. of the Enlarged Share Capital (again, it is typical for an AIM-traded company to empower its directors to disapply statutory pre-emption rights in respect of a proportion of its issued share capital on an annual basis and industry guidelines suggest that a company limit such disapplication to 5 per cent. of its issued share capital).

This authority replaces the authority given at the last annual general meeting of the Company and will expire on the date of the next annual general meeting of the Company or 15 months after the date of the passing of this resolution, whichever is earlier.

- *Resolution 4*: a special resolution to adopt new articles of association of the Company, to bring them into line with recent changes in company law and current practice. A summary of the key provisions of the new Articles is set out in paragraph 4 of Part 6 of this document.
- *Resolution 5*: a special resolution, subject to the passing of resolutions 1, 2 and 3, to change the name of the Company to Midas Capital plc.

Shareholders representing 55.4 per cent. of the Existing Ordinary Shares have irrevocably undertaken or indicated their intent to vote in favour of the Resolutions.

## Additional Information

Your attention is drawn to the risk factors set out in Part 2 of this document and to the further information set out in Parts 3 to 6 of this document.

## Action to be Taken

A Form of Proxy for use at the General Meeting is enclosed. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to be received no later than 10.00 a.m. on Tuesday, 4 March 2008. The completion and return of a Form of Proxy will not prevent you from attending the General Meeting and voting in person if you wish to do so.

## Recommendation

The Independent Directors unanimously believe the Proposals to be fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Independent Directors recommend Shareholders to vote in favour of the resolutions to be proposed at the General Meeting as they have undertaken to do in respect of their existing beneficial holdings of 4,589,027 Ordinary Shares, representing approximately 20.1 per cent. of the Existing Ordinary Shares.

Yours faithfully

William Long  
Chairman

## PART 2

### RISK FACTORS

Prior to making a decision to vote in favour of the Resolutions or making a decision to invest in the Company, Shareholders or prospective investors (as appropriate) should consider carefully all of the information within this document, including the following risk factors. Before making a final decision, Shareholders and prospective investors who are in any doubt are advised to consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The Directors and Proposed Directors believe the following risks to be the most significant for Shareholders and prospective investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Group's performance may be affected by changes in market or economic conditions, and in legal, regulatory and tax requirements. The risks listed in this Part 2 are not set out in any particular order of priority.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the trading price of the Ordinary Shares could decline and an investor may lose part or all of their investment. Additional risks and uncertainties not presently known to the Directors and Proposed Directors, or which the Directors and Proposed Directors currently deem immaterial, may also have an adverse effect upon the Company and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company.

Unless otherwise indicated, the risk factors in this Part 2 are applicable to both the Existing Group and the Enlarged Group and, accordingly, references in this Part 2 to the "Group" are references to both the Existing Group and/or the Enlarged Group.

#### 1. Risks Relating to the Ordinary Shares

##### 1.1 *Volatility of the Share Price*

The market price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as:

- (i) variations in the Group's operating results;
- (ii) divergence in financial results from the expectations of management, securities analysts or investors;
- (iii) changes in financial estimates and recommendations by securities analysts;
- (iv) changes in market analysts' recommendations regarding the fund management sector generally;
- (v) the operating or share price performance of other companies that investors may deem comparable to the Company;
- (vi) general economic conditions;
- (vii) the performance of financial markets generally; and
- (viii) legislative or regulatory changes affecting the Group or its activities.

These fluctuations may materially adversely affect the market price of the Ordinary Shares, regardless of the Group's operating performance or prospects.

##### 1.2 *Marketability*

Although the Existing Ordinary Shares are, and the Enlarged Share Capital will be, admitted to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop or, if developed, that it will be maintained.

Investment in shares traded on AIM is perceived to involve a higher degree of risk and to be less liquid than investment in companies whose shares are listed on the Official List.

An investment in Ordinary Shares may be difficult to realise.

##### 1.3 *Effect of Sales of Ordinary Shares on the Share Price*

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by major Shareholders, including certain former MiltonOptimal Shareholders who have agreed, subject to certain exceptions, not to dispose of or transfer their Ordinary Shares prior to October 2009 and, following the Acquisition, certain former Midas Shareholders following expiry of the lock-in periods referred to in under the heading "Lock-ins" in Part 1 of this document, or the perception that such sales could occur.

##### 1.4 *Dividends*

There can be no assurance as to the level of any future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the directors of the Company at the time in question, and will depend upon, among other things, the Group's earnings, financial position, cash requirements, availability of profits and distributable profits, as well as the rate of interest payable on any borrowings by the Group, relevant laws and generally accepted accounting principles from time to time.

### **1.5 General**

The value of the Ordinary Shares may go down as well as up and the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

Investment in the Ordinary Shares may not be suitable as a short-term investment.

### **2. Dependence on Key Executives and Personnel**

The success of the Group depends, among other things, on the support of its employees and, in particular, its executive directors and fund managers. The loss of key members of the Group's staff could have a material adverse effect on the Group's performance.

### **3. Ability to Retain and Recruit Staff**

The Group's ability to retain, recruit and motivate suitably qualified and experienced staff is important for its ongoing success. The Group may be adversely affected by an inability to retain, recruit and motivate sufficient personnel of the right calibre or may incur significant costs in order to do so.

### **4. Investment Performance**

Returns on securities are volatile and the investment performance of the Group is to a degree linked to the performance of financial markets. The marketplace continually assesses the Group's investment performance and its ability to attract investment into its investment funds and avoid excessive redemption levels is a product of this continuous assessment and the performance of, and outlook for, financial markets generally. Failure to provide adequate investment returns on the Group's investment funds and/or the performance of, and outlook for, financial markets generally could result in the Group suffering increased redemptions. As a result, investment underperformance and/or market down-turn could have a material adverse effect on the Group's business, growth prospects, revenues, results of operations and/or financial condition.

### **5. Client Base**

Although the Group has a diversified client and investor base, its cash flow position, profitability and business will be adversely affected if the Group fails to retain existing clients and investors and/or is not able to attract new clients and investors.

### **6. Loss of Business Reputation or Negative Publicity**

The Group is vulnerable to adverse market perception since it operates in an industry where integrity and client and investor trust and confidence are paramount. In addition, any negative publicity (whether well founded or not) associated with the business or operations of the Group or the occurrence of any of the risks set out in this Part 2 could result in a loss of clients, investors and/or mandates.

### **7. Failure to Attract New FuM&A**

The Group's growth in profits depends largely on increasing its FuM&A in a cost effective manner. If the Group does not achieve its new business objectives, its growth may be materially impaired.

### **8. Loss of Access to Specific Distribution Channels**

Each of the Existing Group and Midas has a number of relationships with third parties which operate various platforms that it uses as distribution channels to sell its funds. If the Group should be obliged to remove its funds from the relevant platform as a result of a dispute with any such third party operator, or for any other reason, then it is possible that the removal of the Group's funds from such platform could impede the Group's ability to sell its funds and consequently have an adverse effect on the Group's business growth prospects, revenues, results of operations and/or financial condition. A change of ownership of any of its distribution channels might also give rise to such an adverse effect.

### **9. Brand Recognition**

Maintaining and enhancing the "MitonOptimal" and, following the Acquisition, "Midas" brands is important to the Group's efforts to attract and expand the investor base of its investment funds. Promotion of the brand(s) will depend largely on marketing and advertising which may not be effective to promote the brand(s). Even if recognition of the brand(s) increases, it may not lead to an increase in the number of investors, or the amount invested in the Group's investment funds.

### **10. Borrowings**

The amount of borrowings by the Enlarged Group following the Acquisition may increase the volatility of the market price of the Ordinary Shares. The use of borrowings will result in a requirement to pay interest costs on the amount borrowed and to repay the amount borrowed irrespective of the Group's trading performance. Should the Company breach any of the financial covenants applicable to its borrowings, it may be required to repay such borrowings forthwith together with attendant costs, including the costs of breaking any fixed interest arrangements. If there are no fixed interest arrangements, increases in interest rates may result in a substantial increase in the interest payable by the Company and, accordingly, may have an adverse effect on the Company's results of operations and/or financial condition.

## **11. Regulation**

The Group's operations are subject to the laws and regulations of the United Kingdom, the European Union, Guernsey and South Africa, including, among other things, the FSMA and its governance by the FSA. Such government-imposed laws, rules and regulations are subject to periodic review and change. Any alteration may adversely affect the Group's business. In particular, non-compliance with or a breach of such laws, rules or regulations could result in certain circumstances in members of the Group being liable to fines or ceasing to trade. Additionally, the cost to the Group of ensuring its compliance with all applicable laws, rules and regulations may rise. Such an increasing financial burden may adversely affect the profitability of the Company in the future.

## **12. VAT on Management Fees**

Members of the Enlarged Group are involved in the supply of investment management services to various investment funds, trusts and other organisations.

Historically, the supply of certain investment management services to certain types of investment entities has been exempt, under European law and UK legislation, from VAT. Recent decisions of the European Court of Justice have extended the scope of the exemption.

Following these recent decisions, the Enlarged Group has sought to rectify the basis on which it has been incorrectly charging VAT on management services to some of its clients and consequently overpaying VAT to HMRC. In certain cases, the Enlarged Group has applied to HMRC for repayment of overpaid VAT which the Enlarged Group will need to repay to the clients concerned. HMRC have not agreed to repay all of the overpaid VAT. The Enlarged Group may be pursued by some of the clients concerned for repayment of the VAT paid by those clients on the management services in question.

## **13. Operational Risks and Systems**

Operational risks are present in all parts of the Group's business, including the risks of direct and/or indirect loss resulting from inadequate or failed internal and external processes, systems and human error or from external events. The Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but significant weakness in the system, process or business continuity arrangements could have a negative impact on its results or operations during the affected period.

## **14. Integration**

The Acquisition and subsequent integration of the Existing Group's fund management division with Midas, operations, accounting systems and cultures of the two businesses will require careful management by the Company's directors. There can be no guarantee that this integration process will go smoothly or that the expected cost savings will materialise and there is a risk that key employees may become dissatisfied and leave.

The Company's directors will attempt to mitigate these risks by careful project management of the integration process and clear communication to employees of the Enlarged Group's strategy going forward. Key staff and directors from both organisations have been working together in expectation of the Acquisition proceeding to ensure that key integration issues are resolved in a timely and cost effective manner.

The integration process, especially with regard to the Enlarged Group's funds and services, may take longer and/or be more costly than anticipated or synergies may not be realised to the extent currently anticipated by the Board.

## **15. Actions of Third Parties**

The Group is reliant on third parties to provide administration services, including valuation and pricing services, for its funds. Any failure on the part of such third party service providers to meet the agreed standard of service levels could adversely impact the Group's reputation, could result in claims against the Group in respect of which it has no recourse to the relevant third party service provider, could impede the Group's ability to sell its funds and consequently have an adverse effect on the Group's growth prospects, revenues, results of operations and/or financial condition.

## **16. Influence of Certain Shareholders Following Admission**

Following Admission, certain directors and senior management of the Enlarged Group and members of their families will beneficially own, in aggregate, approximately 44.6 per cent. of the Enlarged Share Capital. As a result, these Shareholders will be able to exercise significant control over all matters requiring Shareholder approval.

## **17. Future Prospects**

Whilst the Directors and Proposed Directors are confident about the prospects for the Enlarged Group, there is no certainty that the business will be capable of achieving the anticipated revenues or growth. In particular, there can be no assurance that the Enlarged Group will be able to achieve the level and rate of growth in FuM&A experienced historically by, in particular, Midas.

## **18. Requirement for Further Funds**

There may be a requirement for the Group to raise further funds in the future in order to exploit fully opportunities available and to fund further expansion. Such a funding requirement may be satisfied by way of the issue of further Ordinary Shares on a non pre-emptive basis or in the form of debt-based funding. There is no commitment in place

guaranteeing that any funds required in the future will be available. If further equity finance is raised, the interests of Shareholders may be diluted. Debt-based funding may bind the Company to further financial covenants and curb its operating activities.

### **19. Forward Looking Statements**

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including such terms as "believes", "estimates", "anticipates", "aims", "continues", "expects", "intends", "may", "will", "would" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding intentions, beliefs or current expectations concerning, among other things, the Group's financial condition, results of operations, prospects and strategies and the market in which the Group operates.

By their nature, forward-looking statements relate to events and depend on circumstances that may or may not occur in the future and involve known and unknown risks, uncertainties and other important factors (including those referred to in this Part 2). A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- (i) conditions in the markets in which the Group operates;
- (ii) the market position of the Group;
- (iii) the Group's earnings, financial position, cash flows, return on capital and operating margins;
- (iv) changing business or other market conditions;
- (v) general economic conditions; and
- (vi) the performance of financial markets generally.

These and other factors could cause the Group's actual strategies, financial condition, results of operations and prospects to be materially different from the Group's strategies, financial condition, results of operations and prospects expressed or implied by such forward-looking statements. Accordingly, forward-looking statements are not guarantees of future performance.

Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the AIM Rules for Companies or other legal or regulatory requirements, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Shareholders and prospective investors should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

**PART 3**  
**FINANCIAL INFORMATION ON THE iMO GROUP**  
**SECTION 1 – INTRODUCTION**

1. The Company's auditors for the period covered by the historical financial information in this Part 3 were Ernst & Young LLP, Chartered Accountants regulated by the Institute of Chartered Accountants in England and Wales, of Broadwalk House, Southernhay West, Exeter EX1 1LF.
2. Save for the historical information on the iMO Group prepared in accordance with UK GAAP for the period from 22 June 2004 to 31 December 2004 and for the two financial years ended 31 December 2006 set out in this document, none of the financial information on the iMO Group (including individual members of the iMO Group) in this document has been audited. Unless otherwise indicated, all unaudited financial information on the iMO Group (including individual members of the iMO Group) contained in this document has been sourced, without material adjustment, from the internal accounting records of the Company.
3. The financial information set out in this Part 3 does not constitute statutory accounts (as defined in section 240(5) of the 1985 Act) of the Company. Statutory accounts of the Company for the three financial periods ended 31 December 2006 in respect of which the Company's auditors made unqualified reports under section 235 of the 1985 Act have been delivered to the Registrar of Companies in England and Wales and such reports did not contain any statements under section 237(2) or (3) of the 1985 Act.

**SECTION 2 – FINANCIAL INFORMATION FOR THE PERIOD FROM 22 JUNE 2004 TO  
31 DECEMBER 2004 AND FOR THE TWO YEARS ENDED 31 DECEMBER 2006**

The information set out in this section 2 has been extracted without material adjustment from the statutory accounts of the Company, which were prepared in accordance with UK GAAP, for the three financial periods ended 31 December 2006

**1. Consolidated Profit and Loss Accounts**

		<i>Period</i> 22 June 2004 to 31 December 2004 <i>Note</i>	<i>(Restated)</i> Year Ended 31 December 2005 £'000	Year Ended 31 December 2006 £'000
<b>Revenue</b>	4.2	3,935	13,029	14,670
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	9,038	12,360
Discontinued		<i>n/a</i> <sup>1</sup>	3,991	2,310
<b>Total administrative expenses</b>	4.3	(10,514)	(13,158)	(14,191)
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	(8,835)	(11,842)
Discontinued		<i>n/a</i> <sup>1</sup>	(4,323)	(2,349)
<b>Other operating income – continuing</b>	4.4.2	–	378	454
<b>Operating (loss)/profit</b>	4.4.1	(6,579)	249	933
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	581	972
Discontinued		<i>n/a</i> <sup>1</sup>	(332)	(39)
Profit on sale of operations – discontinued	4.13	–	–	9,237
<b>(Loss)/profit on ordinary activities before interest</b>		(6,579)	249	10,170
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	581	972
Discontinued		<i>n/a</i> <sup>1</sup>	(332)	9,198
<b>Interest receivable</b>	4.7	241	219	570
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	172	546
Discontinued		<i>n/a</i> <sup>1</sup>	47	24
<b>Interest payable – continuing</b>		–	–	(3)
<b>(Loss)/profit on ordinary activities before taxation</b>	4.2	(6,338)	468	10,737
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	753	1,515
Discontinuing		<i>n/a</i> <sup>1</sup>	(285)	9,222
<b>Taxation</b>	4.8	38	(86)	(331)
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	(83)	(331)
Discontinuing		<i>n/a</i> <sup>1</sup>	(3)	–
<b>Retained (loss)/profit</b>		(6,300)	382	10,406
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	670	1,184
Discontinuing		<i>n/a</i> <sup>1</sup>	(288)	9,222
<b>Earnings per share</b>		<i>Pence</i>	<i>Pence</i>	<i>Pence</i>
<b>Basic</b>	4.10	(57.95)	3.05	68.04
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	5.35	7.74
Discontinuing		<i>n/a</i> <sup>1</sup>	(2.30)	60.30
<b>Diluted</b>	4.10	(57.95)	2.97	65.37
<i>Split</i>				
Continuing		<i>n/a</i> <sup>1</sup>	5.21	7.44
Discontinuing		<i>n/a</i> <sup>1</sup>	(2.24)	57.93
<b>Adjusted earnings per share – continuing</b>				
<b>Basic</b>	4.10	<i>n/a</i>	9.88	15.28
<b>Diluted</b>	4.10	<i>n/a</i>	9.62	14.68

Note:

<sup>1</sup> The information in relation to the business discontinued in the year ended 31 December 2006 was not disclosed in the financial statements for the period ended 31 December 2004.



There were no gains or losses recognised during the periods other than the profit after taxation of £10,406,000 (2004: loss of £6,300,000; 2005: profit of £382,000).

## 2. Consolidated Balance Sheets

<i>As at 31 December</i>	<i>Note</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
<b>Fixed assets</b>				
Intangible assets – goodwill	4.11	1,705	5,082	4,635
Tangible assets	4.12	1,093	1,108	495
Investments	4.13	–	498	497
		<u>2,798</u>	<u>6,688</u>	<u>5,627</u>
<b>Current assets</b>				
Investments	4.13	–	629	63
Debtors	4.14	2,134	3,104	2,320
Cash at bank	4.21	10,679	6,935	17,270
		<u>12,813</u>	<u>10,668</u>	<u>19,653</u>
<b>Creditors – amounts falling due within one year</b>	4.15	<u>2,705</u>	<u>5,728</u>	<u>2,049</u>
<b>Net current assets</b>		<u>10,108</u>	<u>4,940</u>	<u>17,604</u>
<b>Total assets less current liabilities</b>		<u>12,906</u>	<u>11,628</u>	<u>23,231</u>
<b>Provisions for liabilities and charges</b>	4.16	6,900	–	607
		<u>6,006</u>	<u>11,628</u>	<u>22,624</u>
<b>Capital and reserves</b>				
Called up share capital	4.17	1,167	1,544	1,569
Share premium account	4.19	97	106	416
Own shares held	4.26	(107)	(298)	(294)
Merger reserve	4.19	6,314	11,265	11,265
Profit and loss account	4.19	(1,465)	(989)	9,668
<b>Total equity shareholders' funds</b>	4.22	<u>6,006</u>	<u>11,628</u>	<u>22,624</u>

### 3. Consolidated Statements of Cash Flows

		<i>Period</i> 22 June 2004 to 31 December 2004 £'000	<i>(Restated)</i> Year Ended 31 December 2005 £'000	Year Ended 31 December 2006 £'000
<b>Net cash (outflows)/inflows from operating activities</b>	4.20	(953)	(527)	1,425
<b>Returns on investments and servicing of finance</b>				
Interest received		241	219	570
Interest paid		–	–	(3)
		<u>241</u>	<u>219</u>	<u>567</u>
<b>Taxation</b>				
Tax received/(paid)		18	(31)	(20)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(280)	(426)	(171)
Purchase of fixed asset investments		–	(348)	–
		<u>(280)</u>	<u>(774)</u>	<u>(171)</u>
<b>Acquisitions and disposals</b>				
Cash balances of subsidiary on appointment of administrator		–	(5,900)	–
Costs associated with disposal/acquisition		(922)	(196)	(763)
Cash balances of subsidiaries at acquisition (disposal)		10,638	2,220	(345)
Proceeds of disposal	4.13	–	–	11,088
Sale of management contracts		954	–	–
		<u>10,600</u>	<u>(3,876)</u>	<u>9,980</u>
<b>Management of liquid resources</b>				
Proceeds on sale of current asset investments	4.21.2	–	–	1,995
Purchase of current asset investments	4.21.2	–	(525)	(975)
		<u>–</u>	<u>(525)</u>	<u>1,020</u>
<b>Financing</b>				
Issue of shares	4.17	7	11	335
Transfer of shares out of ESOP	4.26	–	–	4
<b>Net cash inflow from financing</b>		<u>7</u>	<u>11</u>	<u>339</u>
<b>Increase/(decrease) in cash</b>	4.21.2	<u>9,633</u>	<u>(5,503)</u>	<u>13,140</u>

## 4. Notes to the Financial Information

### 4.1 Accounting Policies

#### 4.1.1 Accounting Convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### 4.1.2 Basis of Consolidation

The iMO Group financial statements consolidate the accounts of the Company and each of its subsidiary undertakings drawn up to 31 December.

iimia (Holdings) Limited and Exeter Investment Group plc have been included in the iMO Group financial statements using the acquisition method of accounting. Accordingly, the consolidated profit and loss accounts and statements of cash flows include the results and cashflows of iimia (Holdings) Limited for the period from its acquisition on 6 July 2004 and for Exeter Investment Group plc for the period from its acquisition on 19 August 2004.

The Intelli Partners Group has been included in the iMO Group financial statements using the acquisition method of accounting. Accordingly, the consolidated profit and loss accounts and statements of cash flows include the results and cash flows of Intelli Partners Group for the period from its acquisition on 28 September 2005.

Sinclair Henderson Limited and its sister companies, Sinclair Henderson Fund Administration Limited, Sinclair Henderson (Guernsey) Limited and ACD Services Limited (together "**Sinclair Henderson**"), have been included in the iMO Group financial statements and accordingly the profit and loss accounts and statements of cash flows included the results and cash flows of Sinclair Henderson for the periods to its disposal outside the Group on 14 July 2006.

#### 4.1.3 Change in Accounting Policy

In preparing the iMO Group financial statements for the year ended 31 December 2006, the Group has adopted FRS 20 "share based payment". The adoption of FRS 20 has resulted in a change in accounting policy for share based payment transactions. FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting period. For equity-settled transactions the fair value is determined at the date of the grant using an appropriate pricing model. If an award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the profit and loss account will be adjusted to reflect this.

Previously, except for the SAYE scheme which was exempt under UITF 17, the iMO Group recognised only the intrinsic value or cost of the potential awards for the long-term incentive plans as an expense. The cost of these awards accrued over the performance period of each plan based on the intrinsic value of equity settled awards.

The change in accounting policy resulted in a prior year adjustment for the year ended 31 December 2005. Additional staff costs of £251,000 in 2006 and a prior year adjustment of £78,000 in 2005 have been recognised in the profit and loss account respectively.

#### 4.1.4 Share Based Payment

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

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

At each balance date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The iMO Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002, the iMO Group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of equity settled awards.

#### 4.1.5 *Goodwill*

Positive goodwill arising on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### 4.1.6 *Investment in Subsidiaries*

Investments in subsidiaries are carried in the Company's balance sheet at cost. The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### 4.1.7 *Other Investments*

Investments held as fixed assets are stated at cost less provisions for any permanent diminution in value.

Current asset investments are stated at the lower of cost and market value.

#### 4.1.8 *Obligations under Operating Leases*

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

#### 4.1.9 *Depreciation*

The cost of fixed assets is capitalised and depreciated on a straight line basis over the expected useful lives of the assets concerned at the following rates:

Leasehold improvements	4-5 years straight line (2004) Lower of life of lease or 4 years (2005 and 2006)
Office furniture	15% reducing balance (2004) 5 years (2005 and 2006)
Technical equipment	3-5 years (2004) 3-4 years (2005 and 2006)

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### 4.1.10 *Revenue*

Revenue is measured at the fair value of the consideration received excluding discounts, rebates, VAT and other sales taxes or duty and is earned as follows:

- Investment services revenue represents management and advisory fees for the provision of fund management, investment management and financial planning services.
- Administration services revenue represents fees earned for the provisions of administration services.
- Corporate Services revenue represents corporate finance fees and can be broken down into the following three categories:
  - Completion fees and abort fees.
  - Retainers.
  - Broking income on transactions executed.

All revenue is recognised in the period in which it is earned i.e. when services are provided except for:

- Performance fees which are recognised on the date of entitlement in accordance with the management contract.
- Completion fees and abort fees, which are recognised on the date of entitlement as defined in the agreed terms of engagement. For completion fees this will depend on the nature of the transaction, but would normally be where the position of completion has been reached and cannot be aborted.
- Retainers which are recognised over the term of the retainer.

#### 4.1.11 *Deferred Taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the Company's directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reserve, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### 4.1.12 *Pensions*

The iMO Group operates a number of defined contribution pension schemes. Contributions in respect of the period are charged to the profit and loss account as they become payable.

#### 4.1.13 *Liquid Resources*

Liquid resources are current asset investments held as readily realisable assets and are traded in an active market or are readily convertible into known amounts of cash.

### 4.2 *Segmental Analysis*

<i>Period Ended 31 December 2004</i>	<i>Revenue</i> <i>£'000</i>	<i>Profit/ (Loss)</i> <i>£'000</i>	<i>Net Assets</i> <i>£'000</i>
Investment services <sup>1</sup>	2,570	(5,344)	4,150
Administration services (discontinued)	1,365	131	1,728
Corporate services	–	–	–
	<u>3,935</u>	<u>(5,213)</u>	<u>5,878</u>
Common costs/assets <sup>2</sup>	–	(1,125)	128
	<u>3,935</u>	<u>(6,338)</u>	<u>6,006</u>
		<i>(Restated)</i>	
		<i>Profit/(Loss)</i>	<i>Net Assets</i>
<i>Year Ended 31 December 2005</i>	<i>Revenue</i> <i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment services	6,882	728	5,473
Administration services (discontinued)	3,991	(285)	1,744
Corporate services	2,156	1,213	6,103
	<u>13,029</u>	<u>1,656</u>	<u>13,320</u>
Common costs/assets <sup>2</sup>	–	(1,188)	(1,692)
	<u>13,029</u>	<u>468</u>	<u>11,628</u>
Other operating income	378	–	–
	<u>13,407</u>	<u>468</u>	<u>11,628</u>
		<i>Profit/ (Loss)</i>	<i>Net Assets</i>
<i>Year Ended 31 December 2006</i>	<i>Revenue</i> <i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment services	9,434	3,096	8,166
Administration services (discontinued)	2,310	(15)	–
Corporate services	3,426	1,205	6,803
	<u>15,170</u>	<u>4,286</u>	<u>14,969</u>
Intra-group sales (corporate services)	(500)	–	–
Common costs/assets <sup>2</sup>	–	6,451	7,655
	<u>14,670</u>	<u>10,737</u>	<u>22,624</u>
Other operating income	454	–	–
	<u>15,124</u>	<u>10,737</u>	<u>22,624</u>

#### Notes:

<sup>1</sup> Included within investment services loss for the period is the goodwill write off of £4,678,000 arising on the acquisition of Exeter Investment Group plc as disclosed in paragraph 4.13 of this section 2.

<sup>2</sup> The common costs relate to costs in relation to the central services team and iMO Group directors which are not recovered within the operating divisions. In 2006 the profit on disposal of the administration businesses has been allocated against common costs which result in a profit for the year. The common assets relate primarily to the cash balances utilised in managing the central operations.

All revenues and profits are derived from the United Kingdom and the Channel Islands.

#### 4.3 Total Administrative Expenses

	<i>Period Ended 31 December 2004 £'000</i>	<i>(Restated) Year Ended 31 December 2005 £'000</i>	<i>Year Ended 31 December 2006 £'000</i>
<i>Note</i>			
<b>Other operating expenses</b>	(5,740)	(12,436)	(12,776)
<i>Split</i>			
<i>Continuing</i>	<i>n/a</i>	(8,128)	(10,474)
<i>Discontinued</i>	<i>n/a</i>	(4,308)	(2,302)
<b>FRS 20 share based payments</b>	–	(78)	(251)
<i>Split</i>			
<i>Continuing</i>	–	(63)	(204)
<i>Discontinued</i>	–	(15)	(47)
Amortisation – continuing	(4,774)	(179)	(447)
Exceptional operating expense – continuing	4.4.3 –	(465)	(717)
<b>Total administrative expenses</b>	<u>(10,514)</u>	<u>(13,158)</u>	<u>(14,191)</u>

#### 4.4 Operating (Loss)/Profit

4.4.1 This is stated after charging:

	<i>Period Ended 31 December 2004 £'000</i>	<i>(Restated) Year Ended 31 December 2005 £'000</i>	<i>Year Ended 31 December 2006 £'000</i>
<i>Note</i>			
Auditors' remuneration	4.4.2 42	117	134
Staff costs	4.6 3,221	7,574	7,922
Operating lease rentals			
– plant and machinery	1	–	–
– land and buildings	82	245	458
Depreciation	4.12 129	479	389
Amortisation and write off of goodwill	4.11 4,774	179	447
Exceptional items	4.4.3 –	465	717

#### 4.4.2 Auditors' Remuneration

The remuneration of the auditors is further analysed as follows:

	<i>Year Ended 31 December 2005 £'000</i>	<i>Year Ended 31 December 2006 £'000</i>
Audit of the consolidated financial statements	22	22
Audit of the Company's subsidiaries pursuant to legislation	64	59
Other fees to auditors		
– taxation services	–	30
– other services pursuant to legislation	21	11
– other services	10	12
	<u>117</u>	<u>134</u>

In addition, in 2004, fees for the financial due diligence for the acquisition of iimia (Holdings) Limited and Exeter Investment Group plc amounting to £125,000 were capitalised and, during 2005, fees for financial due diligence in respect of the acquisition of Intelli Partners Group of £34,000 have been capitalised.

#### 4.4.3 Exceptional Items

	<i>Period Ended 31 December 2004 £'000</i>	<i>Year Ended 31 December 2005 £'000</i>	<i>Year Ended 31 December 2006 £'000</i>
Group restructuring costs	–	350	717
Legal costs	–	115	–
	<u>–</u>	<u>465</u>	<u>717</u>

During 2005, terms were agreed with the directors of Exeter Financials Fund and New Star Asset Management for the transfer of its investment mandate. The notice proceeds resulting from this transaction of £378,000 have been treated as other operating income.

Additionally, included within administration expenses for 2005 were two non-recurring items in relation to the first half of the year. Legal costs of £115,000 we incurred on the appointment of an administrator to Exeter Fund Managers Limited and restructuring costs of £350,000 in respect of the investment services division.

The exceptional item disclosed in the continuing activities for 2006 relates to redundancy costs, completion bonuses and other ancillary costs incurred in restructuring the continuing operations following the disposal of Sinclair Henderson on 14 July 2006.

Other operating income in 2006 relates to the profit on disposal of current asset investments.

#### 4.5 *Emoluments of Directors*

	<i>Period Ended 31 December 2004 £'000</i>	<i>Year Ended 31 December 2005 £'000</i>	<i>Year Ended 31 December 2006 £'000</i>
Aggregate emoluments	232	509	1,245
Compensation for loss of office	160	–	90
Company pension contributions to money purchase schemes	46	–	–
	<u>438</u>	<u>509</u>	<u>1,335</u>

Directors are able to participate in the iMO Group's money purchase pension schemes on a salary sacrifice basis.

#### 4.6 *Staff Numbers and Costs*

The average number of employees in the iMO Group during the periods, including executive Directors, was as follows:

	<i>Period Ended 31 December 2004</i>	<i>Year Ended 31 December 2005</i>	<i>Year Ended 31 December 2006</i>
Investment services	71	73	58
Administration services	85	84	47
Corporate services	–	16	14
Executive directors and central services	36	37	39
	<u>192</u>	<u>210</u>	<u>158</u>

The aggregate payroll costs were as follows:

	<i>Period Ended 31 December 2004 £'000</i>	<i>(Restated) Year Ended 31 December 2005 £'000</i>	<i>Year Ended 31 December 2006 £'000</i>
Salaries <sup>1</sup>	2,779	6,537	6,799
FRS 20 share based payments	–	78	251
	<u>2,779</u>	<u>6,615</u>	<u>7,050</u>
Social security	302	749	704
Pensions	140	210	168
	<u>3,221</u>	<u>7,574</u>	<u>7,922</u>

Note:

<sup>1</sup> Included within salaries in the year are iMO Group restructuring costs of £717,000 (2004: n/a; 2005: £350,000) as disclosed in paragraph 4.4.3 of this section 2.

#### 4.7 *Interest Receivable*

Interest receivable is bank interest earned on the iMO Group cash balances and is allocated between continuing and discontinued activities based on the level of cash balances that existed within those activities throughout the period.

## 4.8 Taxation

### 4.8.1 Tax on Profit/(Loss) on Ordinary Activities

The tax charge is made up as follows:

	<i>Period Ended</i> 31 December 2004 £'000	<i>Year Ended</i> 31 December 2005 £'000	<i>Year Ended</i> 31 December 2006 £'000
Current tax			
UK corporation tax	(23)	–	183
Tax under/(over) provided in previous periods	–	40	(24)
	<u>(23)</u>	<u>40</u>	<u>159</u>
Deferred tax			
Origination and reversal of timing differences	(15)	46	172
Tax on profit on ordinary activities	<u>(38)</u>	<u>86</u>	<u>331</u>

Tax on profit arising in years ended 31 December 2005 and 31 December 2006 has been allocated between continuing and discontinued activities according to where those profits arose.

### 4.8.2 Factors Affecting the Current Tax Charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30 per cent. The differences are reconciled below:

	<i>Period Ended</i> 31 December 2004 £'000	<i>(Restated)</i> <i>Year Ended</i> 31 December 2005 £'000	<i>Year Ended</i> 31 December 2006 £'000
(Loss)/profit on ordinary activities before tax	(6,338)	468	10,737
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(1,901)	140	3,221
Expenses not deductible for tax purpose (including goodwill amortisation)	1,483	104	544
Non-taxable income	–	–	(3,123)
Capital allowances shortfall	–	77	51
Brought forward losses utilised	–	(626)	(509)
Tax losses not utilised carried forward	386	305	10
Under provided in prior periods	–	40	(24)
Other	9	–	(11)
Total current tax (paragraph 4.8.1)	<u>(23)</u>	<u>40</u>	<u>159</u>

### 4.8.3 Factors that May Affect Future Tax Charges

The iMO Group has unrecognised deferred tax assets primarily in respect of losses amounting to £648,000 (2004: £1,173,000; 2005: £1,117,000) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the iMO Group, and they have arisen in companies that are currently loss making.

The iMO Group has issued a number of share options to employees which had not been exercised at the balance sheet date as disclosed in paragraph 4.18 of this section 2. If these options were to be exercised at some point in the future when the market value of the iMO Group's shares exceeds the option price, the difference between the market value and the option price would represent a statutory corporation tax deduction in the tax computation of the iMO Group in the year of exercise. This tax deduction will therefore reduce any tax charge arising in the iMO Group for that year.

## 4.9 Profit/(Loss) on Ordinary Activities after Taxation

As permitted by section 230 of the 1985 Act, the parent Company's profit and loss account has not been included in the accounts. The parent Company's loss after taxation for the year to 31 December 2006, was £2,494,000 (2004: £6,300,000; 2005: £776,000).



#### 4.10 Earnings per Share

The basic and diluted earnings per share figures have been calculated based on the profit on ordinary activities after taxation. The options issued under the LTIP have been excluded from all earnings per share calculations. The conditions of their grant fall within the definition of Contingently Issuable Shares under FRS 22 earnings per share. The reconciliation of earnings and shares is set out below:

	<i>Period Ended 31 December 2004</i>		
	<i>(Loss)</i>	<i>Shares</i>	<i>Earnings</i>
	<i>£'000</i>	<i>No.</i>	<i>per Share</i>
			<i>Pence</i>
Basic	<u>(6,300)</u>	<u>10,871,389</u>	<u>(57.95)</u>
Dilutive potential Ordinary shares	<u>–</u>	<u>–</u>	<u>–</u>
Diluted	<u><u>(6,300)</u></u>	<u><u>10,871,389</u></u>	<u><u>(57.95)</u></u>
	<i>Year Ended 31 December 2005</i>		
	<i>(Restated)</i>		<i>Earnings</i>
	<i>Profit</i>	<i>Shares</i>	<i>per Share</i>
	<i>£'000</i>	<i>No.</i>	<i>Pence</i>
Basic	<u>382</u>	<u>12,526,164</u>	<u>3.05</u>
Dilutive potential Ordinary shares	<u>–</u>	<u>337,557</u>	<u>–</u>
Diluted	<u><u>382</u></u>	<u><u>12,863,721</u></u>	<u><u>2.97</u></u>
	<i>Year Ended 31 December 2006</i>		
	<i>Profit</i>	<i>Shares</i>	<i>Earnings</i>
	<i>£'000</i>	<i>No.</i>	<i>per Share</i>
			<i>Pence</i>
Basic	<u>10,406</u>	<u>15,293,354</u>	<u>68.04</u>
Dilutive potential Ordinary shares	<u>–</u>	<u>625,624</u>	<u>–</u>
Diluted	<u><u>10,406</u></u>	<u><u>15,918,978</u></u>	<u><u>65.37</u></u>

#### *Continuing Operations*

Profit per share for the continuing operations is derived from the net profit attributable to equity holders of the parent from continuing operations of £1,184,000 (2004: n/a; 2005: £670,000), divided by the weighted average number of ordinary shares from both basic and diluted amounts as per the table above.

#### *Discontinued Operations*

Profit per share for the discontinued operations is derived from the net profit attributable to equity holders of the parent from discontinued operations of £9,222,000 (2004: n/a; 2005: loss of £288,000), divided by the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

#### *Earnings per Share on Adjusted Profit*

Adjusted profit represents profit after tax from continuing operations including other operating income but is before exceptional items, share based payment charge and amortisation.

The iMO Group presents as exceptional items on the face of the profit and loss account those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better the trends in financial performance.

To this end, basic and diluted earnings per share is also presented on this basis. The adjusted net profit as calculated below is divided by the weighted average number of ordinary shares for both basic and diluted amounts. Adjusted profit from continuing operations which includes other operating income but is before exceptional items, share based payment charge and amortisation attributable to equity holders of the parent is derived as follows:

	<i>(Restated)</i>	
	<i>Year Ended</i> <i>31 December</i> <i>2005</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2006</i> <i>£'000</i>
Net profit attributable to equity holders of the parent company		
– continuing operations	670	1,184
Exceptional items	465	717
Share based payments	63	204
Amortisation	179	447
Tax impact on the above	(140)	(215)
Adjusted profit from continuing operations including other operating income but before exceptional items, share based payment charge and amortisation	<u>1,237</u>	<u>2,337</u>

The weighted average number of shares used in the earning per share calculation excludes 203,723 (2004: n/a; 2005: 206,093) of the iMO Group's own shares of which 69,921 (2004: 72,291; 2005: 72,291) were held by Exeter Investment Group ESOP Trustee Limited, 70,062 (2004: n/a; 2005: 70,062) were held by Intelli ESOP Limited and 63,740 (2004: n/a; 2005: 63,740) were held by Intelli Corporate Finance Limited.

#### 4.11 *Intangible Fixed Assets*

	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Goodwill			
Cost			
Opening balance	–	6,479	10,035
Additions	6,479	3,556	–
At 31 December	<u>6,479</u>	<u>10,035</u>	<u>10,035</u>
Amortisation			
Opening balance	–	4,774	4,953
Provided in period	4,774	179	447
At 31 December	<u>4,774</u>	<u>4,953</u>	<u>5,400</u>
Net book value	<u>1,705</u>	<u>5,082</u>	<u>4,635</u>

Goodwill arising on the acquisition of iimia Holdings Group is being amortised over a period of 20 year being the Directors' estimate of its useful economic life.

Goodwill arising on the acquisition of Exeter Investment Group of £4,678,000 was fully provided for in the period of acquisition.

The goodwill arising on the acquisition of Intelli Partners Group is being amortised over a period of 10 years by the Directors' estimate of its useful economic life.

#### 4.12 *Tangible Fixed Assets*

	<i>Leasehold</i> <i>Improvements</i> <i>£'000</i>	<i>Furniture &amp;</i> <i>Equipment</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Cost			
Arising on the acquisition of subsidiaries	21	921	942
Additions	115	165	280
At 31 December 2004	<u>136</u>	<u>1,086</u>	<u>1,222</u>
Depreciation			
Charge for period	18	111	129
At 31 December 2004	<u>18</u>	<u>111</u>	<u>129</u>
Net book value as at 31 December 2004	<u>118</u>	<u>975</u>	<u>1,093</u>

	<i>Leasehold Improvements £'000</i>	<i>Furniture &amp; Equipment £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 2005	136	1,086	1,222
Arising on the acquisition of subsidiaries	40	61	101
Additions	16	410	426
Disposals	–	(43)	(43)
At 31 December 2005	<u>192</u>	<u>1,514</u>	<u>1,706</u>
Depreciation			
At 1 January 2005	18	111	129
Charge for year	38	441	479
Disposals	–	(10)	(10)
At 31 December 2005	<u>56</u>	<u>542</u>	<u>598</u>
Net book value at 31 December 2005	<u>136</u>	<u>972</u>	<u>1,108</u>

	<i>Leasehold Improvements £'000</i>	<i>Furniture &amp; Equipment £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 2006	192	1,514	1,706
Disposals of subsidiaries	(6)	(742)	(748)
Additions	18	153	171
Disposals	–	(25)	(25)
At 31 December 2006	<u>204</u>	<u>900</u>	<u>1,104</u>
Depreciation			
At 1 January 2006	56	542	598
Disposals of subsidiaries	(3)	(350)	(353)
Charge for year	54	335	389
Disposals	–	(25)	(25)
At 31 December 2006	<u>107</u>	<u>502</u>	<u>609</u>
Net book value at 31 December 2006	<u>97</u>	<u>398</u>	<u>495</u>

#### 4.13 *Investments*

##### *Fixed Asset Investments*

	<i>Listed £'000</i>	<i>Unlisted £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 2005	–	–	–
Arising on acquisition of subsidiaries	–	150	150
Additions	348	–	348
At 31 December 2005	<u>348</u>	<u>150</u>	<u>498</u>
Disposal of subsidiaries	(1)	–	(1)
At 31 December 2006	<u>347</u>	<u>150</u>	<u>497</u>

The market value of the listed investments as at 31 December 2006 was £971,000 (2004: n/a; 2005: £658,000). The fair value of unlisted investments is deemed to equate to cost as disclosed above.

The subsidiary undertakings, all wholly owned, as at 31 December 2006 were:

- Held directly
  - Exeter Investment Group plc – an intermediate holding company.
  - iimia (Holdings) Limited – an intermediate holding company.
  - Intelli Partners Limited – an intermediate holding company.

- Held indirectly
  - Compton House Limited – non-trading.
  - Exeter Asset Management Limited – a company providing investment management services to investment trusts.
  - Exeter Fund Managers Limited – non-trading following the sale of its mandates. This company was placed into administration on 3 March 2005. The Company's directors consider that this has resulted in severe long-term restrictions that substantially hindered the exercise of the iMO Group's rights as shareholder and accordingly this subsidiary has been excluded from the iMO Group consolidation from this date. The Company's directors are not able to provide information about Exeter Fund Managers Limited's profit or loss for the period and its aggregate capital and reserves at the balance sheet date as the company is now under the control of the administrator and there is no requirement on the administrator to produce financial statements for the company.
  - Exeter Investment Group ESOP Trustee Limited – a trustee company for the operation of employee share schemes.
  - Exeter Investment (Guernsey) Limited – a Guernsey registered company providing investment management services.
  - iimia Financial Planning Limited – a company providing independent financial advice.
  - iimia plc – a company providing fund management and private client investment management.
  - Intelli Corporate Finance Limited – a company registered in Scotland providing corporate finance services.
  - Intelli ESOP Limited – a trustee company registered in Scotland for the operation of employee share schemes.
  - Intelli Stockbrokers Limited – dormant.
  - 22 Cathedral Yard Limited – former holding company.
  - 23 Cathedral Yard Limited – non-trading intermediate holding company of Exeter Fund Managers Limited.

All subsidiaries are registered in England and Wales except where indicated.

#### Acquisition of Subsidiary — iimia (Holdings) Limited

On 6 July 2004 the iMO Group acquired the entire share capital of iimia (Holdings) Limited for a consideration satisfied by the issue of 4,856,651 new shares. The investment in iimia (Holdings) Limited and the goodwill arising have been included in the Company's balance sheet at its fair value at the date of acquisition.

	<i>Book Value</i>	<i>Adjustments</i>	<i>Fair Value</i>
	<i>£'000</i>	<i>Revaluation</i>	<i>to Group</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Net assets at date of acquisition:</i>			
Intangible fixed assets	1,801	(1,801) <sup>1</sup>	–
Tangible fixed assets	219	–	219
Debtors	935	–	935
Cash	475	–	475
Creditors due within one year	(688)	–	(688)
Net assets	<u>2,742</u>	<u>(1,801)</u>	941
Goodwill arising			<u>1,801</u>
			<u>2,742</u>
Consideration discharged by fair value of shares issued			<u>2,742</u>
Number of shares issued			<u>4,855,651</u>

*Note:*

<sup>1</sup> *Removal of purchased goodwill from iimia (Holdings) Limited's balance sheet.*

iimia (Holdings) Limited earned a consolidated loss after tax of £1,384,623 in the year ended 31 December 2004 of which £884,530 arose in the period 1 January 2004 to 5 July 2004. The summarised profit and loss account for the period from 1 January to the effective date of acquisition is as follows:

	<i>£'000</i>
Turnover	2,277
Operating costs	(3,034)
Loss before tax	(757)
Taxation	(127)
Loss for the period 1 January 2004 to 5 July 2004	<u>(884)</u>

There were no recognised gains and losses in the period from 1 January 2004 to 5 July 2004 other than the loss of £884,530 above.

iimia (Holdings) Limited contributed £725,361 to the iMO Group's net operating cash flows, received £72,770 in respect of net returns on investments and servicing of finance, paid £8,625 in respect of taxation and utilised £37,231 for capital expenditure and financial investment.

#### Acquisition of Subsidiary — Exeter Investment Group plc ("EIG")

On 19 August 2004 the iMO Group acquired the share capital of EIG via a recommended offer for the business to be satisfied by the issue of new iimia shares at the rate of 62 new iimia shares for every 100 EIG shares. 6,329,899 shares were issued as a result of an offer for shares and a further 75,159 were issued to the remaining EIG shareholders following their compulsory acquisition under section 429 of the 1985 Act. After acquisition EIG was merged with the business of iimia. The investment in EIG has been included in the Company's balance sheet at its fair value at the date of acquisition.

	<i>Book Value</i>	<i>Adjustments</i>	<i>Fair Value</i>
	<i>£'000</i>	<i>Revaluation</i>	<i>to Group</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Net assets at date of acquisition:</i>			
Tangible fixed assets	723	–	723
Debtors	1,434	954 <sup>1</sup>	2,388
Cash	10,163	–	10,163
Creditors due within one year	(891)	(6,900) <sup>2</sup>	(7,791)
Tax	200	–	200
Net assets	<u>11,629</u>	<u>(5,946)</u>	<u>5,683</u>
Fair value of ESOP shares at acquisition			107
Goodwill arising			4,678
			<u>10,468</u>
Consideration discharged by fair value of shares issued			9,376
Costs associated with acquisition			1,092
			<u>10,468</u>
Number of shares issued			<u>6,405,058</u>

#### Notes:

##### <sup>1</sup> Sale of management contracts

Exeter Fund Managers Limited sold the rights to manage its unit trusts and open-ended investment company to New Star Asset Management in September 2003. The terms of this transaction provided for a deferred payment up to £1 million to be received in September 2004, 12 months after the original transaction. The net amount received in the period after expenses was £954,000 and has been treated as a pre-acquisition receipt and debtor above.

##### <sup>2</sup> Provisions for FSA settlement

During the period under review the Directors of Exeter Asset Management Limited and Exeter Fund Managers Limited reached agreement with the FSA regarding the FSA's review of the split capital investment sector. The outcome of this settlement resulted in a payment being agreed for Exeter Asset Management Limited of £1 million and has been provided against pre-acquisition reserves. Exeter Fund Managers Limited has been placed into administration and, as a result, a provision to reflect the directors' best estimate of potential liabilities was made of £5.9 million. This provision of £5.9 million is a provisional fair value because the true fair value of this will not be known until completion of the administration process.

Exeter Investment Group plc made a consolidated loss after tax of £7,408,879 in the period 1 October 2003 to 31 December 2004 of which £6,751,116 arose in the period 1 October 2003 to 18 August 2004. The summarised profit and loss account for the period from 1 October 2003 to the effective date of acquisition is as follows:

	<i>£'000</i>
Turnover	6,154
Operating costs	(13,241)
Loss before tax	(7,087)
Taxation	336
Loss for the period 1 October 2003 to 18 August 2004	<u>(6,751)</u>

There were no recognised gains and losses in the period 1 October 2003 to 18 August 2004 other than the loss of £6,751,116 above.

EIG reduced the iMO Group's net operating cash flows by £788,103, received £169,865 in respect of net returns on investments and servicing of finance, received £25,527 in respect of taxation and utilised £119,557 for capital expenditure and financial investment.

### Acquisition of Subsidiary — Intelli Partners Group

On 28 September 2005 the iMO Group acquired the entire share capital of Intelli Partners Group for a consideration satisfied by the issue of 3,750,000 new shares. The investment in Intelli Partners Group has been included in the Company's balance sheet at its fair value at the date of acquisition.

	<i>Book Value</i>	<i>Adjustments/ Revaluation</i>	<i>Fair Value to Group</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Net assets at date of acquisition:</i>			
Tangible fixed assets	101	–	101
Investments	254	–	254
Debtors	535	367 <sup>1</sup>	902
Cash	2,220	–	2,220
Creditors due within one year	(1,703)	–	(1,703)
Net assets	<u>1,407</u>	<u>367</u>	<u>1,774</u>
Fair value of holdings of own shares			191
Goodwill arising			3,556
			<u>5,521</u>
Consideration discharged			
Fair value of shares issued			5,325
Costs associated with acquisition			196
			<u>5,521</u>
Number of shares issued			<u>3,750,000</u>

*Note:*

<sup>1</sup> The iMO Group has recognised a £367,000 deferred tax asset at acquisition arising on losses brought forward within the Intelli Partners Group. These losses were relieved against profits made by Intelli in the post acquisition period.

Intelli Partners Group earned a consolidated profit after tax of £1,091,000 in the period ended 31 December 2005 of which a loss of £121,000 arose in the period 1 May 2005 to 28 September 2005. The summarised profit and loss account for the period from 1 May to the effective date of acquisition is as follows:

	<i>£'000</i>
Turnover	2,394
Operating costs	(2,505)
Loss before tax	(111)
Taxation	(10)
Loss for the period 1 May 2005 to 28 September 2005	<u>(121)</u>

There were no recognised gains and losses in the period 1 May 2005 to 28 September 2005 other than the loss of £121,000 above.

Intelli Partners Group contributed £686,897 to the iMO Group's net operating cash flows, received £20,110 in respect of net returns on investments and servicing of finance and utilised £428,860 for capital expenditure and financial investment.

### Disposal of Subsidiaries — Sinclair Henderson

On 14 July 2006, the iMO Group completed the sale of Sinclair Henderson Limited and its sister companies, Sinclair Henderson Fund Administration Limited, Sinclair Henderson (Guernsey) Limited and ACD Services Limited (together "Sinclair Henderson"). The disposal is analysed as follows:

Net assets disposed of:	<i>£'000</i>
Tangible fixed assets	395
Investments	1
Debtors	1,030
Cash	345
Creditors due within one year	(683)
	<u>1,088</u>
Costs associated with disposal	763
Profit on disposal	<u>9,237</u>
	<u>11,088</u>

Satisfied by:	£'000
Cash – initial consideration	10,500
Cash – Net asset settlement	588
	<u>11,088</u>

The profit attributable to members of the parent company includes losses of £15,000 incurred by Sinclair Henderson up to its date of disposal on 14 July 2006.

During the year, Sinclair Henderson utilised £308,000 of the iMO Group's net operating cashflow, received £24,000 in respect of the net returns on investments and servicing of finance, utilised £25,000 for capital expenditure and financial investments and £82,000 for taxation.

*Current Asset Investments*

Listed	2005 £'000	2006 £'000
Opening balance	–	629
Arising on acquisition of subsidiaries	104	–
Additions	525	975
Disposals	–	(1,537)
Market movement	–	(4)
At 31 December	<u>629</u>	<u>63</u>

The market value of investments at 31 December 2006 was £72,240 (2005: £982,000).

4.14 **Debtors**

	2004 £'000	2005 £'000	2006 £'000
Trade debtors	1,384	1,794	731
Prepayments and accrued income	515	651	1,322
Other taxation and social security	26	13	25
Tax recoverable	160	276	170
Deferred tax	49	370	72
	<u>2,134</u>	<u>3,104</u>	<u>2,320</u>

The deferred tax asset has been recognised as follows:

	<i>Capital Allowance Timing Differences</i> £'000	<i>Losses Recognised</i> £'000	<i>Total</i> £'000
Acquired with subsidiaries	34	–	34
Credit for period	15	–	15
At 31 December 2004	<u>49</u>	<u>–</u>	<u>49</u>
Arising on acquisition of subsidiaries	–	367	367
Credit/(charge) for the year	55	(101)	(46)
At 31 December 2005	<u>104</u>	<u>266</u>	<u>370</u>
Disposal of subsidiaries	(104)	(22)	(126)
Charge for the year	–	(172)	(172)
At 31 December 2006	<u>–</u>	<u>72</u>	<u>72</u>

A deferred tax asset has been recognised at 31 December in respect of a proportion of the iMO Group's losses carried forward on the expectation that these will be utilised within the iMO Group in the future.

4.15 **Creditors — Amounts Falling Due Within One Year**

	2004 £'000	2005 £'000	2006 £'000
Bank overdraft	1,046	2,805	–
Trade creditors	575	711	373
Other taxation and social security	388	487	539
Accruals and deferred income	696	1,600	978
Corporation tax	–	125	159
	<u>2,705</u>	<u>5,728</u>	<u>2,049</u>

#### 4.16 Provisions for Liabilities and Charges

As at 31 December 2004	£'000
Provision for FSA settlement	6,900

£1 million of the 2004 provision relating to Exeter Asset Management Limited was utilised in April 2005 when Exeter Asset Management Limited reached a settlement with the FSA in respect of its review of Exeter Asset Management Limited's involvement in the splits sector. The remaining provision of £5.9 million relates to Exeter Fund Managers Limited. This subsidiary was placed into administration on 3 March 2005 and its provision of £5.9 million along with its £5.9 million of cash has been excluded from the iMO Group consolidation in 2005.

As at 31 December 2006	£'000
Provision for restructuring costs	607

The iMO Group restructuring costs relate to redundancy and other ancillary costs incurred in restructuring the continuing operations following the disposal of Sinclair Henderson on 14 July 2006.

#### 4.17 Called Up Share Capital

		2004 £	2005 £	2006 £	
<i>Authorised</i>					
250,000,000 ordinary shares of 10p each		25,000,000	25,000,000	25,000,000	
		<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	
	<i>No. of Shares</i>	<i>Nominal Value £</i>	<i>Merger Reserve<sup>1</sup> £</i>	<i>Share Premium £</i>	<i>Total Issue Consideration £</i>
<i>Allotted, Called Up and Fully Paid</i>					
Allotted to subscription on incorporation	2	–	–	–	–
Allotted to former holders of iimia (Holdings) Limited	4,855,651	485,565	2,256,341	–	2,741,906
Allotted to former holders of Exeter Investment Group plc	6,329,899	632,990	8,636,486	–	9,269,476
Section 429 minority compulsory acquisition	75,159	7,516	99,586	–	107,102
Exercise of options – staff	7,912	791	–	3,165	3,956
Exercise of options – directors <sup>2</sup>	332,657	33,266	–	–	33,266
Other issues <sup>3</sup>	63,740	6,374	–	93,626	100,000
At 31 December 2004	<u>11,665,020</u>	<u>1,166,502</u>	<u>10,992,413</u>	<u>96,791</u>	<u>12,255,706</u>
Allotted to former holders of Intelli Partners Group	3,750,000	375,000	4,950,147	–	5,325,147
Exercise of options – staff	22,895	2,289	–	9,158	11,447
At 31 December 2005	<u>15,437,915</u>	<u>1,543,791</u>	<u>15,942,560</u>	<u>105,949</u>	<u>17,592,300</u>
Exercise of options – staff	254,898	25,490	–	309,804	335,294
At 31 December 2006	<u>15,692,813</u>	<u>1,569,281</u>	<u>15,942,560</u>	<u>415,753</u>	<u>17,927,594</u>

*Notes:*

<sup>1</sup> The merger reserve represents the premium arising on the issue of share capital to acquire iMO Group companies. In 2004 the goodwill arising of £4,678,000 on the EIG acquisition was fully provided against this reserve.

<sup>2</sup> The exercise price of these options held by former iimia (Holdings) Limited directors was 1p per share. The total nominal value of £33,266 for the shares issued when these options were exercised was settled by cash consideration of £3,327 and non-cash consideration of £29,939 being the release of a liability.

<sup>3</sup> The other issues of 63,740 were made in lieu of professional fees amounting to £100,000.

iMO Group companies and ESOPs held 203,723 of the issued shares listed above as at 31 December 2006 as disclosed in paragraph 4.26 of this section 2 (2004: 72,291; 2005: 206,093).



## 4.18 Share Based Payment

### 4.18.1 Current Schemes

The iMO Group maintains a number of equity settled share option schemes, the details of which are as follows:

#### 4.18.1.1 Approved and Unapproved Share Option Schemes

Approved options are those that have been granted by the Company to its employees under the iMO Group's scheme rules approved by the Inland Revenue on the 26 November 2004. Unapproved options are those that have been granted outside of the approved scheme. The conditions under which the Company issues options under these schemes is normally:

- Exercisable by those employed three years from grant. Good leaver rules exist for those who leave before this date.
- Lapse ten years from grant if not exercised in the case of approved options and seven years from grant for unapproved.
- For approved options, to cease granting options 10 years from the date the scheme was first approved by the Inland Revenue.

Additionally, in the case of employees exiting the iMO Group following the disposal of Sinclair Henderson the following condition also applies from the date their employment ceased:

- Exercise all or any part of any grant on or before the expiry of 12 months from the date of cessation or, if later, on or before the expiry of 42 months from the relevant date of grant.

#### 4.18.1.2 Enterprise Management Incentive ("EMI") Option Scheme

EMI options are those granted by the Company to its employees under the Inland Revenue approved EMI share option scheme. The conditions under which the Company issues options under this scheme is normally:

- Exercisable by those employed in three equal tranches one, two and three years from grant. Good leaver rules apply for those who leave before these dates.
- Lapse 10 years from grant if not exercised.

There were no EMI options held by employees of Sinclair Henderson.

#### 4.18.1.3 Save As You Earn ("SAYE") Share Option Scheme

SAYE options are those granted under the Inland Revenue approved SAYE share option scheme. The conditions under which these options are normally exercisable are:

- Within six months from the third or fifth anniversary of the relevant commencement date of the savings contract.
- Lapse 10 years from grant if not exercised.

Additionally, in the case of employees exiting the iMO Group following the disposal of Sinclair Henderson the following condition also applies from the date their employment ceased:

- Regular savings under their savings contract may continue for six months post the date of ceasing to be an employee.
- All or part of the savings accumulated must have been used to exercise the relevant number of options six months from that cessation date.

#### 4.18.1.4 Long-term Incentive Plan ("LTIP")

The iMO Group implemented an executive LTIP on 27 September 2006. The options were granted to the relevant executives in two equal tranches on 19 October 2006 as follows:

- Retention tranche  
The performance criteria to be met for the retention tranche to vest are as follows:
  - Closing shareholders funds must be equal to or greater than opening shareholders funds increased by RPI + 5% over the measurement period.
  - The executive must remain an employee of the iMO Group to the third anniversary of grant date.
  - The measurement period is 36 months commencing on 1 January 2006.
  - Options lapse 10 years from initial grant date.
- Performance tranche  
For all executives who received an LTIP award the following criteria must be met in order for the performance tranche to vest.

- For the measurement period, the actual EPS performance will be compared to the target EPS set by the remuneration committee at the grant date.
- The degree to which the performance tranche will vest is determined by the degree to which target EPS or specific performance criteria are achieved.
- Partial vesting conditions apply for good leavers.
- The measurement period is 36 months commencing on 1 January 2006.
- Options lapse ten years from the initial grant date.

#### 4.18.2 Options Outstanding

At 31 December 2006, options to subscribe for ordinary shares in the Company of 10p each were outstanding as follows:

##### Approved Share Option Scheme

	<i>No. of Shares</i>
Replacement options granted	256,138
Outstanding options at 31 December 2004	256,138
Options created	331,718
Options lapsed	(36,267)
Outstanding options at 31 December 2005	551,589
Options exercised	(169,588)
Options lapsed	(14,946)
Outstanding options at 31 December 2006	<u>367,055</u>

Outstanding options analysed as follows:

	<i>No. of Shares</i>
Exercisable up to 16 October 2007 at £2.94 per share	1,698
Exercisable up to 14 July 2007 at £4.31 per share	1,666
Exercisable up to 11 May 2010 at £9.55 per share	270
Exercisable up to 14 July 2007 at £9.55 per share	1,016
Exercisable up to 14 July 2007 at £13.22 per share	734
Exercisable up to 14 July 2007 at £15.60 per share	632
Exercisable up to 12 June 2007 at £1.54 per share	27,900
Exercisable up to 14 July 2007 at £8.95 per share	3,254
Exercisable up to 14 July 2007 at £1.12 per share	17,714
Exercisable up to 31 December 2006 at £4.31 per share	3,363
Exercisable up to 9 April 2009 at £1.42 per share	26,991
Exercisable up to 12 December 2013 at £1.54 per share	21,700
Exercisable from 4 October 2008 to 4 October 2015 at £1.42 per share	210,517
Exercisable up to 14 July 2007 at £1.54 per share	49,600
Total	<u>367,055</u>

These options become exercisable on the third anniversary of the date of original grant until expiry on the tenth anniversary of grant. There are rules for early exercise and expiry on leaving the iMO Group through redundancy, retirements or ill health.

##### Unapproved Share Option Scheme

	<i>No. of Shares</i>
Replacement options granted during period	69,750
New options granted during period	100,000
Outstanding options at 31 December 2004	169,750
New options granted	59,782
Options lapsed	(6,820)
Outstanding options at 31 December 2005	222,712
Exercised	(40,840)
New options granted	20,000
Outstanding options at 31 December 2006	<u>201,872</u>

Outstanding options analysed as follows:

	<i>No. of Shares</i>
Exercisable up to 14 July 2007 at £13.22 per share	9,300
Exercisable up to 10 November 2007 at £13.22 per share	4,030
Exercisable up to 13 October 2007 at £1.54 per share	17,050
Exercisable up to 28 April 2008 at £1.41 per share	100,000
Exercisable between 4 October 2008 and 4 October 2012 at £1.42 per share	30,983
Exercisable up to 3 April 2009 at £1.42 per share	20,509
Exercisable between 2 December 2008 and 2 December 2012 at £1.20 per share	20,000
Total	<u>201,872</u>

EMI Option Scheme

	<i>No. of Shares</i>
Replacement options granted during period	716,838
Exercised in period	(340,509)
Lapsed in period	(500)
Outstanding options at 31 December 2004	<u>375,769</u>
Exercised in period	(22,895)
Lapsed in period	(15,800)
Outstanding options at 31 December 2005	<u>337,074</u>
Exercised	(42,719)
Lapsed	(3,586)
Outstanding options at 31 December 2006	<u>290,769</u>

Outstanding EMI options all of which are at 50p per share are analysed as follows:

	<i>No. of Shares</i>
Exercisable up to 28 November 2013	119,476
Exercisable up to 1 December 2013	22,876
Exercisable up to 1 January 2014	115,000
Exercisable up to 5 January 2014	95
Exercisable up to 3 February 2014	7,664
Exercisable up to 12 February 2014	13,332
Exercisable from 12 February 2007 to 12 February 2014	6,688
Exercisable from 3 February 2007 to 3 February 2014	3,836
Exercisable from 5 January 2007 to 5 January 2014	959
Total	<u>290,769</u>

These options become exercisable in three equal tranches on an annual basis starting on the first anniversary of the date of original grant. Once three years have lapsed and all share options are exercisable, they are open for exercise until expiry on the tenth anniversary of grant.

SAYE Option Scheme

	<i>No. of Shares</i>
Outstanding options at 31 December 2004	–
Options created	735,168
Options lapsed	(17,366)
Outstanding options at 31 December 2005	<u>717,802</u>
Options exercised	(1,751)
Options lapsed	(193,971)
Options created	–
Outstanding options at 31 December 2006	<u>522,080</u>

These approved SAYE options are exercisable as follows:

	<i>No. of Shares</i>
Up to 14 January 2007	66,995
Up to 29 March 2007	2,228
Up to 13 April 2007	3,509
Up to 30 April 2007	5,394
Between 1 December 2008 and 31 May 2009 at 114p	163,710
Between 1 December 2010 and 31 May 2011 at 114p	280,244
Total	<u>522,080</u>

LTIP

	<i>No. of Shares</i>
Outstanding options as at initial grant on 19 October 2006	1,090,000
Options exercised, lapsed or created	–
Outstanding options at 31 December 2006	<u>1,090,000</u>
Outstanding options analysed as follows:	
Exercisable up to 19 October 2016 at £0 per share	<u>1,090,000</u>

4.18.3 At 31 December 2005 all options that were outstanding can be summarised within band of exercise price as follows:

<i>Range of Exercise Price</i>	<i>Outstanding Options No.</i>	<i>Weighted Average Remaining Contractual Life</i>	<i>Weighted Average Exercise Price</i>
0 – 50p	337,074	8	50.00p
51 – 200p	1,462,394	6	129.94p
201p – 500p	6,727	5	396.85p
501p – 1,560p	22,982	3	1,206.52p

At 31 December 2006 all options that were outstanding can be summarised within band of exercise price as follows:

<i>Range of Exercise Price</i>	<i>Outstanding Options No.</i>	<i>Weighted Average Remaining Contractual Life</i>	<i>Weighted Average Exercise Price</i>
0 – 50p	1,380,769	9	10.53p
51 – 200p	1,065,044	4	128.87p
201p – 500p	6,727	1	396.85p
501p – 1,560p	19,236	1	1,233.56p

4.18.4 For the year to 31 December 2006 the following options were granted:

<i>Scheme</i>	<i>No. of Options</i>	<i>Vesting Period</i>
Unapproved Scheme	20,000	2009 to 2016
LTIP	1,090,000	2009 to 2016

#### 4.18.5 *Movements in the Year*

A summary of the status of the option schemes as at the 31 December 2006 and 2005 and changes during the years ended on those date is shown below:

	Year Ended 31 December 2005		Year Ended 31 December 2006	
	No. of Options	Weighted Average Exercise Price (p)	No. of Options	Weighted Average Exercise Price (p)
Outstanding at 1 January	801,657	157.23	1,829,177	129.72
Granted during year	1,126,668	123.90	1,110,000	2.16
Exercised during year	(22,895)	50.00	(254,898)	131.54
Forfeited during year	(76,253)	351.69	(212,503)	131.59
Expired during year	–	–	–	–
Outstanding at 31 December	1,829,177	129.72	2,471,776	72.09
Exercisable at 31 December	19,239	240.52	664,949	193.29

The weighted average share price for 2006 was 202.9p (2005: 137.9p).

#### 4.18.6 *Expense Charge to the Profit and Loss Account*

The Company has not recognised options granted before 7 November 2002 or vested before 1 January 2006 under the transitional provisions available within FRS 20.

The total expense recognised for share based payments in respect of employee services received during the year to 31 December 2006 is £251,000 (2004: nil; 2005: £78,000). This expense is in respect of equity settled share options only as the Company has no cash settled share options.

#### 4.18.7 *Fair Value Estimates*

The fair value of awards granted in 2006 were based on the following assumptions:

##### Unapproved Share Options

The fair value of options granted in the year under the unapproved share option scheme were estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions under which the options were granted and assumptions for employee exit and forfeiture rate. The fair value of the options granted in 2006 was 38.83p (2004: n/a; 2005: 20.96p).

The key assumptions used in the model were as follows:

	2005	2006
Number of options granted		
Granted 1 Jan 2006	–	20,000
Granted 4 October 2005	59,782	–
Share price at grant date	142.5p	143.5p
Expected volatility per annum	11.3%	10.6%
Risk free rate at award date	4.2%	4.3%
Expected dividend yield	0%	0%
Term to vesting from grant date	36 months	36 months
Exercise price	142.5p	120.0p
Expected life of option	5 years	5 years

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Volatility reflects the risk of the stock as measured by the standard deviation of the continuously compounded annual rate of return on that stock over the period from the commencement of trading on AIM to the grant date. It is based on the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free interest rate is expressed as the gross redemption yield on the relevant UK Government Treasury Stock with a maturity that reflects the time between the date of the grant and the time to vest of the related option, adjusted to represent a continually compounded basis.

##### LTIP

The fair value of options granted under the LTIP are estimated as at the date of grant using a trinomial lattice model with assumptions for employees exit and forfeiture rates, zero dividend yields (as dividends accrue to the employee as from the date of the award), share price, composite volatility and performance conditions. The fair value of options granted in 2006 was 225p.

The LTIP was introduced in 2006 so there are no comparative assumptions to be disclosed but for the initial grant on the 19 October 2006 the key assumptions used in the model were as follows:

	<i>At Grant Date 19 October 2006</i>
<i>Assumptions</i>	
Number of options granted	1,090,000
Share price at grant date	225p
Expected volatility, per annum	
Year 0	23.9%
Year 1 & thereafter	29.7%
Risk free rate at award date	
Year 0	5.12%
Year 1	5.33%
Year 4	5.24%
Year 6	5.19%
Year 8	5.10%
Expected dividend yield	0%
Term to vesting from grant date	36 months
Exercise price	0p
Employee exit rates per annum – post vesting	3%
Employee exit rates per annum – pre vesting	0%
Expected life of option	10 years

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Volatilities were based upon a GARCH (1.1)<sup>2</sup> analysis which provides a forecast equivalent to an exponentially weighted average rate incorporating regression towards the mean of the historical trend lines. Volatility rates for intermediate points in time were obtained by interpolation. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free interest rate in Year 0 was based on the 3 month sterling LIBOR rates and for subsequent years on the respective swap rates as provided by ICAP plc as published in the *Financial Times*.

#### 4.19 Reserves

	<i>Profit and Loss Account £'000</i>	<i>Merger Reserve £'000</i>	<i>Share Premium £'000</i>	<i>Total £'000</i>
Retained loss for period	(6,300)	–	–	(6,300)
Premium on issue of shares	–	10,992	97	11,089
Transfer in respect of impairment of goodwill	4,678	(4,678)	–	–
Share based expense recognised in the profit and loss account	157	–	–	157
At 31 December 2004	(1,465)	6,314	97	4,946
Retained profit for year	460	–	–	460
Premium on issue of shares	–	4,951	–	4,951
Exercise of options – staff	–	–	9	9
Share based expenses recognised in the profit and loss account	16	–	–	16
At 31 December 2005	(989)	11,265	106	10,382
Retained profit for year	10,406	–	–	10,406
Exercise of options – staff	–	–	310	310
Share based expenses recognised in the profit and loss account	251	–	–	251
As at 31 December 2006	9,668	11,265	416	21,349

#### 4.20 Reconciliation of Operating Profit to Net Cash Inflow/(Outflow) from Operating Activities

	2004	(Restated) 2005	2006
	£'000	£'000	£'000
Operating profit/(loss)	(6,579)	249	933
Depreciation charges	129	479	389
Amortisation of goodwill	96	179	447
Impairment of goodwill	4,678	–	–
(Increase)/decrease in debtors	58	2	(524)
(Decrease)/increase in creditors	478	(563)	383
Write back of non-cash share option adjustment	187	94	251
Settlement of EAM's FSA provision	–	(1,000)	–
Loss on disposal of fixed assets	–	33	–
Profit on disposal of current asset investments	–	–	(454)
Net cash (outflow)/inflow from operating activities	<u>(953)</u>	<u>(527)</u>	<u>1,425</u>

#### 4.21 Notes to the Statement of Cash Flows

##### 4.21.1 Analysis of Change in Net Funds

	At 24 June 2004 £'000	Cash Flow £'000	Acquisition of Subsidiaries £'000	Other Non-cash Movements £'000	At 31 December 2004 £'000
Cash at bank	–	41	10,638	–	10,679
Overdrafts	–	(1,046)	–	–	(1,046)
	<u>–</u>	<u>(1,005)</u>	<u>10,638</u>	<u>–</u>	<u>9,633</u>
	At 31 December 2004 £'000	Cash Flow £'000	Acquisition of Subsidiaries £'000	Other Non-cash Movements £'000	At 31 December 2005 £'000
Cash at bank	10,679	(3,744)	–	–	6,935
Overdrafts	(1,046)	(1,759)	–	–	(2,805)
	<u>9,633</u>	<u>(5,503)</u>	<u>–</u>	<u>–</u>	<u>4,130</u>
Current asset investment	–	525	104	–	629
	<u>9,633</u>	<u>(4,978)</u>	<u>104</u>	<u>–</u>	<u>4,759</u>
	At 31 December 2005 £'000	Cash Flow £'000	Acquisition of Subsidiaries £'000	Other Non-cash Movements £'000	At 31 December 2006 £'000
Cash at bank	6,935	10,335	–	–	17,270
Overdrafts	(2,805)	2,805	–	–	–
	<u>4,130</u>	<u>13,140</u>	<u>–</u>	<u>–</u>	<u>17,270</u>
Current asset investment	629	(1,020)	–	454	63
	<u>4,759</u>	<u>12,120</u>	<u>–</u>	<u>454</u>	<u>17,333</u>

#### 4.21.2 Reconciliation of Net Cash Flow to Movement in Net Funds

	2004 £'000	2005 £'000	2006 £'000
(Decrease)/increase in cash in the period	(1,005)	(5,503)	13,140
Purchase of liquid resources	–	525	975
Cash proceeds on disposal of liquid resources	–	–	(1,995)
Change in net funds resulting from cash flows	(1,005)	(4,978)	12,120
Profit on disposal of liquid resources	–	–	454
Current asset investments acquired with subsidiaries	–	104	–
Cash acquired with subsidiaries	10,638	–	–
Movement in net debt in the period	9,633	(4,874)	12,574
Net funds at 1 January	–	9,633	4,759
Net funds at 31 December	<u>9,633</u>	<u>4,759</u>	<u>17,333</u>

#### 4.22 Reconciliation of Movements in Shareholders' Funds

	2004 £'000	2005 £'000	2006 £'000
Profit/(loss) for period after taxation	(6,300)	382	10,406
New share capital subscribed	12,149	5,146	335
Disposal of own shares held	–	–	4
Fair value of share options	157	16	–
FRS 20 share based payments	–	78	251
Opening shareholders' funds	–	6,006	11,628
Closing shareholders' funds	<u>6,006</u>	<u>11,628</u>	<u>22,624</u>

#### 4.23 Financial Instruments

The iMO Group's financial instruments may comprise cash, trade debtors and creditors, fixed and current asset investments that arise from trading operations. A prudent hedging policy may be undertaken as and where the potential risks within trading operations dictate the need to mitigate that risk.

The iMO Group does not hold any financial assets or liabilities denominated in a foreign currency and hence there are no exposures to movements in foreign currency exchange rates.

The strength of the contractual nature of a significant percentage of the iMO Group's trade debtors means that the iMO Group does not have significant concentrations of credit risk. Short-term trade debtors and creditors have been excluded from the disclosures below.

No hedging instruments were outstanding in the iMO Group as at 31 December 2006 (2004: nil; 2005: nil).

##### 4.23.1 Treasury and Cash

Treasury related matters are dealt with by the iMO Group treasury function whose role is to implement the iMO Group's treasury policies and strategies. It reports cash flow movements and forecasts on a daily basis to senior management and material transactions are referred to the iMO Group director of finance for approval. The policies and strategies have been in operation throughout the year.

The iMO Group's treasury management and strategies are agreed with the iMO Group director of finance and the objectives are:

- To maximise the returns from available cash funds without exposing the iMO Group to any unnecessary risk.
- To ensure that the iMO Group has sufficient cash resource to meet its obligations on a continuing basis.

Throughout the year cash balances are aggregated in the holding company and invested overnight on the money markets.

At 31 December 2006 the iMO Group had positive net cash resources deposited in various floating rate short-term cash deposits amounting to £17.3 million (2004: £9.3m; 2005: £4.1m). The fair value of these financial instruments equates to book value. The benchmark for interest on cash deposits is a minimum of base rates less 0.5 per cent.

##### 4.23.2 Fixed & Current Asset Investments

As at each period end the iMO Group held both fixed and current asset investment as disclosed in paragraph 4.13 of this section 2.

The listed fixed asset investments, being warrants to subscribe for shares, and current asset investments, being ordinary shares and debentures, were non-interest bearing.



The unlisted fixed asset investment relates to a loan which earns interest half-yearly in arrears at the rate of Libor +5 per cent. This loan had no fixed maturity date.

The fair value of these investments is deemed to be market value as disclosed in paragraph 4.13 of this section 2.

The iMO Group manages the risks associated with such investments including market price risk by carefully monitoring the current prices and returns and making appropriate decisions where deemed necessary.

#### 4.24 *Obligations under Non-cancellable Operating Leases*

At each period end the iMO Group had annual commitments under non-cancellable operating losses as set out below:

	2004 £'000	2005 £'000	2006 £'000
Operating leases in respect of land and buildings which expire:			
Within one year	–	25	14
Within one year to two years	–	94	219
Within two to five years	–	300	175
In over five years	191	74	74
Operating leases in respect of plant and machinery which expire:			
In two to five years	2	2	–
	<u>2</u>	<u>2</u>	<u>–</u>

#### 4.25 *Pension Commitments*

The Group operates a number of defined contribution pension schemes for the iMO Group's directors and employees. The assets of the schemes are held separately from those of the iMO Group in independently administered funds. There were no contributions outstanding or prepaid at 31 December 2006 (2004: nil; 2005: nil).

#### 4.26 *ESOP Trusts and Own Shares Held*

The iMO Group operates two trusts to facilitate the operation of various share option and long-term incentive plans. These trusts held 139,983 (2004: 72,291; 2005: 142,353) Ordinary Shares at 31 December 2006 for use under the terms of the iMO Group's share option schemes.

Additionally Intelli Corporate Finance Ltd held 63,740 Ordinary Shares on acquisition.

	2004 £'000	2005 £'000	2006 £'000
At 1 January	–	107	298
Arising on acquisition of subsidiary	107	191	–
Disposal of own shares held	–	–	(4)
Net book value	<u>107</u>	<u>298</u>	<u>294</u>
At 31 December	<u>107</u>	<u>298</u>	<u>294</u>

The carrying value is £294,000 (2004: £107,000; 2005: £298,000) being the cost of the shares held by iMO Group companies. The Company's own shares are listed and the closing mid-market share price as at 31 December 2006 was 225.0p per share (2004 147.5p; 2005: 146p).

The aggregate market value of the shares held by the iMO Group at 31 December 2006 was £458,377 (2005: £300,896).

#### 4.27 *Contingent Liabilities*

One current UK VAT Tribunal appeal is seeking to establish the degree to which management and administration services to UK Investment Trusts should be treated as VAT exempt supplies rather than taxable supplies in accordance with current UK VAT law. The opinion of the Advocate General at the European Court of Justice ("ECJ") was released on 1 March 2007 but the ECJ final judgement is not expected until the end of June 2007. Dependent upon the outcome of this VAT Tribunal appeal, two iMO Group companies could potentially face retrospective claims for the VAT charged on services they have supplied.

To mitigate the potential exposure of the iMO Group protective retrospective claims have been lodged with HMRC. Legal and professional advice sought suggests this action should provide a defence against claims against the iMO Group for amounts in excess of any VAT refunds received.

At 22 March 2007, the date of approval of the financial statements for 2006, the Directors were not able to judge the outcome of this VAT Tribunal appeal, nor were they able to quantify any resultant potential claims that may be received or the extent to which such claims would be mitigated by the protective claims lodged with HMRC. Therefore, the Directors were not able to quantify any potential liability to the iMO Group that may exist.

## SECTION 3 – RESTATEMENT OF FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2006 UNDER IFRS

Set out below is the text of an announcement made by the Company on 2 July 2007 in relation to the restatement of certain financial information for the year ended 31 December 2006 under IFRS

iimia Investment Group plc is required under EU Regulations to adopt International Financial Reporting Standards (“IFRS”) as its primary basis of accounting for the year ending 31 December 2007. IFRS replaces UK Generally Accepted Accounting Principles (“UK GAAP”), under which the Group previously prepared its financial statements.

The most significant impacts of adoption of IFRS on the Group’s previously reported financial information are as follows:

- Cessation of goodwill amortisation.
- Revaluation of listed investments at fair value on the balance sheet with gains and losses to both the income statement and direct to equity.
- Provision for employee benefit liabilities in respect of holiday pay.
- Restatement of property lease incentives across the life of the leases.
- The tax effect of the above adjustments and the provision for deferred tax on equity settled share-based payment transactions.

A summary of the impact on the Group of the transition to IFRS for the year ended 31 December 2006 is as follows:

	<i>UK GAAP (as previously reported) £'000</i>	<i>IFRS £'000</i>	<i>Movement %</i>
Year ended 31 December 2006			
● Profit after tax	10,406	10,990	+5.6
● Adjusted profit before goodwill amortisation, exceptionals, share based payments charge and tax	2,883	3,008	+4.3
Total equity as at 1 January 2006	11,628	11,829	+1.7
Total equity as at 31 December 2006	22,624	23,357	+3.2

	<i>UK GAAP (as previously reported) pence</i>	<i>IFRS pence</i>	<i>Movement %</i>
● Adjusted earnings per ordinary share before goodwill amortisation, exceptionals and share based payments charge	15.28	15.78	+3.3
● Diluted	14.68	15.16	+3.3

A full description of the impacts of the change and adjustments required to bring the financial information in line with IFRS for the 12 months ended 31 December 2006 and six months ended 30 June 2006, and on the balance sheet as at the date of transition of 1 January 2006, is presented in the following sections.

### 1. Introduction

iimia Investment Group plc (the “Company”) is a public limited company, incorporated in England and Wales under the Companies Act 1985, whose shares are publicly traded on the Alternative Investment Market (“AIM”). In these financial statements, “Group” means the Company and all its subsidiaries. The Group has previously prepared its primary financial statements in accordance with UK Generally Accepted Accounting Principles (“UK GAAP”). From 2007 the Group is required to prepare its consolidated financial statements in accordance with International Accounting Standards (“IAS”) and International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”). References to IFRS throughout this document refer to the application of International Accounting Standards and International Financial Reporting Standards.

The first annual report under IFRS will be for the 12 months ended 31 December 2007 and the first interim results reported under IFRS will be for the six months ended 30 June 2007. This document explains the differences that will arise when the Group’s financial statements are prepared under IFRS rather than UK GAAP. Specifically, this document sets out reconciliations of the Group’s balance sheets, as prepared under UK GAAP, to those prepared in accordance with IFRS as at 1 January 2006 (the opening balance sheet as at the date of transition to IFRS), 30 June 2006 and 31 December 2006. In addition, this document includes reconciliations of the Group’s profit and loss accounts prepared under UK GAAP to those prepared in accordance with IFRS for the six months to 30 June 2006 and for the year to 31 December 2006. No restated IFRS cash flows have been presented as there is no difference between the net cash flows presented under IFRS and the net cash flows presented under the previous GAAP.

This restatement document has been prepared on the basis that all IFRSs, International Financial Reporting Interpretation Committee (“IFRIC”) interpretations and current IASB exposure drafts will be issued as final standards and endorsed by the EU. It should be noted that, should the EU fail to endorse all of these standards in time for financial reporting in 2007 or if IFRIC issues further interpretations prior to the reporting date, this may result in the need to change the basis of accounting and or the presentation of certain items from those presented in this document.

The UK GAAP information contained in this document does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The auditors, Ernst & Young LLP, have issued unqualified opinions on the Group's UK GAAP financial statements for the years ended 31 December 2005 and 31 December 2006.

## 2. First Time Adoption of IFRS

The Group has applied IFRS 1 "First Time Adoption of International Financial Reporting Standards" as a starting point for reporting under IFRS. The Group's date of transition to IFRS is 1 January 2006 and comparative information in the financial statements is restated to reflect the Group's adoption of IFRS except where otherwise required or permitted by IFRS 1.

IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for its first financial statements prepared under IFRS. As a general rule, IFRS 1 requires such standards to be applied retrospectively. However, the standard allows several optional exemptions from full retrospective application.

The Group has elected to take advantage of the following exemption:

- The Group will adopt a prospective application of IFRS 3 "Business Combinations" to the extent that it applies to acquisitions post 1 January 2006. Acquisitions before that date will be recorded as under previous accounting rules as the Group intends to take advantage of the exemption allowed in IFRS 1 regarding business combinations recognised before the date of transition to IFRS. All goodwill and intangibles will be tested for impairment; goodwill on an annual basis and intangibles when there is an indicator of impairment; as required by IAS 36 "Impairment of Assets".

## 3. Summary of Major Impacts of Adoption of IFRS

### 3.1 IFRS 3 – Business Combinations

The standard deals with accounting for business combinations including goodwill and intangible assets. The Group's current policy under UK GAAP, to amortise goodwill and to test for impairment when there is an indication that the carrying value of an asset might not be recoverable, will be replaced by an annual impairment test and cessation of goodwill amortisation.

In accordance with the transitional provisions of IFRS 1 the Group has chosen to apply IFRS 3 prospectively from the date of transition. As a result, the value of goodwill arising from previous acquisitions has been frozen at the amortised value as at the transition date of 1 January 2006 and the reversal of amortisation charged in the year to 31 December 2006.

The credit to the income statement and increase in net assets for the relevant period is as follows:

- 31 December 2006: + £447,000

### 3.2 IAS 39 – Financial Instruments: Recognition and Measurement

In accordance with the above standard the Group's listed investments, which were previously carried at cost, have been restated at fair value and presented as follows:

#### *Held for Trading with Gains and Losses Recognised in Profit or Loss*

Under IAS 39, warrant instruments are recognised as derivatives and mandatorily disclosed within the "held for trading" category with gains and losses recognised in profit or loss in the period in which they arise. The Group has held 3,466,640 Aberdeen Asian warrants since December 2005.

The uplift from acquisition carrying cost to fair value as at 31 December 2006 has increased net assets in total by £69,000. The impact of this uplift is analysed in the relevant periods as follows:

- Net assets as at 1 January 2006: £0
- Net assets as at 31 December 2006: £69,000
- Income statement for the year ended 31 December 2006: £69,000

#### *Available for Sale Gains and Losses to Equity*

The remaining investments held by the Group are listed equity investments. These have been disclosed within the available for sale category and any gains or losses arising on restatement at fair value have been taken direct to equity. On disposal of these instruments any gains or losses previously taken direct to equity are recycled through the income statement in the period of disposal.

The uplift from acquisition carrying cost to fair value increases equity and net assets of the Group in the relevant periods as follows:

- As at 1 January 2006: £353,000
- As at 31 December 2006: £9,000

In July 2006 the Group disposed of the current asset investment that gave rise to the fair value adjustment direct to equity above of £353,000. As a result, this fair value adjustment was recycled through the income statement as part of the reported profit on disposal in 2006.

### 3.3 IAS 19 – Employee Benefits

The standard requires liabilities for employee benefits to be recognised on the basis of a legal or constructive obligation. Liabilities and expenses are generally recognised in the period in which the services are rendered. In accordance with the standard the Group has recognised a provision for employee holiday pay earned but not taken at the end of each accounting period.

The impact of this adjustment for the relevant periods is as follows:

- Net assets as at 1 January 2006: £78,000
- Net assets as at 31 December 2006: £55,000
- Income Statement for the year ended 31 December 2006: £23,000

#### 3.4 *IAS 17 – Leases*

The standard requires lessees to recognise incentives granted under an operating lease as a reduction in lease rental expense over the lease term. The Group has a number of property leases in which the lease incentives were recognised over a shorter period than is permitted under the standard.

The impact of this adjustment for the relevant periods is as follows:

- Net assets as at 1 January 2006: £40,000
- Net assets as at 31 December 2006: £7,000
- Income Statement for the year ended 31 December 2006: £33,000

#### 3.5 *IAS 12 – Income Taxes*

The standard requires entities to provide for deferred taxation based on temporary differences between the carrying amount of assets or liabilities and their tax base. Deferred tax has been recognised where applicable on the adjustments noted above on rates enacted or substantively enacted at the balance sheet dates. In addition, in respect of equity settled share based payment transactions the standard requires a further deferred tax asset to be recognised with the credit taken direct to equity. The asset to be recognised is the temporary difference that exists between the cumulative deferred tax charge taken through the income statement and the amount for which tax relief would have been received if the award had vested at the balance sheet date, multiplied by the expired portion of the vesting period as at that date.

The deferred tax impact arising on the adjustments above for the relevant periods is as follows:

As at 1 January 2006

- Reduction in deferred tax asset: £34,000
- Credit to retained reserves: £59,000
- Charge to revaluation reserve: £106,000
- Credit direct to equity: £13,000

As at 31 December 2006

- Increase in deferred tax asset: £270,000
- Credit to income statement: £71,000
- Charge to revaluation reserve: £3,000
- Credit direct to equity: £202,000

#### 3.6 *IAS 38 – Intangible Assets*

The standard requires certain assets such as computer software to be recognised as intangible assets, previously under UK GAAP the Group treated these assets as tangible assets. This reclassification, which has no impact in the Income Statement, has resulted in computer software being reclassified as intangible assets as follows:

- As at 1 January 2006: £392,000
- As at 31 December 2006: £35,000

#### 4. Reconciliation of Equity at 1 January 2006 (Date of Transition to IFRS)

	Pre IFRS Adjustments – Continuing £'000	IAS 1 Presentation of Financial Statements £'000	IAS 17 Leases £'000	IAS 19 Employee Benefits £'000	IAS 38 Intangible Assets £'000	IAS 39 Financial Instruments £'000	IAS 12 Income Tax £'000	Total IFRS Adjustments Total £'000	Post IFRS Adjustments Total £'000	IFRS
<b>UK GAAP</b>										
<b>Fixed assets</b>										
Intangible assets – goodwill	5,082				392			392	5,474	Non-current assets Intangible assets
Tangible assets	1,108	(150)			(392)			(392)	716	Property and equipment
Investments	498	371					(34)	(150)	348	Financial assets
		150						337	337	Deferred tax assets
								150	150	Loans and receivables
	6,688	371					(34)	337	7,025	
<b>Current assets</b>										
Investments	629	2,457						2,457	2,457	Current assets Trade and other receivables
Debtors	3,104	276						276	276	Income tax receivable
Cash at bank	6,935	(629)						(629)		
		(3,104)						(3,104)		
		629				353			6,935	Cash and cash equivalents
	10,668	(371)				353		982	982	Financial assets
								(18)	10,650	
<b>Creditors – amounts falling due within one year</b>	5,728	(5,728)						(5,728)		<b>Current liabilities</b>
		2,805	40	78				2,805	2,805	Short term borrowings
		2,798						2,916	2,916	Trade and other payables
		125						125	125	Income tax payable
	5,728		40	78				118	5,846	
<b>Net current assets</b>	4,940	(371)	(40)	(78)		353		(136)	4,804	
<b>Total assets less current liabilities Provisions for liabilities and charges</b>	11,628		(40)	(78)		353	(34)	201	11,829	<b>Non-current liabilities</b>
										Provisions
	11,628		(40)	(78)		353	(34)	201	11,829	<b>Net assets</b>
<b>Capital and reserves</b>										<b>Equity</b>
Called up share capital	1,544								1,544	Share capital
Share premium account	106								106	Share premium
Own shares held	(298)								(298)	Treasury shares
Merger reserve	11,265								11,265	Merger reserve
Profit and loss account	(989)		(40)	(78)		353	72	(46)	(1,035)	Retained earnings
							(106)	247	247	Revaluation reserve
<b>Total equity shareholders' funds</b>	11,628		(40)	(78)		353	(34)	201	11,829	<b>Total equity</b>

5. Reconciliation of Equity at 31 December 2006 (End of Last Period Presented under Previous GAAP)

	Pre IFRS Adjustments – Continuing £'000	IAS 1 Presentation of Financial Statements £'000	IAS 17 Leases £'000	IAS 19 Employee Benefits £'000	IAS 38 Intangible Assets £'000	IAS 39 Financial Instruments £'000	IAS 12 Income Tax £'000	Total IFRS Adjustments Total £'000	Post IFRS Adjustments Total £'000	IFRS
<b>UK GAAP</b>										
<b>Fixed assets</b>										
Intangible assets – goodwill	4,635				482			482	5,117	Non-current assets
Tangible assets	495	(150)			(35)			(35)	460	Intangible assets
Investments	497	72			69		270	(81)	416	Property and equipment
		150						342	342	Financial assets
								150	150	Deferred tax assets
										Loans and receivables
	5,627	72			447	69	270	858	6,485	
<b>Current assets</b>										
Investments	63	2,078						2,078	2,078	Current assets
Debtors	2,320	170						170	170	Trade and other receivables
Cash at bank	17,270	(63)						(63)	–	Income tax receivable
		(2,320)						(2,320)	–	
		63				9		72	17,270	Cash and cash equivalents
		(72)				9		(63)	72	Financial assets
	19,653								19,590	
<b>Creditors – amounts falling due within one year</b>	2,049	(2,049)	7	55				(2,049)	–	Current liabilities
		1,890						1,952	1,952	Trade and other payables
		159						159	159	Income tax payable
<b>Creditors – amounts falling due within one year</b>	2,049		7	55				62	2,111	
<b>Net current assets</b>	17,604	(72)	(7)	(55)		9		(125)	17,479	
<b>Total assets less current liabilities</b>	23,231	–	(7)	(55)	447	78	270	733	23,964	Non-current liabilities
<b>Provisions for liabilities and charges</b>	607								607	Provisions
	22,624		(7)	(55)	447	78	270	733	23,357	Net assets
<b>Capital and reserves</b>	1,569								1,569	Equity
Called up share capital	416								416	Share capital
Share premium account	(294)								–	Share premium
Own shares held	11,265								–	Treasury shares
Merger reserve	9,668		(7)	(55)	447	69	273	727	11,265	Merger reserve
Profit and loss account						9	(3)	6	10,395	Retained earnings
									6	Revaluation reserve
<b>Total equity shareholders' funds</b>	22,624		(7)	(55)	447	78	270	733	23,357	Total equity

## 6. Reconciliation of Profit for the Year ended 31 December 2006

	Pre IFRS Adjustments – Continuing £'000	Pre IFRS Adjustments – Discontinued £'000	Pre IFRS Adjustments Total £'000	IAS 1 Presentation of Financial Statements £'000	IAS 17 Leases £'000	IAS 19 Employee Benefits £'000	IAS 38 Intangible Assets £'000	IAS 39 Financial Instruments £'000	IAS 12 Income tax £'000	Total IFRS Adjustments Total £'000	Post IFRS Adjustments Total £'000	IFRS Revenue Administrative expenses Operating expenses
UK GAAP Revenue	12,360	2,310	14,670	(2,310)	33	23				(2,310)	12,360	
Administrative expenses	(10,474)	(2,302)	(12,776)	2,302	33	23				2,358	(10,418)	Operating expenses
Other operating expenses	(204)	(47)	(251)	47						47	(204)	FRS 20 share based payments
FRS 20 share based payments	(447)	–	(447)				447			447	–	Amortisation
Amortisation	(717)	–	(717)							–	(717)	Exceptional operating expense
Exceptional operating expense	(11,842)	(2,349)	(14,191)	2,349	33	23	447	–	–	2,852	(11,339)	Total administrative expenses
Total administrative expenses	454	–	454					69		69	523	Other operating income
Other operating income	972	(39)	933	39	33	23	447	69		611	1,544	Operating profit
Operating profit	–	9,237	9,237	(9,237)						(9,237)	–	Profit on sale of operations
Profit on sale of operations	972	9,198	10,170	(9,198)	33	23	447	69		(8,626)	1,544	Profit on ordinary activities before interest
Profit on ordinary activities before interest	546	24	570	(24)						(24)	546	Interest receivable
Interest receivable	(3)	–	(3)							–	(3)	Interest payable
Interest payable	1,515	9,222	10,737	(9,222)	33	23	447	69	–	(8,650)	2,087	Profit before taxation
Profit on ordinary activities before taxation	(331)	–	(331)		(10)	(6)		(21)	49	12	(319)	Taxation
Taxation	1,184	9,222	10,406	(9,222)	23	17	447	48	49	(8,638)	1,768	Profit for the year from continuing operations
Retained profit	–	–	–	9,222						9,222	9,222	Profit on disposal of discontinued operations
Profit on disposal of discontinued operations	1,184	9,222	10,406	–	23	17	447	48	49	584	10,990	Profit for the period attributable to equity holders of the parent
Profit for the period attributable to equity holders of the parent												
<b>Earnings per share</b>												
– basic	Pence									Pence		
– diluted	7.74									3.82		
	7.44									3.67		
<b>Adjusted earnings per share</b>												
– basic	Pence											
– diluted	15.28											
	14.68											

## 7. Summary of Significant Accounting Policies under IFRS

### ***Authorisation of Financial Statements***

The preliminary IFRS financial statements of iimia Investment Group plc were authorised for issue by the board of directors on 29 June 2007.

The significant accounting policies adopted in the preparation of the Group's IFRS financial information are set out below:

### ***Basis of Preparation***

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 rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

### ***Basis of Consolidation***

The consolidated financial statements comprise the financial statements of iimia Investment Group plc and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using accounting policies applicable under UK Generally Accepted Accounting Principles (UK GAAP). Where necessary appropriate adjustments are made to the subsidiary financial statements in preparing the consolidated financial statements.

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

Subsidiaries are consolidated from the date of acquisition when the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group has control.

### ***Functional Currency***

The functional and presentation currency of iimia Investment Group plc and its subsidiaries is the pound sterling (£). There are no non-UK resident subsidiaries within the Group and it does not undertake any foreign currency transactions requiring foreign currency translation.

### ***Revenue Recognition***

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

#### *Investment Services*

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

- Commissions & fees  
Commission receivable is recognised in the income statement when the services are performed. Portfolio and other management advisory and service fees are recognised in line with applicable service contracts evenly over the period the service is provided.
- Performance fees  
Performance fees are recognised on the date of entitlement in accordance with the management contract.

#### *Corporate Services*

Corporate Services revenue represents corporate finance fees. The following specific recognition criteria have been adopted:

- Completion and abort fees  
Completion fees and abort fees are recognised on the date of entitlement as defined in the agreed terms of engagement. For completion fees this will depend on the nature of the transaction, but would normally be where the position of completion has been reached and cannot be aborted.
- Retainers  
Retainers are recognised over the term of the retainer.
- Broking income  
Broking income is recognised on the date a transaction is executed.



### *Administration Services*

Administration services revenue represents fees earned for the provision of fund administration services. The Group disposed of its administration business on the 14 July 2006 but during its period of ownership the following specific recognition criteria were adopted:

- Administration fee income  
Administration fee income was recognised in accordance with service contracts evenly over the period the service was provided

### *Interest Income*

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

### *Business Combinations and Goodwill*

Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at the transition date. Whilst there have been no further acquisitions within the Group since 1 January 2006, business combinations post this date will be accounted for under IFRS 3 using the purchase method. Any future excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities will be recognised in the balance sheet as goodwill. Goodwill at the transition date and any that arises on future acquisitions is not amortised.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purposes of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or an operation within it.

### *Intangible Assets*

Intangible assets acquired separately are capitalised at cost and those identified in a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses.

Intangibles with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives as follows:

- Computer software: 3 – 4 years

Charges are included in the income statement within the administrative expenses line. Intangible assets are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

### *Property, Plant and Equipment*

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

- Leasehold improvements: Lower of life of lease or 4 years
- Plant and equipment: 3 – 5 years

All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. If there is evidence of impairment then the asset is written down to its recoverable amount. Any depreciation or impairment is charged in the Income Statement as an expense.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the Income Statement in the period of derecognition.

### *Impairment of Assets*

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

time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in the expense categories consistent with the function of the impaired asset. If an available for sale asset is impaired, an amount comprising the difference between its cost and its fair value is transferred from equity to the income statement.

### **Financial Assets**

Purchases and sales of financial assets at fair value through profit or loss and available for sale are recognised on trade date being the date the Group commits to purchase or sell the asset to the market. Financial assets are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arms length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

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

- **Financial Assets at Fair Value Through Profit or Loss**  
Financial assets classified as held for trading and other assets designated as such on inception are included in this category at fair value. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Equity derivative investments are recognised and carried at fair value with gains and losses at each reporting date recognised directly through profit or loss. When the investment is no longer recognised the gain or loss on the equity derivative investment from the fair value reported at the previous reporting date to the date of de-recognition is recognised directly through profit or loss.
- **Loans and Receivables**  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available for sale. Such assets are carried at amortised cost using an effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.
- **Trade and Other Receivables**  
Trade and other receivables are recognised and carried at the lower of their invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full.
- **Available for Sale**  
Available for sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the other categories above. Equity investments are recognised and carried at fair value with gains and losses recognised at each reporting date directly in the revaluation reserve. When the investment is no longer recognised the cumulative gain or loss on the equity investment including any gain or loss previously recognised directly in the revaluation reserve, is recognised in the Income Statement.

### **Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan which has been notified to affected parties.

### **Pension Schemes**

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

### **Income Taxes**

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

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustments in respect of prior years. Deferred tax is provided, using the balance sheet liability method.

It is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes with the following exceptions:

- Where the deferred tax liability arises from the initial recognition of goodwill.
- Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### ***Exceptional Items***

The Group presents as exceptional items on the face of the Income Statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

### ***Share Based Payments***

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

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

At each balance date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

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

For awards granted before 7 November 2002, the Group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of equity settled awards.

### ***Treasury Shares***

iimia Investment Group plc shares held by the Group are classified in shareholder's equity as "Treasury Shares" and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale issue or cancellation of equity shares.

### ***Leases***

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

## **8. Independent Auditors' Special Purpose Report to iimia Investment Group plc on the Preliminary IFRS Financial Statements for the Year Ended 31 December 2006**

We have audited the accompanying preliminary International Financial Reporting Standards ("IFRS") financial statements of iimia Investment Group plc (the "Company") for the year ended 31 December 2006 which comprise a reconciliation of equity as at 1 January 2006, the reconciliation of profit and a reconciliation of equity as at 31 December 2006, together with the related accounting policies note set out in note 7. We have not audited nor reviewed and we will not provide any opinion in respect of the reconciliation of equity and the reconciliation of profit for the six months ended 30 June 2006 which has been included in notes 9 and 10.

This report is made solely to the Company in accordance with our engagement letter dated 24 May 2007. Our audit work has been undertaken so that we might state to the Company 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 or liability to anyone other than the Company for our audit work, for this report, or for the opinions we have formed.

### ***Respective Responsibilities of Directors and Auditors***

This preliminary IFRS financial statements are the responsibility of the Company's directors and have been prepared as part of the Company's conversion to IFRS. They have been prepared in accordance with the basis set out in note 2 and note 7 which describes how IFRS have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 31 December 2007.

Our responsibility is to express an independent opinion on the preliminary IFRS financial statements based on our audit. We read the other information accompanying the preliminary IFRS financial statements and consider whether it is consistent with the preliminary IFRS financial statements. This other information comprises the description of significant changes in accounting policies set out in the section prior to note 1. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the preliminary IFRS financial statements. Our responsibilities do not extend to any other information.

### ***Basis of Audit Opinion***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the preliminary IFRS financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the preliminary IFRS financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the preliminary IFRS financial statements. We believe that our audit provides a reasonable basis for our opinion.

### ***Emphasis of Matter***

Without qualifying our opinion, we draw attention to the fact that note 1 explains why there is a possibility that the preliminary IFRS financial statements may require adjustment before constituting the final IFRS financial statements. Moreover, we draw attention to the fact that, under IFRSs only a complete set of financial statements with comparative financial information and explanatory notes can provide a fair presentation of the Company's financial position, results of operations and cash flows in accordance with IFRSs.

### ***Opinion***

In our opinion, the preliminary IFRS financial statements for the year ended 31 December 2006 have been prepared, in all material respects, in accordance with the basis set out in note 2 and note 7, which describe how IFRS have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 31 December 2007.

Ernst & Young LLP  
Registered Auditor  
Exeter

29 June 2007

9. Appendix 1 – Reconciliation of Equity at 30 June 2006 (Last Interim Statement Presented under Previous UK GAAP)

	Pre IFRS Adjustments Continuing	IAS 1 Presentation of Financial Statements	IAS 17 Leases	IAS 19 Employee Benefits	IAS 38 Intangible Assets	IAS 39 Financial Instruments	IAS 12 Income Tax	Total IFRS Adjustments	Post IFRS Adjustments	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>UK GAAP</b>										
<b>Fixed assets</b>										
Intangible assets – goodwill	4,859	(402)			266			266	5,125	Intangible assets
Tangible assets	988	(151)			(43)			(445)	543	Property and equipment
Investments	498	244				34	30	(117)	381	Financial assets
		150						274	274	Deferred tax assets
								150	150	Loans and receivables
	6,345	(159)			223	34	30	128	6,473	
<b>Current assets</b>										
Investments	588	2,163						2,163	2,163	Trade and other receivables
Debtors	3,512	146						146	146	Income tax receivable
Cash at bank	9,633	(588)						(588)	–	Financial assets
		(3,512)						(3,512)	–	
		(650)				434		(650)	8,983	Cash and cash equivalents
		588						1,022	1,022	Financial assets
		2,012						2,012	2,012	Assets included in disposal groups held for sale
	13,733	159				434		593	14,326	
<b>Creditors – amounts falling due within one year</b>										
	7,523	(7,523)						(7,523)	–	Current liabilities
		4,278		27				4,278	4,278	Short term borrowings
		2,681	32					2,740	2,740	Trade and other payables
		212						212	212	Income tax payable
		352						352	352	Liabilities included in disposal groups held for sale
	7,523	–	32	27	–	–	–	59	7,582	
<b>Net current assets</b>	6,210	159	(32)	(27)	–	434	–	534	6,744	
<b>Total assets less current liabilities</b>	12,555	–	(32)	(27)	223	468	30	662	13,217	
	12,555	–	(32)	(27)	223	468	30	662	13,217	Net assets
<b>Capital and reserves</b>										
Called up share capital	1,548								1,548	Equity
Share premium account	137								137	Share capital
Own shares held	(307)								(307)	Treasury shares
Merger reserve	11,265								11,265	Merger reserve
Profit and loss account	(88)		(32)	(27)	223	34	160	358	270	Retained earnings
			–	–	–	434	(130)	304	304	Revaluation reserve
	12,555	–	(32)	(27)	223	468	30	662	13,217	Total Equity

10. Appendix 2 – Reconciliation of Profit for the Six Months Ended 30 June 2006

	Pre IFRS Adjustments – Continuing £'000	Pre IFRS Adjustments – Discontinued £'000	Pre IFRS Adjustments Total £'000	IAS 1 Presentation of Financial Statements £'000	IAS 17 Leases £'000	IAS 19 Employee Benefits £'000	IAS 38 Intangible Assets £'000	IAS 39 Financial Instruments £'000	IAS 12 Income Tax £'000	Total IFRS Adjustments Total £'000	Post IFRS Adjustments Total £'000	IFRS
UK GAAP Revenue	6,409	2,145	8,554	(2,145)						(2,145)	6,409	Revenue
Administrative expenses	(5,221)	(2,143)	(7,364)	2,143	8	51				2,202	(5,162)	Administrative expenses
Other operating expenses	(49)	(21)	(70)	21						21	(49)	Operating expenses
FRS 20 share based payments	(223)		(223)				223			223		FRS 20 share based payments
Amortisation												Amortisation
Exceptional operating expense												Exceptional operating expense
Total administrative expenses	(5,493)	(2,164)	(7,657)	2,164	8	51	223			2,446	(5,211)	Total administrative expenses
Other operating income								34		34	34	Other operating income
Operating profit	916	(19)	897	19	8	51	223	34		335	1,232	Operating profit
Profit on sale of operations												Profit on sale of operations
Profit on ordinary activities before interest	916	(19)	897	19	8	51	223	34		335	1,232	Profit on ordinary activities before interest
Interest receivable	128	22	150	(22)						(22)	128	Interest receivable
Interest payable	(4)		(4)								(4)	Interest payable
Profit on ordinary activities before taxation	1,040	3	1,043	(3)	8	51	223	34		313	1,356	Profit before taxation
Taxation	(212)		(212)		(2)	(15)		(10)	(3)	(30)	(242)	Taxation
Retained profit	828	3	831	(3)	6	36	223	24	(3)	283	1,114	Profit for the year from continuing operations
				3						3	3	Discontinued operations
												Profit on discontinued operations
												Profit for the period attributable to equity holders of the parent
Earnings per share – basic	Pence 5.38		Pence 5.40							Pence 1.86		Pence 7.26
– diluted	5.16		5.18							1.78		6.96
Adjusted earnings per share – basic	Pence 7.15											Pence 7.46
– diluted	6.86											7.16

**SECTION 4 – UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2007  
(AND COMPARATIVE FIGURES FOR THE SIX MONTHS ENDED 30 JUNE 2006)**

*The information set out in this section 4 has been extracted without material adjustment from the unaudited financial statements of the Company, which were prepared in accordance with IFRS, for the six months ended 30 June 2007, which were approved and authorised for issue by a duly appointed and authorised committee of the Board on 10 September 2007*

**1. Consolidated Income Statement**

	<i>Unaudited Six Months to 30 June 2006 £'000</i>	<i>Unaudited Six Months to 30 June 2007 £'000</i>
<b>Revenue</b>	6,409	5,644
<b>Administrative expenses</b>		
Operating expenses	(5,162)	(5,324)
FRS 20 share based payments	(49)	(317)
Amortisation	–	(29)
Exceptional operating expense	–	407
Total administrative expenses	<u>(5,211)</u>	<u>(5,263)</u>
<b>Other operating income</b>	<u>34</u>	<u>25</u>
<b>Operating profit</b>	<u>1,232</u>	<u>406</u>
<b>Profit on ordinary activities before interest</b>	1,232	406
Interest receivable	128	435
Interest payable	(4)	–
<b>Profit before taxation</b>	<u>1,356</u>	<u>841</u>
Taxation	(242)	(241)
<b>Profit for the year from continuing operations after taxation</b>	<u>1,114</u>	<u>600</u>
<b>Discontinued operations after taxation</b>	<u>3</u>	<u>–</u>
<b>Profit for the period attributable to equity holders of the parent</b>	<u><u>1,117</u></u>	<u><u>600</u></u>
	<i>Pence</i>	<i>Pence</i>
<b>Earnings per share</b>		
– basic	7.32	3.82
– diluted	7.02	3.68
<b>Continuing earnings per share</b>		
– basic	7.30	3.82
– diluted	7.00	3.68
<b>Adjusted earnings per share</b>		
– basic	7.52	4.21
– diluted	7.21	4.05

## 2. Consolidated Balance Sheet

	<i>Unaudited</i> 30 June 2006 £'000	<i>Unaudited</i> 30 June 2007 £'000
<b>Non-current assets</b>		
Intangible assets	5,125	5,269
Property and equipment	543	433
Financial assets	381	410
Deferred tax assets	274	453
Trade and other receivables	150	–
	<u>6,473</u>	<u>6,565</u>
<b>Current assets</b>		
Trade and other receivables	2,163	2,603
Income tax receivables	146	252
Financial assets	1,022	–
Assets included in disposal groups held for sale	2,012	–
Cash and cash equivalents	8,983	17,790
	<u>14,326</u>	<u>20,645</u>
<b>Current liabilities</b>		
Short term borrowings	4,278	–
Trade and other payables	2,740	1,886
Income tax payable	212	600
Liabilities included in disposal groups held for sale	352	–
<b>Total current liabilities</b>	<u>7,582</u>	<u>2,486</u>
<b>Net current assets</b>	<u>6,744</u>	<u>18,159</u>
<b>Net assets</b>	<u>13,217</u>	<u>24,724</u>
<b>Equity</b>		
Share capital	1,548	1,607
Share premium	137	848
Treasury shares	(307)	(294)
Merger reserve	11,265	11,265
Retained earnings	270	11,298
Revaluation reserve	304	–
<b>Total equity</b>	<u>13,217</u>	<u>24,724</u>



### 3. Consolidated Statement of Cash Flows

	<i>Unaudited Six Months to 30 June 2006 £'000</i>	<i>Unaudited Six Months to 30 June 2007 £'000</i>
<b>Operating activities</b>		
Group operating profit	1,232	406
<i>Adjustments to reconcile operating profit to net cash flow from operating activities</i>		
Depreciation	235	121
Amortisation of intangible assets	–	29
Share based payments expense	70	317
Increase in trade and other receivables	(634)	(525)
Increase/(decrease) in trade and other payables	253	(673)
Profit on disposal of investments	(6)	(16)
Revaluation of investments	(34)	(6)
Interest paid	(4)	–
<b>Net cash flow from operating activities before tax</b>	1,112	(347)
<b>Income tax paid</b>	5	(7)
Net cash flow from operating activities	1,117	(354)
<b>Investing activities</b>		
Interest received	150	435
Purchase of property, plant and equipment	(115)	(94)
Purchase of intangible assets	–	(181)
Settlement of loans and receivables	–	150
Proceeds from disposal of investments	38	94
<b>Net cash flow from investing activities</b>	73	404
<b>Financing activities</b>		
Proceeds from share issue	35	470
<b>Net cash flow from financing activities</b>	35	470
<b>Increase in cash and cash equivalents</b>	1,225	520
Cash and cash equivalents at the beginning of the period	4,130	17,270
<b>Cash and cash equivalents at the period end</b>	5,355	17,790

### 4. Notes

#### 4.1 *Basis of Preparation*

These interim condensed and consolidated financial statements set out in this section 4 do not constitute statutory accounts within the meaning of section 240 of the 1985 Act. They have been prepared on the basis of the accounting policies that the Directors anticipate will be complied with in the annual financial statements and as set out in the Group's IFRS restatement announcement released on 2 July 2007, which is set out in section 3 of this Part 3. Further disclosure concerning the impact of IFRS on the financial statements of the Group can also be found in that document including the reconciliations required by IFRS 1 "First Time Adoption of International Financial Reporting Standards". The accounting policies are drawn up in accordance with IAS and IFRSs issued by the International Accounting Standards Board.

The unaudited financial statements from which the information in this section 4 has been extracted were approved and authorised for issue by a duly appointed and authorised committee of the Board on 10 September 2007.

#### 4.2 Segmental Analysis

For management purposes, the Group is organised into three business segments, being fund management, wealth management and corporate services. Transactions between the business segments are undertaken on an arm's length basis on normal commercial terms. All of the Group's activities are undertaken in the United Kingdom and hence relate to a single geographical segment.

##### Segmental Analysis for Continuing Operations

	Period Ended 30 June 2006		Period Ended 30 June 2007	
	Revenue £'000	Profit/ (Loss) £'000	Revenue £'000	Profit/ (Loss) £'000
Fund management <sup>1</sup>	2,787	1,517	1,506	291
Wealth management	2,938	684	3,017	879
Corporate services	1,021	(98)	1,425	(127)
	<u>6,746</u>	<u>2,103</u>	<u>5,948</u>	<u>1,043</u>
Intra Group sales <sup>2</sup>	(337)	–	(304)	–
Common costs	–	(747)	–	(609)
Exceptional operating expense	–	–	–	407
	<u>6,409</u>	<u>1,356</u>	<u>5,644</u>	<u>841</u>
Other operating income	34	–	25	–
	<u><u>6,443</u></u>	<u><u>1,356</u></u>	<u><u>5,669</u></u>	<u><u>841</u></u>

##### Notes:

<sup>1</sup> For the first six months of 2007 the fund management division was not able to reproduce the high levels of performance fees achieved for the same period in 2006. The opportunity for the Group to collect performance fees is weighted to the first half. The performance fees collected in January and April 2006 were achieved with a backdrop of reasonable market conditions. The market down turn in May 2006 however, rebased all of the Group's funds along with the rest of the industry. The challenge of recovering that value over the past year with rising interest rates and volatile markets has resulted in lower levels of performance fees and profits being reported within the fund management division in the first half of 2007 compared to the same period in 2006.

<sup>2</sup> Intra-Group sales represent commission earned by the wealth management division on FuM introduced to the fund management division.

#### 4.3 Exceptional Operating Expense

The Group reported in its annual report for the year ended 31 December 2006, an exceptional provision of £607,000 in respect of redundancy costs and other ancillary costs expected to be incurred in the restructuring of the continuing operations of the Group following the disposal of the Sinclair Henderson administration business on 14 July 2006. At that time, it was the expectation of the Group that the restructuring changes would have been fully implemented by 30 June 2007. However, in view of the significantly increased Group activity levels envisaged as a result of the acquisition and merger announced by the Group in 2007, the Board took the decision in June 2007 to not implement in full the originally proposed restructuring programme. This decision resulted in the balance of the restructuring provision, of £407,000, being credited back against the exceptional operating expense line within the 2007 income statement.

#### 4.4 Acquisitions

In the period post 30 June 2007 the Group announced two business combinations.

On 1 August the Group acquired 100 per cent. of the issued share capital of John K Miln, an IFA business based in Falmouth. The business was acquired for an initial cash, loan note and share consideration of £1.9 million with a deferred consideration of up to £0.3 million, dependent on the level of future conversion of its funds under advice into iimia discretionary FuM within its wealth management and fund management divisions.

On 11 September the Group announced the proposed merger with MitonOptimal Group Limited subject to the passing of Shareholder resolutions at an extraordinary general meeting. To effect the merger the iimia Group acquired the issued share capital of MitonOptimal Group Limited for a total cash and share consideration of £18.6 million.

An exercise to determine any intangible assets included within goodwill on these acquisitions is yet to be undertaken; this exercise will be completed for the full year financial statements.

#### 4.5 *Earnings per Share*

The basic and diluted earnings per share figures have been calculated based on the profit on ordinary activities after taxation. The options issued under the LTIP have been excluded from all earnings per share calculations. The conditions of their grant fall within the definition of contingently issuable shares under FRS 22 earnings per share. The reconciliation of earnings and shares is set out below:

	<i>Period Ended 30 June 2006</i>			<i>Period Ended 30 June 2007</i>		
	<i>Profit £'000</i>	<i>Shares No.</i>	<i>Earnings per Share Pence</i>	<i>Profit £'000</i>	<i>Shares No.</i>	<i>Earnings per Share Pence</i>
Basic	1,117	15,257,537	7.32	600	15,687,796	3.82
Dilutive potential Ordinary Shares	–	653,284	–	–	627,610	–
Diluted	1,117	15,910,821	7.02	600	16,315,406	3.68

#### *Continuing Operations*

Profit per share for the continuing operations is derived from the net profit attributable to equity holders of the parent from continuing operations of £600,000 (2006: £1,114,000), divided by the weighted average number of ordinary shares for basic and diluted amounts as per the table above.

#### *Earnings per Share on Adjusted Profit*

Adjusted profit represents profit after taxation from continuing operations including other operating income but is before exceptional items, share based payment charge and amortisation.

The Group presents as exceptional items on the face of the profit and loss account those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow Shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better the trends in financial performance.

To this end, an adjusted basic and diluted earnings per share is also presented on this basis. The adjusted net profit as calculated below is divided by the weighted average number of ordinary shares for both basic and diluted amounts. Adjusted profit from continuing operations which includes other operating income, but is before exceptional items, share based payment charge and amortisation attributable to equity holders of the parent is derived as follows:

	<i>30 June 2006 £'000</i>	<i>30 June 2007 £'000</i>
Net profit attributable to equity holders of the parent company – continuing operations	1,114	600
Exceptional items	–	(407)
Share based payments	49	317
Amortisation	–	29
Taxation impact on the above	(15)	122
Adjusted profit from continuing operations including other operating income but before exceptional items, share based payment charge and amortisation	1,148	661

The weighted average number of shares used in the earnings per share calculation excludes 203,722 of the Group's own shares of which 69,920 are held by Exeter Investment Group ESOP Trustee Limited, 70,062 are held by Intelli ESOP Limited and 63,740 are held by Intelli Corporate Finance Limited.

#### 4.7 *Dividends*

There were no dividends paid or proposed by the Group in the period.

#### 4.8 *Share Capital*

During the period the Company issued 382,653 Ordinary Shares at prices ranging from £0.50 to £1.55 under the Group's various share option schemes.

#### 4.9 Statement of Changes in Equity

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Treasury Shares £'000</i>	<i>Merger Reserve £'000</i>	<i>Retained Earnings £'000</i>	<i>Revaluation Reserve £'000</i>	<i>Total £'000</i>
Balance at 1 January 2007	1,569	416	(294)	11,265	10,395	6	23,357
Shares issued	38	432	–	–	–	–	470
Revaluation of investments	–	–	–	–	–	(9)	(9)
Tax impact on revaluation of investments	–	–	–	–	–	3	3
Share based payments	–	–	–	–	317	–	317
Tax impact on share based payments taken direct to equity	–	–	–	–	(14)	–	(14)
Attributable profit for the year	–	–	–	–	600	–	600
<b>Balance at 30 June 2007</b>	<b>1,607</b>	<b>848</b>	<b>(294)</b>	<b>11,265</b>	<b>11,298</b>	<b>–</b>	<b>24,724</b>

## SECTION 5 – TRADING STATEMENT BY iMO PUBLISHED ON 16 JANUARY 2008

*Set out below is the text of a trading statement made by iMO on 16 January 2008*

iimia MitonOptimal plc (“iMO” or the “Group”), the AIM traded company encompassing fund management, wealth management and corporate services, announces its trading update prior to entering the closed period for its preliminary results for the year ended 31 December 2007.

### **Overview**

All divisions of the Group performed well in the second half and the Group’s results for the year ended 31 December 2007 are expected to be in line with market expectations despite a much tougher market environment during this period.

### **Trading Update**

This has been a year of significant growth for the Group with the acquisitions of MitonOptimal and John K Miln. The Group’s funds under management and advice have nearly doubled to over £1.25 billion at 31 December 2007 (2006: £0.65 billion).

The integration of the iimia and MitonOptimal fund of funds businesses under the Miton Asset Management branding is progressing well. As at 31 December 2007 the fund range includes 9 OEICs, of which 6 are in the top quartile of their sectors over the periods since launch. CF Miton Special Situations Portfolio reached its 10th anniversary at the end of 2007 and is ranked in the top decile of its sector over the 1, 3, 5 and 10 year periods since launch.

Our Wealth Management operation continued to perform well and the acquisition of John K Miln strengthened our franchise in the south west. This business has now been successfully integrated.

Intelli Corporate Finance has continued to trade profitably, despite very tough conditions for fund raising in the closed-end fund sector.

### **Dividend**

We have completed our capital reconstruction and intend to announce a maiden dividend in respect of the year to 31 December 2007 and to pursue a progressive dividend policy thereafter.

### **Outlook**

The iMO board is confident that 2008 will see further progress for the Group, despite challenging market conditions.

### **Notice of Full Year Results**

We intend to issue our preliminary results for the year to 31 December 2007 in late March 2008.

## SECTION 6 – INFORMATION ON MITONOPTIMAL

On 23 October 2007, iimia acquired the entire issued share capital of MitonOptimal Group Limited for a consideration of £16.5 million, which was satisfied by the issue of 6,622,851 new Ordinary Shares of iimia and £1.9 million in cash. MitonOptimal Group Limited is the holding company of Miton Asset Management Limited (formerly MitonOptimal UK Limited), MitonOptimal (South Africa) (Proprietary) Limited and MitonOptimal Guernsey Limited, all of which are multi-manager fund management companies. Miton Asset Management Limited, MitonOptimal (South Africa) (Proprietary) Limited and MitonOptimal Guernsey Limited are wholly owned subsidiaries of MitonOptimal Group Limited, which is now a wholly owned subsidiary of iMO.

The MitonOptimal Group has operations in Reading, Guernsey and Cape Town (South Africa) and a presence in Hong Kong. Miton Investments Ltd, a UK-authorized multi-manager was founded in 1986 and merged in 2005 with Optimal Fund Management Ltd, a Guernsey-based company with a global client base.

For the year ended 28 February 2007, in accordance with IFRS, MitonOptimal had turnover of £3.4 million and made a profit on ordinary activities after tax of £0.8 million. As at 28 February 2007, MitonOptimal had net assets of £1.2 million. For the six months ended 31 August 2007, in accordance with IFRS, MitonOptimal had turnover of £2.2 million and made a profit on ordinary activities after tax of £0.9 million. As at 31 August 2007, MitonOptimal had net assets of £1.8 million. (The financial information in this paragraph is the aggregate of the results of Miton Asset Management Limited, MitonOptimal (South Africa) (Proprietary) Limited and MitonOptimal Guernsey Limited for the periods, and as at the dates, stated.)

Miton Asset Management Limited's registered office is at 82 Saint John Street, London EC1M 4JN. MitonOptimal (South Africa) (Proprietary) Limited's business address is 2nd Floor, Dean Street Arcade, Dean Street, Newlands, 7700 Cape Town, South Africa. MitonOptimal Guernsey Limited's registered office is at Barclays Court, Les Echelons, St Peter Port, Guernsey GY1 6AW.

## PART 4

### FINANCIAL INFORMATION ON MIDAS

#### SECTION 1 – INTRODUCTION

1. Midas' auditors in respect of its financial year ended 31 March 2005 were Ernst & Young LLP, Chartered Accountants regulated by the Institute of Chartered Accountants in England and Wales, of Silkhouse Court, Tithebarn Street, Liverpool L2 2LE.
2. Midas' auditors in respect of its two financial years ended 31 March 2007 were Baker Tilly, Chartered Accountants regulated by the Institute of Chartered Accountants in England and Wales, of Number One, Old Hall Street, Liverpool L3 9SX.
3. Save for the historical information on Midas prepared in accordance with UK GAAP for the two financial years ended 31 March 2006 set out in this document, none of the financial information on Midas in this document has been audited. Unless otherwise indicated, all unaudited financial information on Midas contained in this document has been sourced, without material adjustment, from the internal accounting records of Midas.
4. The Directors and the Proposed Directors are required to prepare the financial information on Midas for the period from 1 April 2005 to 31 March 2007 (which is set out in section 3A of this Part 4) and for each of the six months ended 30 September 2006 and 30 September 2007 (which is set out in section 4A of this Part 4) in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of Midas for that period. In preparing that financial information, the Directors and the Proposed Directors are required to:
  - (i) select suitable accounting policies and apply them consistently;
  - (ii) make judgements and estimates that are reasonable and prudent; and
  - (iii) prepare the financial information on a going concern basis unless it is inappropriate to presume that Midas will continue in business.
5. The financial information set out in section 2A of this Part 4 has been extracted from the statutory accounts (as defined in section 240(5) of the 1985 Act) of Midas. Statutory accounts of Midas for the two years ended 31 March 2006 in respect of which Midas' auditors made unqualified reports under section 235 of the 1985 Act have been delivered to the Registrar of Companies in England and Wales and such reports did not contain any statements under section 237(2) or (3) of the 1985 Act.
6. The financial information set out in section 3A of this Part 4 does not constitute statutory accounts (as defined in section 240(5) of the 1985 Act) of Midas. Statutory accounts of Midas for the three years ended 31 March 2007 in respect of which Midas' auditors made unqualified reports under section 235 of the 1985 Act have been delivered to the Registrar of Companies in England and Wales and such reports did not contain any statements under section 237(2) or (3) of the 1985 Act.

**SECTION 2A – FINANCIAL INFORMATION  
FOR THE TWO YEARS ENDED 31 MARCH 2006**

*The information set out in this section 2A has been extracted without material adjustment from the statutory accounts of Midas, which were prepared in accordance with UK GAAP, for the two financial years ended 31 March 2006*

**1. Profit and Loss Account**

*For the Year Ended 31 March*

	Notes	2005 £	2006 £
<b>Turnover</b>	5.2	1,468,046	2,231,194
Cost of sales		(30,126)	(25,995)
<b>Gross profit</b>		<u>1,437,920</u>	<u>2,205,199</u>
Administrative expenses		1,068,564	(1,041,384)
Other operating income		(120,625)	439
<b>Operating profit</b>	5.3	<u>489,981</u>	<u>1,164,254</u>
Bank interest receivable	5.6	34,609	42,804
Interest payable and similar charges	5.7	(25,875)	(1,001)
<b>Profit on ordinary activities before taxation</b>		<u>498,715</u>	<u>1,206,057</u>
Taxation	5.8	(40,600)	(331,473)
<b>Retained profit after tax for the financial year</b>	5.16	<u><u>458,115</u></u>	<u><u>874,584</u></u>

The operating profit for the year arises from continuing operations.

No separate statement of total recognised gains and losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

**2. Balance Sheet**

*As at 31 March*

	Notes	2005 £	2006 £
<b>Fixed assets</b>			
Intangible assets	5.9	–	105,282
Tangible assets	5.10	32,971	81,421
		<u>32,971</u>	<u>186,703</u>
<b>Current assets</b>			
Debtors	5.11	383,687	470,557
Cash at bank and in hand		908,081	1,543,904
		<u>1,291,768</u>	<u>2,014,461</u>
<b>Creditors – amounts falling due within one year</b>	5.12	267,120	782,972
<b>Net current assets</b>		<u>1,024,648</u>	<u>1,231,489</u>
<b>Total assets less liabilities</b>		<u>1,057,619</u>	<u>1,418,192</u>
<b>Creditors – amount falling due after more than one year</b>	5.13	–	10,977
		<u>1,057,619</u>	<u>1,407,215</u>
<b>Capital and reserves</b>			
Called up equity share capital	5.15	85,139	85,651
Share premium account	5.16	930,005	1,002,524
Profit and loss account	5.16	42,475	319,040
<b>Shareholders' funds</b>	5.16	<u><u>1,057,619</u></u>	<u><u>1,407,215</u></u>

During the year, an interim dividend of 30p per share (amounting to £255,415) was paid and a final dividend of 40p per share (amounting to £342,604) was approved by members, which leaves a profit of £276,565 to be retained.



### 3. Cash Flow Statements

For the Year Ended 31 March

	Notes	2005 £	2006 £
Net cash flow from operating activities	5.17.1	315,499	1,038,381
Returns on investments and servicing of finance	5.17.2	8,734	41,803
Taxation	5.17.2	–	(47,073)
Capital expenditure and financial investments	5.17.2	108,207	(203,713)
Equity dividends paid		–	(255,415)
		<u>432,440</u>	<u>573,983</u>
<b>Cash inflow before financing</b>			
Financing	5.17.2	(172,250)	68,671
<b>Increase in cash in the period</b>		<u><u>260,190</u></u>	<u><u>642,654</u></u>

### 4. Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	2005 £	2006 £
Increase in cash in the period		260,190	642,654
Cash outflow from decrease in debentures		227,250	–
New HP agreement		–	(22,800)
Cash outflow from increase in debt and lease financing		–	4,360
<b>Change in net funds</b>	5.17.3	<u>487,440</u>	<u>624,214</u>
<b>Net funds at 1 April 2005</b>	5.17.3	<u>413,810</u>	<u>901,250</u>
<b>Net funds at 31 March 2006</b>	5.17.3	<u><u>901,250</u></u>	<u><u>1,525,464</u></u>

### 5. Notes to the Financial Statements

#### 5.1 Accounting Policies

##### 5.1.1 Basis of Preparation

The financial statements are prepared under the historical cost convention.

##### 5.1.2 Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset, evenly over its expected useful life as follows:

Improvements to leasehold properties	– Over the remaining life of the lease
Fixtures and fittings	– Over 10 years
Office equipment	– Over 5 years
Motor vehicles	– 25% reducing balance

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### 5.1.3 Purchased Goodwill

Goodwill represents the price paid to acquire the right to act as investment managers for a specific fund. Goodwill is written off to the profit and loss account on a straight line basis over a period of two years.

##### 5.1.4 Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

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

#### 5.1.5 *Foreign Currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### 5.1.6 *Leasing and Hire Purchase Commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to Midas, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### 5.1.7 *Pension Costs*

Midas operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

### 5.2 *Turnover*

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to one continuing activity, the management of investment funds.

An analysis of turnover by geographical market is given below:

	2005 £	2006 £
United Kingdom	<u>1,468,046</u>	<u>2,231,194</u>

### 5.3 *Operating Profit*

Operating profit is stated after charging:

	2005 £	2006 £
Auditors' remuneration		
– audit services	10,000	10,000
– non audit services	2,680	5,000
Depreciation of owned fixed assets	13,718	20,140
Amortisation of goodwill	–	52,641
	<u>                    </u>	<u>                    </u>

### 5.4 *Particulars of employees*

	2005 £	2006 £
Wage and salaries	587,948	524,559
Social security costs	65,740	60,008
Staff pension contributions	15,900	31,775
	<u>669,588</u>	<u>616,342</u>

The monthly average number of staff employed during the years was as follows:

	2005 No.	2006 No.
Administrative staff	4	4
Management	6	7
	<u>10</u>	<u>11</u>

## 5.5 *Directors' Emoluments*

	2005 £	2006 £
Emoluments	181,490	201,689

During the year, emoluments for qualifying services were paid to three directors.

	2005 £	2006 £
Staff pension contributions to money purchase schemes	–	2,693
	181,490	204,382

	2005 £	2006 £
Directors' emoluments disclosed above include the following payments in respect of the highest paid director		
Emoluments	81,750	110,231
Money purchase pension contributions	–	1,531

	2005 £	2006 £
Number of directors to whom benefits are accruing under money purchase pension schemes	2	2

## 5.6 *Interest Receivable*

	2005 £	2006 £
Bank interest receivable	34,609	42,804

## 5.7 *Interest Payable*

	2005 £	2006 £
Interest on subordinated loans	24,545	–
Amortisation of redemption premium	1,330	–
Interest on hire purchase agreement	–	1,001
	25,875	1,001

## 5.8 *Taxation on Ordinary Activities*

### 5.8.1 *Analysis of Tax Charge for the Period*

	2005 £	2006 £
Current tax:		
UK corporation tax based on the results for the year at 30% (2005: 19%)	40,600	325,000
Adjustments in respect of previous periods	–	6,473
Total current tax (paragraph 5.8.2)	40,600	331,473
Deferred tax:		
Origination and reversal of timing differences	–	–
Tax on profit on ordinary activities	40,600	331,473

### 5.8.2 Factors Affecting Current Tax Charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30 per cent. (2005: 19 per cent.). The differences are explained below:

	2005	2006
	£	£
Profit on ordinary activities before taxation	498,715	1,206,057
Profit on ordinary activities multiplied by standard rate of corporation tax	94,756	361,817
Expenses not deductible for tax purposes	(38,266)	9,246
Capital allowances in excess of depreciation	1,552	953
Utilisation of brought forward tax losses	(58,479)	(38,846)
Other timing differences	434	2,539
Capital gains	40,603	–
Marginal relief	–	(10,709)
Adjustments in respect of prior periods	–	6,473
Total current tax (paragraph 5.8.1)	<u>40,600</u>	<u>331,473</u>

### 5.8.3 Deferred Tax

Deferred taxation (provision) assets not recognised in the financial statements are as follows:

	2005	2006
	£	£
Capital allowances in advance of depreciation	(3,781)	(5,453)
Tax losses available	18,131	–
Other timing differences	437	690
	<u>14,787</u>	<u>(4,763)</u>

### 5.9 Intangible Assets

	<i>Goodwill</i>
	£
Cost	
At 1 April 2005	–
Additions	157,923
At 31 March 2006	<u>157,923</u>
Amortisation	
At 1 April 2005	–
Charge for year	52,641
At 31 March 2006	<u>52,641</u>
Net book value	
At 31 March 2006	<u>105,282</u>
At 31 March 2005	<u>–</u>

### 5.10 *Tangible Fixed Assets*

	<i>Improve- ments to Leasehold Property</i> £	<i>Fixtures and Fittings</i> £	<i>Office Equipment</i> £	<i>Motor Vehicles</i> £	<i>Total</i> £
Cost					
At 1 April 2005	–	15,624	46,139	–	61,763
Additions	19,094	7,833	18,863	22,800	68,590
At 31 March 2006	<u>19,094</u>	<u>23,457</u>	<u>65,002</u>	<u>22,800</u>	<u>130,353</u>
Depreciation					
At 1 April 2006	–	2,552	26,240	–	28,792
Charged in the year	1,469	2,346	13,000	3,325	20,140
At 31 March 2006	<u>1,469</u>	<u>4,898</u>	<u>39,240</u>	<u>3,325</u>	<u>48,932</u>
Net book value					
At 31 March 2006	<u>17,625</u>	<u>18,559</u>	<u>25,762</u>	<u>19,475</u>	<u>81,421</u>
At 31 March 2005	<u>–</u>	<u>13,072</u>	<u>19,899</u>	<u>–</u>	<u>32,971</u>

Included within the net book value of £81,421 is £19,475 relating to motor vehicles held under hire purchase agreements. The depreciation charged in the year in respect of assets held under hire purchase agreements amounted to £3,325.

### 5.11 *Debtors*

	2005 £	2006 £
Trade debtors	335,739	431,260
Unpaid share capital	–	11,756
Prepayments and accrued income	47,948	27,541
	<u>383,687</u>	<u>470,557</u>

### 5.12 *Creditors: Amount Falling Due Within One Year*

	2005 £	2006 £
Bank loans and overdrafts	6,831	–
Trade creditors	101,241	17,042
Proposed dividend	–	342,604
Corporation tax	40,600	325,000
Other taxation and social security	42,735	54,792
Hire purchase	–	7,464
Accruals and deferred income	75,713	36,070
	<u>267,120</u>	<u>782,972</u>

### 5.13 *Creditors: Amount Falling Due After More Than One Year*

	2005 £	2006 £
Hire purchase – all due within 5 years	–	10,977
	<u>–</u>	<u>10,977</u>

### 5.14 *Related Party Transactions*

Directors and shareholders can invest in unit trusts managed by Midas on normal commercial bases.

### 5.15 *Share Capital*

	2005		2006	
	£		£	
Authorised				
Ordinary shares of £0.10 each			200,000	200,000
			<u>          </u>	<u>          </u>
	2005		2006	
	No.	£	No.	£
Allotted, called up and fully paid				
Ordinary shares of £0.10 each	851,385	85,139	856,510	85,651
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

On 24 March 2006, 4,300 ordinary shares of 10p each, with an aggregate nominal value £430, were issued fully paid for cash of £61,275.

On 31 March 2006, 825 ordinary shares of 10p each, with an aggregate nominal value £82.50, were issued. These shares were unpaid at the year end.

### 5.16 *Reconciliation of Shareholders' Funds and Movement on Reserves*

	Share Capital £	Share Premium Account £	Profit and Loss Account £	Total Shareholders' Funds £
Cost				
At 1 April 2005	82,389	877,755	(415,640)	544,504
Profit for the year	–	–	458,115	458,115
New equity share capital subscribed	2,750	52,250	–	55,000
At 31 March 2005	85,139	930,005	42,475	1,057,619
Profit for the year	–	–	874,584	874,584
Dividends	–	–	(598,019)	(598,019)
New equity share capital subscribed	512	72,519	–	73,031
At 31 March 2006	<u>85,651</u>	<u>1,002,524</u>	<u>319,040</u>	<u>1,407,215</u>

## 5.17 Cash Flows

### Reconciliation of operating profit to net cash inflow from operating activities

	2005 £	2006 £
Operating profit	489,981	1,164,255
Depreciation	13,718	20,140
Amortisation	–	52,641
Increase in debtors	(232,157)	(86,870)
(Decrease)/increase in creditors	43,957	(111,785)
Net cash inflow from operating activities	<u>315,499</u>	<u>1,038,381</u>

Analysis of cash flows for headings netted in the cash flow

### Returns on investment and servicing of finance

	2005 £	2006 £
Interest received	34,609	42,804
Interest element of hire purchase payments	–	(1,001)
Low interest paid	(25,875)	–
Net cash inflow from returns on investments and servicing of finance	<u>8,734</u>	<u>41,803</u>

### Taxation

	2005 £	2006 £
Corporation tax paid	–	(47,073)

### Capital expenditure and financial investment

	2005 £	2006 £
Payments to acquire tangible fixed assets	(5,964)	(45,790)
Payments to acquire intangible fixed assets	–	(157,923)
Receipts from sale of fixed assets	12,171	–
Disposal of investments	102,000	–
Net cash (outflow)/inflow for capital expenditure and financial investment	<u>108,207</u>	<u>(203,713)</u>

### Financing

	2005 £	2006 £
Receipt from issue of shares	55,000	73,031
Repayment of HP creditors	–	(4,360)
Repayment of debenture loans	(227,250)	–
Net cash inflow/(outflow) for financing	<u>(172,250)</u>	<u>68,671</u>

### Analysis of changes to net funds

	At 1 April 2005 £	Cash Flows £	Non-cash Changes £	At 31 March 2006 £
Cash in hand and at bank	908,081	635,823	–	1,543,904
Overdrafts	(6,831)	6,831	–	–
Hire purchase obligations	–	4,360	(22,800)	(18,440)
Total	<u>901,250</u>	<u>647,014</u>	<u>(22,800)</u>	<u>1,525,464</u>

## SECTION 2B – AUDITORS’ REPORT

1. *The following is the full text of the independent auditors’ report from Ernst & Young LLP regarding their audit of Midas’ financial statements for the year ended 31 March 2005 and has been extracted without adjustment from the statutory accounts (as defined in section 240(5) of the 1985 Act) of Midas for the last year ended 31 March 2005 (and the reference to “the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 17” are to the profit and loss account, statement of total recognised gains and losses, balance sheet, statement of cash flows and the related notes in those statutory accounts)*

### **Independent Auditor’s Report to the Members of Midas Capital Partners Limited**

We have audited the company’s financial statements for the year ended 31 March 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Directors and Auditors**

As described in the Statement of Directors’ Responsibilities the company’s directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors’ Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and transactions with the company is not disclosed.

We read the Directors’ Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of Audit Opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
Liverpool

28 July 2005



2. *The following is the full text of the independent auditors' report of Baker Tilly regarding their audit of Midas' financial statements for the year ended 31 March 2006 and has been extracted without adjustment from the statutory accounts (as defined in section 240(5) of the 1985 Act) of Midas for the year ended 31 March 2006 (and the reference to "pages 6 to 16" in the report is a reference to those pages in those statutory accounts)*

#### **Independent Auditor's Report to the Members of Midas Capital Partners Limited**

We have audited the financial statements on pages 6 to 16.

This report is made solely to come company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of Directors and Auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

#### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

#### **Opinion**

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly  
Registered Auditor  
Chartered Accountants  
Number One Old Street  
Liverpool  
L3 9SX

20 July 2006

**SECTION 3A – FINANCIAL INFORMATION  
FOR THE TWO YEARS ENDED 31 MARCH 2007**

*The information set out in this section 3A has been prepared in accordance with IFRS for the purpose of inclusion in this document as required by the AIM Rules for Companies (see also paragraph 4 of section 1 of this Part 4)*

**1. Income Statements**

		<i>Year Ended 31 March 2006</i>	<i>Year Ended 31 March 2007</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
<b>Revenue</b>	5.2	2,231,194	4,884,408
Operating expenses		(1,046,613)	(1,519,146)
Other operating income		439	230
<b>Profit from operations</b>	5.4	<u>1,185,020</u>	<u>3,365,492</u>
Finance income	5.6	42,804	89,380
Finance costs	5.7	(1,001)	(1,273)
<b>Profit before taxation</b>		<u>1,226,823</u>	<u>3,453,599</u>
Tax expense	5.8	(331,396)	(1,048,218)
<b>Profit for the financial year</b>		<u>895,427</u>	<u>2,405,381</u>
<b>Profit attributable to equity holders</b>		<u>895,427</u>	<u>2,405,381</u>
<b>Earnings per ordinary share</b>			
– basic	5.10	<u>£1.05</u>	<u>£2.80</u>
– diluted	5.10	<u>£1.05</u>	<u>£2.80</u>

Turnover and profit from operations are derived from continuing operations.

## 2. Balance Sheets

	<i>Notes</i>	<i>As at 31 March 2006 £</i>	<i>As at 31 March 2007 £</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	5.11	126,338	120,193
Property, plant and equipment	5.12	96,421	99,741
<b>Total non-current assets</b>		<u>222,759</u>	<u>219,934</u>
<b>Current assets</b>			
Trade and other receivables	5.14	470,557	774,654
Cash and cash equivalents	5.15	1,543,904	2,493,757
<b>Total current assets</b>		<u>2,014,461</u>	<u>3,268,411</u>
<b>Total assets</b>		<u>2,237,220</u>	<u>3,488,345</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.16	(455,282)	(766,345)
Financial liabilities	5.17	(7,464)	(12,719)
Current taxation	5.18	(314,586)	(1,022,397)
<b>Total current liabilities</b>		<u>(777,332)</u>	<u>(1,801,461)</u>
<b>Non-current liabilities</b>			
Financial liabilities	5.19	(10,977)	(3,941)
Provisions	5.21	(15,000)	(15,000)
Deferred taxation	5.23	(10,337)	(25,744)
<b>Total non-current liabilities</b>		<u>(36,314)</u>	<u>(44,685)</u>
<b>Total liabilities</b>		<u>(813,646)</u>	<u>(1,846,146)</u>
<b>Net assets</b>		<u>1,423,574</u>	<u>1,642,199</u>
<b>Equity</b>			
Share capital	5.24	85,651	86,700
Share premium account	5.25	1,002,524	1,263,724
Retained earnings	5.25	335,399	291,775
<b>Equity attributable to equity holders of the parent</b>		<u>1,423,574</u>	<u>1,642,199</u>

### 3. Cash Flow Statements

	Year Ended 31 March 2006 £	Year Ended 31 March 2007 £
<b>Cash flows from operating activities</b>		
Profit before taxation	1,226,823	3,453,599
<i>Adjustments for:</i>		
Amortisation of intangibles	31,585	37,945
Depreciation	20,140	29,089
Finance income	(42,804)	(89,380)
Finance costs	1,001	1,273
<b>Cash flows from operations before changes in working capital</b>	<u>1,236,745</u>	<u>3,432,526</u>
<i>Changes in working capital:</i>		
Increase in trade and other receivables	(75,114)	(315,853)
(Decrease)/increase in trade and other payables	(111,495)	3,417
Increase in provisions	15,000	–
<b>Cash generated from operations</b>	<u>1,065,136</u>	<u>3,120,090</u>
Income tax paid	(47,073)	(325,000)
<b>Net cash generated from operating activities</b>	<u>1,018,063</u>	<u>2,795,090</u>
<b>Cash flows from investing activities</b>		
Finance income received	42,804	89,380
Purchase of intangible assets	(157,923)	(31,800)
Purchase of property, plant and equipment	(60,789)	(32,409)
<b>Net cash (used in)/generated from investing activities</b>	<u>(175,908)</u>	<u>25,171</u>
<b>Cash flows from financing activities</b>		
Finance lease rental payments	(5,361)	(3,054)
Equity dividends paid	(255,415)	(2,141,359)
Issue of ordinary share capital	61,275	274,005
<b>Net cash used in financing activities</b>	<u>(199,501)</u>	<u>(1,870,408)</u>
<b>Net increase in cash and cash equivalents</b>	<u>642,654</u>	<u>949,853</u>
Cash and cash equivalents at start of year	<u>901,250</u>	<u>1,543,904</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>1,543,904</u></u>	<u><u>2,493,757</u></u>

### 4. Statements of Changes in Equity

	Share Capital £	Share Premium £	Retained Earnings £	Total Equity £
At 1 April 2005	85,139	930,005	37,991	1,053,135
Issue of share capital	512	72,519	–	73,031
Profit for the year	–	–	895,427	895,427
Dividends	–	–	(598,019)	(598,019)
<b>At 31 March 2006</b>	<u>85,651</u>	<u>1,002,524</u>	<u>335,399</u>	<u>1,423,574</u>
Issue of share capital	1,049	261,200	–	262,249
Profit for the year	–	–	2,405,381	2,405,381
Dividends	–	–	(2,449,005)	(2,449,005)
<b>At 31 March 2007</b>	<u><u>86,700</u></u>	<u><u>1,263,724</u></u>	<u><u>291,775</u></u>	<u><u>1,642,199</u></u>

## 5. Notes to the Financial Statements

### 5.1 Accounting Policies

#### 5.1.1 General Information

Midas is a company incorporated in England and Wales under the 1985 Act and domiciled in the UK. The registered office is 2nd Floor, Martins Building, Water Street, Liverpool L2 3SP.

The principal activity of Midas is that of investment fund management.

#### 5.1.2 Basis of Accounting

The financial information has been prepared in accordance with IFRS, as adopted by the EU, for the first time and consequently has adopted IFRS 1 "First time adoption of International Financial Reporting Standards".

The financial information has been prepared on the historical cost basis.

The accounting policies set out in this paragraph 5.1 have, unless otherwise stated, been applied consistently to both years presented in this financial information.

#### 5.1.3 Foreign Currencies

The presentational currency adopted by Midas is sterling (£). The functional currency of Midas is sterling (£). All of Midas' transactions are denominated in sterling (£).

#### 5.1.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Midas and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration receivable and represents amounts for services provided by Midas excluding sales taxes.

#### 5.1.5 Fund Management Services

Revenue represents management and advisory fees for the provision of fund and investment management services. Fees are recognised evenly over the period the service is provided.

#### 5.1.6 Finance Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### 5.1.7 Finance Costs

Net finance costs comprise interest payable and finance charges on finance leases. Interest payable is recognised in the income statement as it accrues, using the effective interest method.

#### 5.1.8 Leasing

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the fair value or, if lower, the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as finance lease obligations to the lessor.

Lease payments are apportioned between finance charges and reduction of lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

All other leases are "operating leases" and the annual rentals are charged to the income statement on a straight line basis over the lease term.

#### 5.1.9 Taxation

Taxation expense includes the amount of current income tax payable and the charge for the year in respect of deferred taxation.

The income tax payable is based on an estimation of the amount due on the taxable profit for the year. Taxable profit is different from profit before tax as reported in the income statement because it excludes items of income or expenditure which are not taxable or deductible in the year as a result of either the nature of the item or the fact that it is taxable or deductible in another period. Midas' liability for current tax is calculated by using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for on the basis of temporary differences arising from the differences between the tax base and accounting base of assets and liabilities.

Deferred tax liabilities are 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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

#### 5.1.10 *Intangible Assets*

Intangible assets purchased separately from a business are capitalised at their cost.

Midas makes an assessment of the fair value of intangible assets arising on acquisitions. An intangible asset will be recognised as long as the asset is identifiable and its fair value can be measured reliably. An intangible asset is identifiable if it is separable or if it was obtained through contractual or legal rights. Amortisation is provided on the fair value of the asset and is calculated on a straight line basis over its useful life.

#### 5.1.11 *Contractual Rights and Customer Relationships*

Midas has acquired the contractual right to act as investment managers for specific funds. These rights are acquired from the previous investment manager. The contracts do not include a "contractual term" but are open-ended. However, until the contract is cancelled by either party the contract does give Midas exclusive management of the relevant fund. Therefore, the customer relationship is considered to be an important part of the contract.

Midas' directors have assessed the useful economic life of each contractual right and related customer relationship acquired and are amortising the intangible assets over a period of five years.

#### 5.1.12 *Property, Plant and Equipment*

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and provision for impairments.

Depreciation is provided on the costs less estimated residual value and is calculated on a straight line basis over the following estimated useful lives of the assets:

Improvements to leasehold property	–	lower of the life of the lease or 4 years
Fixtures and fittings	–	3-5 years
Office equipment	–	3-5 years

Depreciation on motor vehicles is provided on a reducing balance basis at a rate of 25 per cent. per annum.

#### 5.1.13 *Impairment of Assets*

At each balance sheet date Midas reviews the carrying value of its property, plant, equipment 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.

Where the asset does not generate cash flows that are independent from other assets Midas estimates the recoverable amount of the cash generating unit to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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.

Except in the case of goodwill, an impairment loss is reversed if there is a subsequent increase in the recoverable amount that can be related objectively to an event occurring after the impairment loss was recognised.

#### 5.1.14 *Financial Instruments*

##### Classification of Financial Instruments

Financial instruments are classified as financial assets, financial liabilities or equity instruments according to the substance of the contractual arrangements entered into.

Following the adoption of IAS 32 "Financial Instruments: Presentation", financial instruments issued by Midas are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon Midas to deliver cash or other financial assets that are potentially unfavourable to Midas; and
- where the instrument will or may be settled in Midas' own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of Midas' own equity instruments or is a derivative that will be settled by Midas exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of Midas' own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance costs associated with financial instruments that are classified as equity are dividends and are recorded directly in equity. Finance costs associated with financial liabilities are dealt with as part of finance costs.

#### Recognition and Valuation of Financial Assets

- Cash and cash equivalents  
Cash and cash equivalents comprise cash in hand and cash deposits.
- Trade receivables  
Trade receivables do not carry interest and are stated at their amortised cost as reduced by allowances for impairment when there is objective evidence of impairment.

#### Recognition and Valuation of Equity Instruments

- Ordinary share capital  
Equity instruments are recorded initially at fair value. For ordinary share capital, the par value is recognised in share capital and the premium in the share premium reserve.

#### Recognition and Valuation of Financial Liabilities

- Trade payables  
Trade payables are not interest bearing and are stated at their amortised cost.

#### 5.1.15 *Retirement Benefits*

##### Defined Contribution Schemes

Midas operates a defined contribution scheme which is a pension plan under which Midas pays a fixed contribution to a scheme with an external provider. The amount charged to the income statement in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either other payables or other receivables in the balance sheet. Midas has no further payment obligations once the contributions have been paid.

#### 5.1.16 *IFRSs Adopted Early*

Midas has chosen to adopt early the amendment to IAS 1 "Presentation of Financial Statements" to disclose information regarding Midas' objectives, policies and processes for managing capital.

Midas has chosen to adopt early IFRS 7 "Financial Instruments: Disclosure". IFRS 7 is effective for accounting periods beginning on or after 1 January 2007 but earlier adoption is encouraged. IFRS 7 has replaced the disclosure requirements of IAS 32 "Financial Instruments: Presentation".

Midas has chosen to adopt early IFRS 8 "Operating Segment". IFRS 8 is effective for accounting periods beginning on or after 1 January 2009 but earlier adoption is permitted. IFRS 8 has replaced IAS 14 "Segment Reporting". The main difference of the standard is the identification of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker.

#### 5.1.17 *Adopted IFRSs Not Yet Applied*

The following adopted IFRSs have been issued but have not been adopted by Midas in this financial information as they are not yet effective.

- IFRIC 10 "Interim financial reporting and impairment" gives guidance on reversal of impairment losses and is effective for periods beginning on or after 1 November 2006. As there have been no impairment losses recognised to date, the adoption will have no impact upon the results or net assets of Midas.
- IFRIC 11 "IFRS 2 – Group and treasury share transactions" gives guidance on the accounting treatment of share based payment transactions within a group and is effective for periods beginning on or after 1 March 2007. As Midas is not a member of a group there will be no effect on the results or net assets of Midas.

- IFRIC 12 "Service concession arrangements" gives guidance on the accounting treatment relating to service arrangements over public infrastructures and is effective for periods beginning on or after 1 January 2008. As Midas does not enter into such arrangements, the adoption will have no impact upon the results or net assets of Midas.
- IFRIC 13 "Customer loyalty programmes" gives guidance on the treatment of the grant of award credits under a customer loyalty programme and is effective for periods beginning on or after 1 July 2008. As Midas does not operate such schemes, the adoption will have no impact upon the results or net assets of Midas.
- IFRIC 14 "IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction" gives guidance on accounting for a pension surplus and is effective for periods beginning on or after 1 January 2008. As Midas does not have a defined benefit pension scheme, the adoption will have no impact upon the results or net assets of Midas.
- IAS 1 "Presentation of financial statements" – Revision. This revision aims to assist users in their ability to analyse and compare the information given in the financial statements. Changes include changes to titles of some of the financial statements and changes to the components of financial statements. The revision is effective for periods commencing on or after 1 January 2009.
- IAS 23 "Borrowing costs" – Revision. This revision eliminates the option to expense borrowing costs to the income statement as incurred and is effective for periods commencing on or after 1 January 2009. As the company does not have any borrowings the adoption of this standard is not anticipated to have an impact.
- IAS 27 "Consolidated and separate financial statements" – Revision. The revision is part of the second phase of the business combinations project between the International Accounting Standards Board and the US Financial Accounting Standards Board. The main amendments relate to the accounting for minority interests and the loss of control of a subsidiary. The revision is effective for periods commencing on or after 1 July 2009. The directors do not believe the adoption of this revision will have a significant impact on the business.
- IFRS 3 "Business combinations" – Revision. The revision is part of the second phase of the business combinations project between the International Accounting Standards Board and the US Financial Accounting Standards Board. The main changes include the scope, accounting for acquisition costs and post acquisition changes to contingent consideration, accounting for goodwill and accounting for business combinations achieved in stages. There is additional guidance on recognition and measurement of fair values and on determining what is part of the business combination transaction. There are also a number of changes to disclosure requirements. The revision is effective for periods commencing on or after 1 July 2009. The directors will consider the requirements of the revision on any future business acquisitions.

## 5.2 **Revenue**

All of Midas' revenue is derived from fund management services.



### 5.3 Segmental Report

For management purposes Midas is organised into one business unit. This is the basis on which Midas reports its primary segment information.

As there is only one business segment there is no inter-segment trading.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. In the periods presented all items of income and expense and all balance sheet items have been allocated directly to the business segment.

#### *Business Segment – Fund Management Services*

The principal activities of this segment are investment and fund management and advisory services. Midas offers diversified investment management solutions for a range of clients including pension funds, charitable funds, trusts and individuals. Midas aims to service an apparent gap in the market place for a truly balanced investment product that would satisfy a wide range of investors.

Segment information is presented below:

	<i>Fund Management Services</i>
	<i>£</i>
31 March 2006	
<b>External revenue</b>	<b>2,231,194</b>
<b>Profit from operations</b>	<b>1,185,020</b>
Finance income	42,804
Finance costs	(1,001)
<b>Profit before taxation</b>	<b>1,226,823</b>
Tax expense	(331,396)
<b>Profit for the financial year</b>	<b>895,427</b>
<b>Total assets</b>	<b>2,237,220</b>
<b>Total liabilities</b>	<b>(813,646)</b>
<i>Other segment items:</i>	
Capital expenditure – intangible assets	157,923
Capital expenditure – property, plant and equipment	83,590
Depreciation expense	20,140
Amortisation expense	31,585
	<i>Fund Management Services</i>
	<i>£</i>
31 March 2007	
<b>External revenue</b>	<b>4,884,408</b>
<b>Profit from operations</b>	<b>3,365,492</b>
Finance income	89,380
Finance costs	(1,273)
<b>Profit before taxation</b>	<b>3,453,599</b>
Tax expense	(1,048,218)
<b>Profit for the financial year</b>	<b>2,405,381</b>
<b>Total assets</b>	<b>3,488,345</b>
<b>Total liabilities</b>	<b>(1,846,146)</b>
<i>Other segment items:</i>	
Capital expenditure – intangible assets	31,800
Capital expenditure – property, plant and equipment	32,409
Depreciation expense	29,089
Amortisation expense	37,945

### Major Customers

All of Midas' operations are within the United Kingdom, and denominated in sterling.

### Major Funds

The following tables set out Midas' revenue from major funds:

	<i>Revenue</i> £	<i>% of Total</i> <i>Revenue</i> %
<i>31 March 2006</i>		
Funds accounting for more than 10% of revenue		
– Fund 1	1,367,936	61
– Fund 2	218,422	10
	<u>                    </u>	<u>                    </u>

	<i>Revenue</i> £	<i>% of Total</i> <i>Revenue</i> %
<i>31 March 2007</i>		
Funds accounting for more than 10% of revenue		
– Fund 1	3,279,997	67
– Fund 2	614,799	13
	<u>                    </u>	<u>                    </u>

## 5.4 Profit from Operations

	<i>31 March</i> <i>2006</i> £	<i>31 March</i> <i>2007</i> £
Profit from operations includes the following significant expenses:		
Depreciation and amounts written off property, plant and equipment:		
Charge for year:		
Owned assets	16,815	24,220
Leased assets	3,325	4,869
Amortisation of contractual rights and customer relationships	31,585	37,945
	<u>                    </u>	<u>                    </u>

Profits from operations is a sub-total used by the directors to show the profit before interest and tax arising from Midas' principal activities. Any one-off revenues or costs will be included in the relevant heading forming a part of this sub-total and disclosed in more detail in this paragraph 5.4. There are no one-off items in the two years shown above.

Amounts payable to Baker Tilly UK Audit LLP and their associates (2006: Baker Tilly and their associates) in respect of both audit and non-audit services:

	<i>31 March</i> <i>2006</i> £	<i>31 March</i> <i>2007</i> £
Audit services		
– Statutory audit	10,000	10,300
Tax services		
– Advisory services	450	835
– Compliance services	2,250	3,350
Other services		
– Other services pursuant to legislation	3,750	4,350
	<u>                    </u>	<u>                    </u>
	<u>16,450</u>	<u>18,835</u>

## 5.5 Employees

	31 March 2006 No.	31 March 2007 No.
Average monthly number (including executive directors):		
By role:		
Administration	4	5
Management	7	9
	<u>11</u>	<u>14</u>
	31 March 2006 £	31 March 2007 £
Employment costs:		
Wages and salaries	524,559	812,948
Social security costs	60,008	95,882
Pension costs	31,775	65,317
	<u>616,342</u>	<u>974,147</u>
<i>Key Management</i>		
	31 March 2006 £	31 March 2007 £
The aggregate compensation of key management is shown below:		
Salaries and short term employee benefits	251,589	375,517
Post employment benefits	15,906	27,669
Total emoluments	<u>267,495</u>	<u>403,186</u>
<i>Directors' Remuneration</i>		
	31 March 2006 £	31 March 2007 £
Emoluments	201,689	360,069
Money purchase pension contributions	2,693	21,769
Total emoluments	<u>204,382</u>	<u>381,838</u>
Directors' emoluments disclosed above include the following payments:		
	<i>Highest Paid Director</i> 31 March 2006 £	31 March 2007 £
Emoluments	110,231	162,722
Money purchase pension contributions	1,531	11,594
Total emoluments	<u>111,762</u>	<u>174,316</u>
The number of directors to whom retirement benefits are accruing under:		
	31 March 2006 No.	31 March 2007 No.
Money purchase pension schemes was	<u>2</u>	<u>2</u>

## 5.6 *Finance Income*

	31 March 2006 £	31 March 2007 £
Bank interest	42,804	89,380

## 5.7 *Finance Costs*

	31 March 2006 £	31 March 2007 £
Interest on finance leases	1,001	1,273

## 5.8 *Taxation*

	31 March 2006 £	31 March 2007 £
Current tax:		
UK corporation tax on profits of the year	321,059	1,032,811
Deferred tax:		
Origination and reversal of timing differences	10,337	15,407
Tax on profit	331,396	1,048,218

Factors affecting tax charge for the year:

	31 March 2006 £	31 March 2007 £
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit before tax	1,226,823	3,453,599
Profit before tax multiplied by standard rate of corporation tax in the UK 30% (2006: 30%)	368,047	1,036,080
Effects of:		
Expenses not deductible for tax purposes	9,088	12,138
Tax losses utilised	(34,912)	–
Small companies relief	(10,827)	–
Total tax charge for the year	331,396	1,048,218

## 5.9 *Dividends*

	31 March 2006 £	31 March 2007 £
Equity:		
Ordinary shares		
2006 interim	255,415	–
2006 final	342,604	–
2007 interim	–	1,798,755
2007 final	–	650,250
	598,019	2,449,005

The final dividends for 2006 and 2007 were approved by the members in March 2006 and March 2007 respectively. These dividends were therefore recognised in the years to which they related.

## 5.10 *Earnings per Ordinary Share*

The calculations of earnings per ordinary share are based on the following profits and numbers of shares.

	<i>Basic and Diluted 2006</i>	<i>Basic and Diluted 2007</i>
	£	£
Profit for financial year	<u>895,427</u>	<u>2,405,381</u>
	<i>2006</i>	<i>2007</i>
	<i>Number of Shares</i>	<i>Number of Shares</i>
For basic and diluted earnings per share	<u>851,482</u>	<u>858,637</u>
	<i>31 March 2006</i>	<i>31 March 2007</i>
Midas' earnings per share are as follows:		
– basic	<u>1.05</u>	<u>2.80</u>
– diluted	<u>1.05</u>	<u>2.80</u>

## 5.11 *Intangible Assets*

	<i>Contractual Rights and Customer Relationships</i>
	£
<i>31 March 2006</i>	
Cost	
At beginning of year	–
Additions	<u>157,923</u>
At end of year	<u>157,923</u>
Amounts written off	
At beginning of year	–
Charged in the year	<u>31,585</u>
At end of year	<u>31,585</u>
Net book value	
At end of year	<u>126,338</u>
At beginning of year	<u>–</u>
	<i>Contractual Rights and Customer Relationships</i>
	£
<i>31 March 2007</i>	
Cost	
At beginning of year	157,923
Additions	<u>31,800</u>
At end of year	<u>189,723</u>
Amounts written off	
At beginning of year	31,585
Charged in the year	<u>37,945</u>
At end of year	<u>69,530</u>
Net book value	
At end of year	<u>120,193</u>
At beginning of year	<u>126,338</u>

## 5.12 Property, Plant and Equipment

	<i>Improve- ments to Leasehold Property</i>	<i>Fixtures and Fittings</i>	<i>Office Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
<i>31 March 2006</i>	£	£	£	£	£
Cost					
At beginning of year	–	15,624	46,139	–	61,763
Additions	34,094	7,833	18,863	22,800	83,590
At end of year	<u>34,094</u>	<u>23,457</u>	<u>65,002</u>	<u>22,800</u>	<u>145,353</u>
Amounts written off					
At beginning of year	–	2,552	26,240	–	28,792
Charged in the year	1,469	2,346	13,000	3,325	20,140
At end of year	<u>1,469</u>	<u>4,898</u>	<u>39,240</u>	<u>3,325</u>	<u>48,932</u>
Net book value					
At end of year	<u>32,625</u>	<u>18,559</u>	<u>25,762</u>	<u>19,475</u>	<u>96,421</u>
At beginning of year	<u>–</u>	<u>13,072</u>	<u>19,899</u>	<u>–</u>	<u>32,971</u>

The net book value of motor vehicles includes £19,475 in respect of assets held under finance leases. Depreciation for the year on these assets was £3,325.

	<i>Improve- ments to Leasehold Property</i>	<i>Fixtures and Fittings</i>	<i>Office Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
<i>31 March 2007</i>	£	£	£	£	£
Cost					
At beginning of year	34,094	23,457	65,002	22,800	145,353
Additions	–	2,341	30,068	–	32,409
At end of year	<u>34,094</u>	<u>25,798</u>	<u>95,070</u>	<u>22,800</u>	<u>177,762</u>
Amounts written off					
At beginning of year	1,469	4,898	39,240	3,325	48,932
Charged in the year	5,438	2,463	16,319	4,869	29,089
At end of year	<u>6,907</u>	<u>7,361</u>	<u>55,559</u>	<u>8,194</u>	<u>78,021</u>
Net book value					
At end of year	<u>27,187</u>	<u>18,437</u>	<u>39,511</u>	<u>14,606</u>	<u>99,741</u>
At beginning of year	<u>32,625</u>	<u>18,559</u>	<u>25,762</u>	<u>19,475</u>	<u>96,421</u>

The net book value of motor vehicles includes £14,606 in respect of assets held under finance leases. Depreciation for the year on these assets was £4,869.

### 5.13 Acquisitions

There were no acquisitions during the period.

### 5.14 Trade and Other Receivables

	31 March 2006 £	31 March 2007 £
Due within one year:		
Trade receivables	431,260	742,727
Unpaid share capital	11,756	–
Prepayments and accrued income	27,541	31,927
	<u>470,557</u>	<u>774,654</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. There is no provision for impairment in any period presented.

The age profile of the net trade receivables for Midas at the year end was as follows:

2006	<i>Debt Age – “Days Overdue”</i>				Total
	<i>Current</i>	<i>0-30 days</i>	<i>31-60 days</i>	<i>Over 60 days</i>	
Trade receivables					
Value (£)	347,154	69,651	(340)	14,795	431,260
%	81%	16%	–	3%	100%
2007					
Trade receivables					
Value (£)	603,487	127,893	–	11,347	742,727
%	81%	17%	–	2%	100%

Trade and other receivables are also denominated in sterling.

### 5.15 Cash and Cash Equivalents

	31 March 2006 £	31 March 2007 £
Cash at bank	1,543,904	2,493,757

### 5.16 Trade and Other Payables

	31 March 2006 £	31 March 2007 £
Trade payables	17,042	19,439
Other taxation and social security costs	54,792	50,341
Accruals and deferred income	40,844	46,315
Proposed dividend	342,604	650,250
	<u>455,282</u>	<u>766,345</u>

### 5.17 Current Financial Liabilities

	31 March 2006 £	31 March 2007 £
Obligations under finance leases	7,464	12,719

### 5.18 Current Taxation

The current tax payable of £314,586 (2006) and £1,022,397 (2007) represents the amount of income taxes payable in respect of current and prior year periods.

## 5.19 *Non-current Financial Liabilities*

	31 March 2006 £	31 March 2007 £
Obligations under finance leases	10,977	3,941

### *Obligations under Finance Leases*

	<i>Minimum Lease Payments</i>		<i>Present Value of Minimum Lease Payments</i>	
	31 March 2006 £	31 March 2007 £	31 March 2006 £	31 March 2007 £
Amounts payable under finance leases:				
Within one year	9,206	15,344	7,464	12,719
In the second to fifth years inclusive	13,809	4,603	10,977	3,941
	<u>23,015</u>	<u>19,947</u>	<u>18,441</u>	<u>16,660</u>
Less future finance charges	(4,574)	(3,287)		
Present value of lease obligations	<u>18,441</u>	<u>16,660</u>		

## 5.20 *Financial Instruments*

All financial instruments held by Midas, as detailed in this paragraph 5.20, are classified as “loans and receivables” (trade and other receivables, cash and cash equivalents) and “financial liabilities measured at amortised cost” (trade and other payables) under IAS 39 “Financial Instruments: Recognition and Measurement” and Finance leases under IAS 17 “Leases”.

### *Financial Risk Management*

Midas’ operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risks, liquidity and interest rates. Midas has in place risk management policies that seek to limit the adverse effects on the financial performance of Midas by using various instruments and techniques.

Risk management policies have been set by the Board and applied by Midas.

#### 5.20.1 Foreign Exchange Risk

Midas is not currently exposed to foreign exchange risk as all transactions are denominated in Sterling.

#### 5.20.2 Interest Rate Risk

Midas operates an interest rate policy designed to minimise interest costs and reduce volatility in reported earnings.

As at 31 March 2006, £1,543,904 (2007: £2,493,757) was on deposit with various banks. A 1 per cent. change in interest rates would have a £15,439 (2006) and £24,938 (2007) impact on profit before tax.

#### 5.20.3 Credit Risk

Midas’ financial assets are bank balances and cash, trade and other receivables, which represent Midas’ maximum exposure to credit risk in relation to financial assets. Midas operates credit control procedures which are designed to minimise the risk of impairments on these assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Midas’ credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on objective evidence at the balance sheet date, is evidence of a reduction in the recoverability of the cash flows. No impairment losses have been recognised in 2006 or 2007 as Midas’ trade receivable book comprises customers with high credit ratings. Midas does have a concentration of credit risk. In 2006 and 2007 two funds each accounted for over 10 per cent. of total revenues and total trade receivables.

Paragraph 5.14 of this section 3A gives more detail on trade receivables. There are no impairment losses recognised on other financial assets.

#### 5.20.4 Liquidity Risk

Midas actively maintains facilities that are designed to ensure Midas has sufficient funds for operations and planned expansions. The maturity analysis of financial liabilities is given in paragraph 5.19 of this section 3A.



### 5.20.5 Price Risk

All of Midas' revenues are linked to movements in stock exchange indices. A significant fall in markets would adversely affect Midas' results.

- Undrawn Committed Borrowing Facilities

At the 2006 year end Midas had no undrawn committed borrowing facilities (2007: £nil).

- Interest Rate Exposure

The interest rate exposure of Midas is as follows:

	<i>Fixed Rate</i> £	<i>Floating Rate</i> £	<i>Non-interest Bearing</i> £	<i>Total</i> £
<i>31 March 2006</i>				
Cash and cash equivalents	–	1,543,904	–	1,543,904
Obligations under finance leases	(18,441)	–	–	(18,441)
	<u>(18,441)</u>	<u>1,543,904</u>	<u>–</u>	<u>1,525,463</u>
<i>31 March 2007</i>				
Cash and cash equivalents	–	2,493,757	–	2,493,757
Obligations under finance leases	(16,660)	–	–	(16,660)
	<u>(16,660)</u>	<u>2,493,757</u>	<u>–</u>	<u>2,477,097</u>

- Fair Value of Financial Instruments

The comparison of book and fair values of all Midas' financial assets and liabilities at the year end is set out below:

<i>31 March 2006</i>	<i>31 March 2006</i>		<i>31 March 2007</i>	
	<i>Book Value</i> £	<i>Fair Value</i> £	<i>Book Value</i> £	<i>Fair Value</i> £
Cash and cash equivalents	1,543,904	1,543,904	2,493,757	2,493,757
Trade and other receivables	470,557	470,557	774,654	774,654
Trade and other payables	(455,282)	(455,282)	(766,345)	(766,345)
Obligations under finance leases	(18,441)	(9,607)	(16,660)	(9,765)
	<u>1,540,738</u>	<u>1,549,572</u>	<u>2,485,406</u>	<u>2,492,301</u>

Cash and cash equivalents, trade and other receivables, trade and other payables and bank overdraft approximate to book value due to their short maturities.

### 5.21 Provisions

	<i>Leasehold Restoration Provision</i> £
<i>31 March 2006</i>	
At beginning of year	–
Charge for the year	15,000
At end of year	<u>15,000</u>
<i>31 March 2007</i>	
At beginning and end of year	<u>15,000</u>

The leasehold restoration provision relates to the estimated cost of restoring the leasehold at the end of the lease to its original condition including the cost of removing leasehold improvements.

## 5.22 Retirement Benefit Obligations

Midas operates a defined contribution pension scheme whose assets are held separately from those of Midas in independently administered funds.

The pension charge represents contributions payable in respect of the scheme by Midas and amounted to £31,775 (2006) and £65,317 (2007). There were no outstanding or pre-paid contributions at the 2006 or 2007 year ends.

## 5.23 Deferred Taxation

	31 March 2006 £	31 March 2007 £
At beginning of year	–	10,337
Charge for the year recognised in income statement	10,337	15,407
At end of year	<u>10,337</u>	<u>25,744</u>

The elements of the deferred tax liability are as follow:

	Assets		Liabilities		Net	
	31 March 2006 £	31 March 2007 £	31 March 2006 £	31 March 2007 £	31 March 2006 £	31 March 2007 £
Intangible assets	–	–	(6,317)	(23,392)	(6,317)	(23,392)
Property, plant and equipment	–	750	(5,453)	(6,056)	(5,453)	(5,306)
Other temporary differences	1,433	2,954	–	–	1,433	2,954
Net tax liabilities	<u>1,433</u>	<u>3,704</u>	<u>(11,770)</u>	<u>(29,448)</u>	<u>(10,337)</u>	<u>(25,744)</u>

There are no unprovided deferred tax balances. The deferred tax assets and liabilities above are all due in more than one year.

## 5.24 Share Capital

	Authorised No.	Allotted, Called Up and Fully Paid No.
<i>Number of Equity Shares of 10p Each</i>		
At 1 April 2005	2,000,000	851,385
New issues in the year	–	5,125
At 31 March 2006	<u>2,000,000</u>	<u>856,510</u>
New issues in the year	–	10,490
At 31 March 2007	<u>2,000,000</u>	<u>867,000</u>

The following share movements occurred during 2006 and 2007:

- On 24 March 2006, 4,300 ordinary shares of 10p each, with an aggregate nominal value of £430, were issued fully paid for cash of £61,275.
- On 31 March 2006, 825 ordinary shares of 10p each, with an aggregate nominal value of £82.50 were issued. These shares were unpaid at 31 March 2006.
- On 17 January 2007, 10,490 ordinary shares of 10p each, with an aggregate nominal value of £1,049 were issued fully paid for cash of £262,250.

	Authorised No.	Allotted, Called Up and Fully Paid No.
<i>Value of Shares</i>		
At 1 April 2005	200,000	85,139
New issues in the year	–	512
At 31 March 2006	<u>200,000</u>	<u>85,651</u>
New issues in the year	–	1,049
At 31 March 2007	<u>200,000</u>	<u>86,700</u>

## 5.25 *Capital Management*

For the years ended 31 March 2006 and 31 March 2007, Midas had net funds with minimal borrowings. Capital is managed by maximising retained profits. Working capital is managed in order to generate maximum conversion of these profits into cash and cash equivalents and dividends are paid from current year profits, thereby maintaining capital. The share capital of Midas has increased as noted above.

Capital includes share capital, share premium, and retained earnings reserve. There are no externally imposed capital requirements on Midas.

The purpose of each reserve is disclosed below:

### *Share Capital*

The share capital account includes the par value for all shares issued and outstanding.

### *Share Premium Account*

The share premium account comprises the premium over nominal value on issued shares. The use of this reserve is restricted by the 1985 Act.

### *Retained Earnings*

The retained earnings reserve includes the accumulated profits and losses arising from the income statement net of distributions to shareholders.

## 5.26 *Capital Commitments*

There were no capital commitments at the end of the 2006 or 2007 financial year.

## 5.27 *Operating Leases Payable*

	<i>31 March 2006 £</i>	<i>31 March 2007 £</i>
Minimum lease payments under operating leases recognised as an expense in the year	<u>29,274</u>	<u>29,274</u>

At the balance sheet date, Midas has outstanding commitments under operating leases, which fall due as follows:

	<i>31 March 2006 £</i>	<i>31 March 2007 £</i>
Land and buildings		
Within one year	337,464	337,464
In the second to fifth year inclusive	1,349,856	1,386,912
After five years	374,520	–
Plant and machinery		
Within one year	1,152	1,056
In the second to fifth year inclusive	2,208	1,152
	<u>2,065,200</u>	<u>1,726,584</u>

Operating lease payments represent rentals payable by Midas for certain of its properties and equipment. Leases have varying terms and renewal rights. The above leasing arrangements do not contain any restrictive covenants, contingent rents or purchase options.

## 5.28 *Related Party Transactions*

Directors can invest in unit trusts managed by Midas. During 2006 the directors withdrew £253,209 (2007: invested £637,567) from/into funds managed by Midas.

## 5.29 *Accounting Estimates and Judgements*

Some asset and liability amounts reported in the financial information are based on management estimates and assumptions. There is therefore a risk of significant changes to the carrying amounts for these assets and liabilities within the next financial year. The estimates and assumptions are made on the basis of information and conditions that exist at the time of the valuation.

### *Classification of Leases*

Midas utilises assets subject to operating and finance leases. The classification of these leases is based on a number of factors such as risk and reward, length of use and the fair value of minimum lease payments. Lease classification is made at the inception of the lease.

### *Leasehold Restoration Provisions*

Midas occupies leasehold properties for which a provision is made for restoring the leasehold at the end of the lease to its original condition. At 31 March 2006 and 31 March 2007 the provision was £15,000. These provisions reflect conditions existing at the year end, and are judgemental by their nature.

### *Impairment Provisions*

No impairment provisions have been made against intangible assets or property, plant and equipment as management have not identified any indications that these assets are impaired. Identifying whether an indication of impairment exists is subjective and is based on management experience and knowledge of the assets. Impairment reviews, when performed, are judgemental by their nature.

### *Receivables Impairment Provisions*

The amounts presented in the balance sheet are estimated by Midas' management based on prior experience and their assessment of the present value of estimated future cash flows.

## SECTION 3B – ACCOUNTANTS’ REPORT

*The following is the full text of a report on the financial information on Midas set out in section 3A of this Part 4 from Baker Tilly Corporate Finance LLP, Reporting Accountants, to the Directors and Proposed Directors*



**BAKER TILLY**

Festival Way  
Festival Park  
Stoke-on-Trent ST1 5BB

The Directors and Proposed Directors  
iimia MitonOptimal plc  
23 Cathedral Yard  
Exeter  
EX1 1HB

12 February 2008

Dear Sirs

### **Financial Information on Midas Capital Partners Limited**

We report on the financial information set out in section 3A of Part 4 of the Admission Document. This financial information has been prepared for inclusion in the admission document dated 12 February 2008 (the “Admission Document”) of iimia MitonOptimal plc on the basis of the stated accounting policies.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to AIM Rules, consenting to its inclusion in the Admission Document.

### ***Responsibilities***

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in stated accounting policies and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

### ***Basis of Opinion***

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### ***Opinion***

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Midas Capital Partners Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended, in accordance with the basis of preparation as stated and in accordance with International Financial Reporting Standards, as adopted by the EU.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

***Declaration***

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

*Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST.*

**SECTION 4 – UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

*The information set out in this section 4 has been extracted without material adjustment from the unaudited financial statements of Midas for the six months ended 30 June 2007, which were prepared in accordance with IFRS and which were approved by a duly appointed and authorised committee of the board of directors of Midas on 8 February 2008 (see also paragraph 5 of section 1 of this Part 4)*

**1. Income Statements**

	<i>Six Months Ended 30 September 2006 £</i>	<i>Six Months Ended 30 September 2007 £</i>
Revenue – continuing operations	2,094,168	4,566,386
Operating expenses	(672,902)	(1,029,431)
<b>Profit from operations – continuing operations</b>	<b>1,421,266</b>	<b>3,536,955</b>
Finance income	43,874	86,645
Finance costs	(871)	(871)
<b>Profit before taxation</b>	<b>1,464,269</b>	<b>3,622,729</b>
Tax expense	(446,779)	(1,091,468)
<b>Profit for the financial period</b>	<b>1,017,490</b>	<b>2,531,261</b>
<b>Profit attributable to equity holders of the parent</b>	<b>1,017,490</b>	<b>2,531,261</b>
<b>Earnings per ordinary share</b>		
– basic	£1.19	£2.92
– diluted	£1.19	£2.92

Turnover and profit from operations are derived from continuing operations.

## 2. Balance Sheets

	<i>As at</i> <i>30 September</i> <i>2006</i> £	<i>As at</i> <i>30 September</i> <i>2007</i> £
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	139,165	101,220
Property, plant and equipment	100,136	106,422
<b>Total non-current assets</b>	<u>239,301</u>	<u>207,642</u>
<b>Current assets</b>		
Trade and other receivables	621,798	1,115,176
Cash and cash equivalents	1,318,077	3,488,513
<b>Total current assets</b>	<u>1,939,875</u>	<u>4,603,689</u>
<b>Total assets</b>	<u>2,179,176</u>	<u>4,811,331</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(213,408)	(1,027,019)
Financial liabilities	(15,579)	(9,858)
Current taxation	(747,440)	(2,105,284)
<b>Total current liabilities</b>	<u>(976,427)</u>	<u>(3,142,161)</u>
<b>Non-current liabilities</b>		
Financial liabilities	(7,245)	–
Provisions	(15,000)	(15,000)
Deferred taxation	(24,263)	(38,267)
<b>Total non-current liabilities</b>	<u>(46,508)</u>	<u>(53,267)</u>
<b>Total liabilities</b>	<u>(1,022,935)</u>	<u>(3,195,428)</u>
<b>Net assets</b>	<u>1,156,241</u>	<u>1,615,903</u>
<b>Equity</b>		
Share capital	85,651	86,700
Share premium account	1,002,524	1,263,724
Retained earnings	68,066	265,479
Equity attributable to equity holders of the parent	<u>1,156,241</u>	<u>1,615,903</u>

## 3. Statement of Changes in Equity

	<i>Share</i> <i>Capital</i> £	<i>Share</i> <i>Premium</i> £	<i>Retained</i> <i>Earnings</i> £	<i>Total</i> <i>Equity</i> £
At 31 March 2006	85,651	1,002,524	335,399	1,423,574
Profit for the period	–	–	1,017,490	1,017,490
Dividends	–	–	(1,284,823)	(1,284,823)
<b>At 30 September 2006</b>	<u>85,651</u>	<u>1,002,524</u>	<u>68,066</u>	<u>1,156,241</u>
Issue of share capital	1,049	261,200	–	262,249
Profit for the period	–	–	1,387,891	1,387,891
Dividends	–	–	(1,164,182)	(1,164,182)
<b>At 31 March 2007</b>	<u>86,700</u>	<u>1,263,724</u>	<u>291,775</u>	<u>1,642,199</u>
Profit for the period	–	–	2,531,261	2,531,261
Dividends	–	–	(2,557,557)	(2,557,557)
<b>At 30 September 2007</b>	<u>86,700</u>	<u>1,263,724</u>	<u>265,479</u>	<u>1,615,903</u>



#### 4. Cash Flow Statements

	<i>Six Months Ended 30 September 2006 £</i>	<i>Six Months Ended 30 September 2007 £</i>
<b>Cash flows from operating activities</b>		
Profit before taxation	1,464,269	3,622,729
<i>Adjustments for:</i>		
Amortisation of intangibles	18,973	18,973
Depreciation	12,818	12,109
Finance income	(43,874)	(86,645)
Finance costs	871	871
<b>Cash flows from operations before changes in working capital</b>	<u>1,453,057</u>	<u>3,568,037</u>
<i>Changes in working capital:</i>		
Increase in trade and other receivables	(162,997)	(340,522)
Increase in trade and other payables	100,731	264,616
Cash generated from operations	<u>1,390,791</u>	<u>3,492,131</u>
Income tax paid	–	–
<b>Net cash generated from operating services</b>	<u>1,390,791</u>	<u>3,492,131</u>
<b>Cash flows from investing activities</b>		
Finance income received	43,874	86,645
Purchase of intangible assets	(31,800)	–
Purchase of property, plant and equipment	(11,259)	(18,790)
<b>Net cash generated from investing activities</b>	<u>815</u>	<u>67,855</u>
<b>Cash flows from financing activities</b>		
Finance lease rental payments	(1,762)	(7,673)
Equity dividends paid	(1,627,427)	(2,557,557)
Issue of ordinary share capital	11,756	–
<b>Net cash used in financing activities</b>	<u>(1,617,433)</u>	<u>(2,565,230)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(225,827)</u>	<u>994,756</u>
Cash and cash equivalents at start of year	<u>1,543,904</u>	<u>2,493,757</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>1,318,077</u></u>	<u><u>3,488,513</u></u>

#### 5. Notes

##### 5.1 *Basis of Preparation*

This interim financial information in this section 4 has been prepared in accordance with the accounting policies set out in paragraph 5.1 of section 3A of this Part 4 for the years ended 31 March 2006 and 31 March 2007. Midas has not adopted the reporting requirements of IAS 34 "Interim Financial Reporting".

The interim statements are prepared on the basis of all IAS and IFRS published by the International Accounting Standards Board that are currently in issue.

The information relating to the six months ended 30 September 2006 and 30 September 2007 is unaudited and does not constitute statutory accounts.

## 5.2 Employees and Staff Costs

	30 September 2006 No.	30 September 2007 No.
Average monthly number (including Executive Directors) – continuing operations:		
<i>By role:</i>		
Administration	4	5
Management	8	10
	<u>12</u>	<u>15</u>
	<u><u>12</u></u>	<u><u>15</u></u>
	30 September 2006 £	30 September 2007 £
Employment costs – continuing operations:		
Wages and salaries	367,758	603,763
Social security costs	43,510	53,607
Pension costs	31,200	38,787
	<u>442,468</u>	<u>696,157</u>
	<u><u>442,468</u></u>	<u><u>696,157</u></u>
<b>Key management</b>		
	30 September 2006 £	30 September 2007 £
The aggregate compensation of Key Management is shown below:		
Salaries and short term employee benefits	118,556	136,592
Post employment benefits	13,213	15,700
	<u>131,769</u>	<u>152,292</u>
Total emoluments	<u><u>131,769</u></u>	<u><u>152,292</u></u>
<b>Directors remuneration</b>		
	30 September 2006 £	30 September 2007 £
Emoluments	116,656	134,044
Money purchase pension contributions	10,388	12,375
	<u>127,044</u>	<u>146,419</u>
Total emoluments	<u><u>127,044</u></u>	<u><u>146,419</u></u>
Directors' emoluments disclosed above include the following payments:		
	<i>Highest Paid Director</i> 30 September 2006 £	30 September 2007 £
Emoluments	54,231	59,597
Money purchase pension contributions	5,563	6,500
	<u>59,794</u>	<u>66,097</u>
Total emoluments	<u><u>59,794</u></u>	<u><u>66,097</u></u>
	30 September 2006 No.	30 September 2007 No.
The number of directors to whom retirement benefits are accruing under: Money purchase pension schemes was	<u>2</u>	<u>2</u>
	<u><u>2</u></u>	<u><u>2</u></u>

### 5.3 *Earnings per Share*

The calculations of earnings per share are based on the following profits and number of shares:

	<i>Basic and Diluted 2006 £</i>	<i>Basic and Diluted 2007 £</i>
Profit for financial year	1,017,490	2,531,261
	<i>2006 No. of Shares</i>	<i>2007 No. of Shares</i>
Weighted average number of shares For basic and diluted earnings per share	856,510	867,000
	<i>30 September 2006 £</i>	<i>30 September 2007 £</i>
Earnings per share are as follows:		
– Basic	1.19	2.92
– Diluted	1.19	2.92

### 5.4 *Dividends*

	<i>30 September 2006 £</i>	<i>30 September 2007 £</i>
Equity:		
Ordinary shares 2006 interim	1,284,823	–
2007 interim	–	2,557,557
	1,284,823	2,557,557

## PART 5

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

Set out below is an unaudited pro forma statement of net assets of the Enlarged Group, which has been prepared by the Directors and Proposed Directors, on the basis of the notes set out below, to show the effects of the Acquisition and the Placing as at 30 June 2007 as if they had occurred on that date. It is the sole responsibility of the Directors and Proposed Directors to prepare the pro forma statement. The pro forma statement has been prepared by the Directors and Proposed Directors for illustrative purposes only and, because of its nature, may not be a true picture of the financial position of the Enlarged Group following the Acquisition and the Placing.

	iMO <sup>1</sup> at 30 June 2007 £'000	Milton Asset Management Limited <sup>2</sup> at 28 February 2007 £'000	MiltonOptimal Guernsey Limited <sup>3</sup> at 28 February 2007 £'000	MiltonOptimal (South Africa) (Proprietary) Limited <sup>4</sup> at 28 February 2007 £'000	Acquisition Accounting Adjustment MiltonOptimal Group <sup>5</sup> £'000	iMO Total £'000	at 30 September 2007 £'000	Midast <sup>6</sup> 2007 £'000	Acquisition Accounting Adjustment Midast <sup>7</sup> £'000	Total £'000
<b>Non-current assets</b>										
Intangible assets	5,269	–	–	–	16,298	21,567	147	102,827	124,541	
Property and equipment	433	69	–	13	–	515	107	–	622	
Financial assets	410	–	–	–	–	410	–	–	410	
Deferred tax assets	453	–	–	4	–	457	–	–	457	
	6,565	69	–	17	16,298	22,949	254	102,827	126,030	
<b>Current assets</b>										
Trade and other receivables	2,603	403	576	6	(201) <sup>a</sup>	3,387	1,115	–	4,502	
Income tax receivables	252	–	–	–	–	252	–	–	252	
Financial assets	–	11	–	–	7 <sup>b</sup>	18	–	–	18	
Cash and cash equivalents	17,790	556	374	3	(1,652)	17,071	4,563	(10,234) <sup>a</sup>	11,400	
<b>Total assets</b>	<b>27,210</b>	<b>1,039</b>	<b>950</b>	<b>26</b>	<b>14,452</b>	<b>43,677</b>	<b>5,932</b>	<b>92,593</b>	<b>142,202</b>	
<b>Current liabilities</b>										
Financial liabilities	–	–	–	–	–	–	1,085	–	1,085	
Trade and other payables	1,886	397	308	20	260	2,871	1,027	2,836	6,734	
Income tax payable	600	113	–	1	–	714	1,752	–	2,466	
	2,486	510	308	21	260	3,585	3,864	2,836	10,285	
<b>Non-current liabilities</b>										
Financial liabilities	–	–	–	–	301	301	–	40,000	40,301	
Provisions	–	–	–	–	–	–	15	–	15	
Deferred tax liabilities	–	–	–	–	–	–	52	–	52	
<b>Total liabilities</b>	<b>2,486</b>	<b>510</b>	<b>308</b>	<b>21</b>	<b>561</b>	<b>3,886</b>	<b>3,931</b>	<b>42,836</b>	<b>50,653</b>	
<b>Net assets</b>	<b>24,724</b>	<b>529</b>	<b>642</b>	<b>5</b>	<b>13,891</b>	<b>39,791</b>	<b>2,001</b>	<b>49,757</b>	<b>91,549</b>	

**Notes:**

- <sup>1</sup> The financial information in respect of iMO has been extracted without adjustment from its unaudited half yearly report for the period ended 30 June 2007. No account has been taken of trading or changes in financial position after 30 June 2007.
- <sup>2</sup> The financial information in respect of Miton Asset Management Limited has been extracted without adjustment from its audited accounts for the year ended 28 February 2007. No account has been taken of trading or changes in financial position after 28 February 2007.
- <sup>3</sup> The financial information in respect of MitonOptimal Guernsey Limited has been extracted without adjustment from its audited accounts for the year ended 28 February 2007. No account has been taken of trading or changes in financial position after 28 February 2007.
- <sup>4</sup> The financial information in respect of MitonOptimal (South Africa) (Proprietary) Limited has been extracted from its audited accounts for the year ended 28 February 2007. The only adjustment made has been the translation of the balances at the year end exchange rate from rand to sterling, being the iMO Group's functional currency. No account has been taken of trading or changes in financial position after 28 February 2007.
- <sup>5</sup> Adjustments have been made to reflect the acquisition of the MitonOptimal Group on 22 October 2007 as follows:

	£'000
Consideration discharged by fair value of:	
Cash	1,652
Shares	14,570
Loan note	301
Costs associated with acquisition	260
	<hr/>
	16,783
Fair value of net assets at acquisition	(485)
	<hr/>
Goodwill/other intangibles	16,298
	<hr/> <hr/>

The analysis of the £16,298,000 between goodwill and other intangibles has yet to be concluded and therefore no deferred tax liability can currently be calculated.

- <sup>5a</sup> Adjustment in respect of an inter-company loan with MitonOptimal Group Limited, the Guernsey based holding company.
- <sup>5b</sup> Adjustment in respect of the conversion of the MitonOptimal Group from UK GAAP to IFRS.
- <sup>6</sup> The financial information in respect of Midas has been extracted without adjustment from its unaudited interim results for the period ended 30 September 2007. No account has been taken of trading or changes in financial position after 30 September 2007.
- <sup>7</sup> Adjustments have been made to reflect the acquisition of Midas as follows:

	£'000
Consideration discharged by fair value of:	
Cash – bank loan	40,000
Cash – own resources	8,500
Cash – from Placing	10,500
Shares	41,258
Costs associated with acquisition	2,836
	<hr/>
	103,094
Fair value of net assets at acquisition	(267)
	<hr/>
Goodwill/other intangibles	102,827
	<hr/> <hr/>

The analysis of the £102,827,000 between goodwill and other intangibles has yet to be concluded and therefore no deferred tax liability can currently be calculated.

- <sup>7a</sup> Adjustment in respect of a £1,734,000 dividend paid in December 2007 by Midas (as stated in note 6 above, no account has been taken of trading or changes in financial position after 30 September 2007) in addition to the cash consideration payable out of iMO's own resources in connection with the Acquisition.

## PART 6

### ADDITIONAL INFORMATION

#### 1. The iMO Group

- 1.1 The Company was incorporated in England and Wales as a public company limited by shares under the 1985 Act with registered number 5160210 on 22 June 2004 and with the name "iimia Investment Group plc". The Company changed its name to "iimia MitonOptimal plc" on 30 October 2007.
- 1.2 The Company, which is domiciled in the United Kingdom, operates under the Companies Acts and regulations made thereunder.
- 1.3 The Company is a member of a group of companies of which it is the holding company. As at the date of this document, it had the following significant subsidiaries (all of which were held indirectly through intermediate holding companies):

<i>Subsidiary (Registered No.)</i>	<i>Principal Activity</i>	<i>Country of Incorporation</i>	<i>% of Ownership Interest</i>
Exeter Asset Management Limited (2048239)	Fund management services	England and Wales	100%
iimia Financial Planning Limited (3876529)	Independent financial advisory services	England and Wales	100%
iimia plc (4274915)	Fund management and private client investment management services	England and Wales	100%
Intelli Corporate Finance Limited (173632)	Corporate finance services	Scotland	100%
John K. Miln & Co. Ltd (3350120)	Independent financial advisory services	England and Wales	100%
MitonOptimal (Guernsey) Limited	Fund management services	Guernsey	100%
MitonOptimal (South Africa) (Proprietary) Limited	Fund management services	South Africa	100%
Miton Asset Management Limited (1949322)	Fund management services	England and Wales	100%

- 1.4 Following Completion, Midas will become a wholly owned subsidiary of the Company. Midas is incorporated in England and Wales with registered number 4325961.

#### 2. Share Capital

- 2.1 On incorporation, the authorised share capital of the Company was £25,000,000 divided into 250,000,000 Ordinary Shares, two of which were issued credited as fully paid to the subscribers to the Company's memorandum of association.
- 2.2 Since the Company's incorporation, the following changes have occurred in its issued share capital:

	<i>No. of Ordinary Shares</i>
<i>Period from 22 June 2004 to 31 December 2004</i>	
Allotted to former holders of iimia (Holdings) Limited	4,855,651
Allotted to former holders of Exeter Investment Group plc	6,329,899
Allotted pursuant to compulsory acquisition of minority holders of shares in Exeter Investment Group plc pursuant to section 429 of 1985 Act	75,159
Exercise of options – directors	332,657
Exercise of options – staff	7,912
Allotment to Intelli in lieu of professional fees amounting to £100,000	63,740
	<u>11,665,018</u>
<i>Period from 1 January 2005 to 31 December 2005</i>	
Allotted to former holders of Intelli Partners Group Limited	3,750,000
Exercise of options – staff	22,895
	<u>3,772,895</u>

	<i>No. of Ordinary Shares</i>
<i>Period from 1 January 2006 to 31 December 2006</i>	
Exercise of options – staff	254,898
<i>Period from 1 January 2007 to 8 February 2008</i>	
Allotted to former holders of MitonOptimal Group Limited	6,622,851
Allotted to former holders of John K Miln	87,400
Exercise of options – staff	420,977
	<u>7,131,228</u>

- 2.3 The authorised and issued fully paid share capital of iMO as at the date of this document, and as it will be on Admission, is as follows:

	<i>As at the Date of this Document</i>		<i>On Admission</i>	
	<i>Ordinary Shares</i>		<i>Ordinary Shares</i>	
	<i>No.</i>	<i>Nominal Value</i>	<i>No.</i>	<i>Nominal Value</i>
Authorised	250,000,000	£25,000,000	250,000,000	£25,000,000
Issued	22,824,041	£2,282,404	57,324,170	£5,732,417

- 2.4 The provisions of section 89(1) of the 1985 Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the 1985 Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described under the heading "General Meeting" in Part 1 of this document.

The New Shares to be issued pursuant to the Placing will be issued pursuant to a resolution of the Board proposed to be passed shortly before Admission.

- 2.5 As at the date of this document:

- (i) the Company had no shares that did not represent capital;
- (ii) save for the 175,520 Ordinary Shares held by iMO Group companies which operate trusts to facilitate the operation of various share option and long-term incentive plans and the 63,740 Ordinary Shares held by Intelli, no shares in the Company were held by or on behalf of the Company or any of its subsidiaries;
- (iii) no convertible securities, exchangeable securities or securities with warrants had been issued by the Company;
- (iv) save as disclosed in paragraph 3.8 of this Part 6 or in connection with the Acquisition and the Placing, there were no acquisition rights and/or obligations over any of the Company's authorised but unissued capital and no undertakings to increase the Company's capital; and
- (v) save as disclosed in paragraph 3.8 of this Part 6, no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option.

- 2.6 The Acquisition and the Placing will result in the issue of 34,500,129 Ordinary Shares on the date on which Admission occurs. On Admission, Shareholders who do not participate in the Placing will suffer an immediate dilution of 60.2 per cent. of their interests in the Company.

### 3. Share Incentive Schemes

#### 3.1 Introduction

The Company currently operates the following share incentive schemes:

- (i) iimia Investment Group plc Company Share Option Scheme (the "Approved Share Option Scheme" and the "Unapproved Share Option Scheme" respectively);
- (ii) iimia Investment Group plc enterprise management incentive option deeds (the "EMI Scheme");
- (iii) iimia Investment Group plc SAYE Scheme (the "SAYE Scheme");
- (iv) The iimia Investment Group plc 2006 Long Term Incentive Plan (the "LTIP"); and
- (v) iimia Investment Group plc Share Incentive Plan (the "SIP").

### 3.2 **Approved Share Option Scheme**

#### 3.2.1 *Exercise of Options*

Options may normally only be exercised wholly or partially after the third anniversary of the date of grant and at any time before the tenth anniversary. Exercise of the option is permitted before the expiry of any minimum time period following cessation of employment with the iMO Group in specified circumstances including death, injury, disability, retirement or redundancy. There are time limits within which early exercise of the options in the circumstances must be made, failing which the options lapse. Other than in these circumstances an option will lapse if the optionholder ceases to be employed by any member of the iMO Group unless the committee in its discretion decides otherwise.

#### 3.2.2 *Performance Conditions*

The exercise of the options may be subject to satisfaction of objective performance conditions by the Company or the optionholder set when the option is granted. If events happen which subsequently cause the Board to reasonably consider that a different condition would be a fairer measure of performance and would be no more difficult to satisfy than the original condition, the Board may waive or amend the condition.

#### 3.2.3 *Share Rights*

Shares allotted and issued following exercise of an option will rank *pari passu* in all respects with the Ordinary Shares in issue, save as regards rights existing by reference to a record date prior to the date of issue. The Company will apply for any Ordinary Shares issued pursuant to the exercise of options to be admitted to trading on AIM. The Company must keep available sufficient authorised unissued share capital to satisfy outstanding options.

#### 3.2.4 *Variation of Capital*

In the event of any variation of share capital, the Board may make such adjustments as it considers appropriate to the number of shares under option and the price payable on exercise of options. Any adjustment must be confirmed by the Company's auditors to be fair and reasonable and approved in advance by HMRC.

#### 3.2.5 *Alterations*

The Board may alter or add to the rules of the Approved Share Option Scheme, subject to the approval of HMRC in respect of any key alterations. The approval of Shareholders will also be required for any alteration to the advantage or potential advantage of optionholders. The approval of Shareholders will not however be needed for any minor alteration to benefit the administration of the Approved Share Option Scheme, or to obtain or maintain a favourable tax, exchange control or regulatory treatment for optionholders, the Company or the iMO Group.

#### 3.2.6 *Taxation*

On the exercise of the whole or part of an option any liability to pay income tax or national insurance contributions (including employer's contributions) is to be borne by the optionholder.

### 3.3 **Unapproved Share Option Scheme**

The terms of the Unapproved Share Option Scheme are identical to those of the Approved Share Option Scheme summarised in paragraph 3.2 of this Part 6, save that:

- (i) HMRC approval is not required for the Unapproved Share Option Scheme or any amendments;
- (ii) there is no requirement for optionholders to work a minimum of 25 hours a week; and
- (iii) the limit on the value of options of £30,000 which applies to the Approved Share Option Scheme does not apply.

### 3.4 **EMI Scheme**

#### 3.4.1 *Administration*

The EMI options are administered by the directors of the Company.

#### 3.4.2 *Exercise*

The EMI options are exercisable in respect of a third of the shares subject to each option on each of the first three anniversaries of the date of grant of the option.

On the termination of employment of an optionholder for any reason other than misconduct, but including death, the EMI options shall lapse 14 days after the date of termination of the employment, unless the Company permits such option to be exercised during such longer period as determined in its absolute discretion. On termination of the employment of an optionholder by reason of misconduct, the EMI options lapse.

The EMI options shall lapse six months following a change of control of the Company to the extent not exercised.



The EMI options shall lapse on the tenth anniversary of the date of grant.

#### 3.4.3 *Rights of Shares*

Ordinary Shares issued or transferred to optionholders on the exercise of the EMI options will rank equally with the Ordinary Shares then in issue.

#### 3.4.4 *Adjustment of EMI Options*

In the event of any variation of the share capital of the Company by way of capitalisation, consolidation or sub-division or reduction of capital the directors of the Company may make an appropriate change to the number of shares over which the EMI options have been granted and their option price.

#### 3.4.5 *Taxation*

The EMI options include indemnities to the Company from the optionholder in respect of any income tax and employee's and employer's class 1 national insurance contributions.

#### 3.4.6 *Transferability*

The EMI options are non-transferable.

### 3.5 **SAYE Scheme**

#### 3.5.1 *Administration*

The SAYE scheme is administered by the Board and is approved by HMRC under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003.

#### 3.5.2 *Eligibility*

All employees and full time directors of the iMO Group who have completed a qualifying period of service are eligible to participate.

#### 3.5.3 *Structure*

The Board may invite all employees to apply for the grant of options under the SAYE Scheme at any time within six weeks following the Company's announcement of its results for any period. The Board may also invite employees to apply for the grant of options when there are exceptional circumstances which the Board considers justifies such grants.

Options may not normally be granted later than 30 days (or 42 days where there is an over-subscription) after the date invitations to participate in the SAYE Scheme are made. Options may only be granted to employees who enter into HMRC-approved savings contracts under which monthly savings are made over a period of three or five years of not more than £250 per month (or such greater amount as may from time to time be permitted by the relevant statutory provisions). The number of Ordinary Shares over which an option may be granted will not exceed that number of Ordinary Shares which have an aggregate exercise price equal to the proceeds on maturity of the related savings contract.

The price per Ordinary Share payable upon the exercise of options will not be less than the higher of 80 per cent. (or such lesser percentage as may from time to time be permitted by the relevant statutory provisions) of the market value of a share on the date on which invitations to apply for options are issued and, if the option is to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

Options are not pensionable and no options may be granted under the SAYE Scheme more than 10 years after the approval of the SAYE Scheme by Shareholders. No payment will be required for the grant of an option. Options are not transferable, except on death.

#### 3.5.4 *Exercise*

Options will normally be exercisable for six months after the end of the savings contract.

Early exercise is permitted following death or cessation of employment by reason of injury, disability, redundancy, retirement or where the optionholder's employer ceases to be in the iMO Group. Options may also be exercised where the participant reaches the age of 65. The number of shares to be acquired on exercise will in any event be limited by reference to the proceeds accrued under the related savings contract up to the date of exercise.

Options may also be exercised in the event of a takeover, scheme of arrangement or winding up of the Company. The number of shares to be acquired on exercise will in any event be limited by reference to the proceeds accrued under the related savings contract up to the date of exercise.

#### 3.5.5 *Rights*

Shares allotted and issued following exercise of an option will rank *pari passu* in all respects with the Ordinary Shares in issue, save as regards rights existing by reference to a record date prior to the date of issue. The Company will apply for any Ordinary Shares issued pursuant to the exercise of options to be admitted to trading on AIM.

### 3.5.6 *Adjustment*

In the event of any variation in the share capital the Board may, subject to HMRC approval, make such adjustment as it considers appropriate to the number of shares under option or the exercise price provided that the auditors of the Company confirm such adjustment to be, in their opinion, fair and reasonable.

### 3.5.7 *Alteration*

The Board may at any time amend the provisions of the SAYE Scheme in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing the exercise price of the options, the limits on individual participation, the overall limit on the issue of shares, the basis for determining the participant's entitlement to, and the terms of, shares under the SAYE Scheme and the adjustment of options.

Shareholder approval is not required for any minor alteration made to benefit the administration of the SAYE Scheme, to take account of any changes to legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for optionholders or any participating company.

No amendment to a key feature of the SAYE Scheme (which is necessary to meet the requirements of Schedule 3 to the Income Tax (Employment and Pensions) Act 2003) can be made without prior approval from HMRC.

## 3.6 *LTIP*

### 3.6.1 *Administration*

The administration and operation of the LTIP is facilitated by Lloyds TSB Offshore Trust Company Limited (the "**Trustee**"), an independent professional trustee based in Jersey. When exercising its discretion, the Trustee will always have regard to the recommendations of the remuneration committee of the Board (the "**Remuneration Committee**").

### 3.6.2 *Eligibility*

All executive directors and senior executives of the iMO Group who are nominated by the Remuneration Committee are entitled to be considered for the grant of awards under the LTIP.

After due consideration, the Remuneration Committee recommends to the Trustee the names of those executive directors and other senior executives who are to be considered for participation in the LTIP. The Remuneration Committee also recommends the maximum number of Ordinary Shares over which an award under the LTIP may be made to any particular executive and the performance target or any other conditions to which vesting of an award is subject.

After taking into account the recommendations of the Remuneration Committee, the Trustee will make awards under the LTIP. The awards are over a specified number of Ordinary Shares.

### 3.6.3 *Grant of Options*

Awards can normally only be made by the Trustee in the six week period following the announcement of the Company's interim or final results. In exceptional circumstances, such as in order to facilitate the recruitment of a senior executive or changes to the tax legislation awards may be made outside these periods. If the Company considers itself to be in a close period during the six week period following the release of its interim or final results, awards may be made within the six week period after such restrictions.

### 3.6.4 *Awards*

An award made by the Trustee to an eligible optionholder may take one of two different forms. In each case, the rules of the LTIP ensure that the optionholder does not acquire absolute ownership of the relevant Ordinary Shares until following the end of the measurement period, normally a three year period commencing on the date of grant (the "**Measurement Period**"), and then only to the extent that the performance target or targets which have been selected by the Remuneration Committee have been satisfied.

The award may take one of the following forms:

- (i) the grant of an LTIP option: the LTIP option is exercisable following the end of the Measurement Period. The number of Ordinary Shares which may be acquired by an optionholder on the exercise of his LTIP option is determined by the performance of the Company and/or business division within the iMO Group over the Measurement Period; or
- (ii) the acquisition of Ordinary Shares by an optionholder at the date of the award where such Ordinary Shares are received under a conditional share award. An optionholder owns the Ordinary Shares received under a conditional share award subject to conditions of forfeiture. In a manner similar to the LTIP option arrangement, the optionholder only acquires unconditional ownership of any Ordinary Shares following the end of the Measurement Period to the extent that the performance targets have been satisfied.

If an optionholder is awarded an award under the LTIP that takes the form of a conditional share award, then the optionholder, as owner of the Ordinary Shares, is entitled to receive any dividends paid on the Ordinary Shares during the Measurement Period and will be able to exercise the votes on the Ordinary Shares during this period. To the extent that any Ordinary Shares do not vest, then arrangements exist to ensure that the optionholder repays an amount equal to any dividends received on the unvested Ordinary Shares.

#### 3.6.5 *Performance Targets and Vesting of Awards*

The LTIP rules permit the Remuneration Committee to impose performance conditions at the time of grant which must be satisfied before an option is exercised (the “**Performance Conditions**”).

#### 3.6.6 *Cessation of Employment*

In respect of any award made under the LTIP, an optionholder who ceases to be an employee for a “good reason” before the third anniversary of the date of making the award will remain entitled to his award. The extent to which he is entitled to unconditional ownership of some of the Ordinary Shares over which the award was made will not be determined until after the end of the Measurement Period and will be dependent upon the extent to which the Performance Conditions are satisfied. Once the number of Ordinary Shares over which the optionholder’s award has vested is known, the number of vested Ordinary Shares is reduced to take account of the period of time during the Measurement Period that the optionholder was an employee.

Cessation of employment for a “good reason” includes the death of the optionholder or the optionholder ceasing to be an employee because of his ill health or disability or redundancy or his retirement or the sale of the company or business in which he works or if he is dismissed without cause.

In respect of any optionholder who ceases to be an employee for any other reason before the end of a Measurement Period for a particular award, his award normally lapses sixty days after his cessation of employment. The LTIP does contain provisions which enable the benefit of an award to be received by an optionholder who has ceased to be an employee if the Remuneration Committee considers the circumstances to be exceptional. When considering such circumstances the Remuneration Committee will have regard to such matters as the underlying financial performance of the Company and the length of time for which the Optionholder was an employee.

#### 3.6.7 *Change of Control*

On the occurrence of a change of control of the Company the Remuneration Committee will consider the extent to which the Performance Conditions have been achieved. To the extent that the Remuneration Committee is satisfied that the Performance Conditions have been satisfied, the awards will vest.

When the Remuneration Committee considers it appropriate, the number of Ordinary Shares over which it is considered an award has vested may be reduced to take account of the early vesting of an award because the change of control occurs before the end of the relevant Measurement Period.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, if possible, the awards may be exchanged or varied so as to operate over shares in the acquiring company.

#### 3.6.8 *Vesting of Award*

Following the end of the Measurement Period, if an award has taken the form of an LTIP option, the optionholder will only have to pay a nominal amount of consideration to the Trustee in order to exercise his LTIP option.

If the award has taken the form of a conditional share award then the Trustee will notify the optionholder of the extent to which the forfeiture conditions have been satisfied and following such notification the optionholder will become the unconditional owner of the vested number of Ordinary Shares.

#### 3.6.9 *Dilution Limits*

The Ordinary Shares that have been made available for the purposes of the LTIP will be taken into account when determining the overall limits on the number of Ordinary Shares that can be issued by the Company in order to satisfy the exercise of all share options granted and awards made by the Company. The Remuneration Committee considers that this maximum number of Ordinary Shares is necessary in order to provide the Company with an effective long term incentive arrangement.

The number of Ordinary Shares that may be issued to satisfy options granted and awards made under all of the share option plans operated by the Company, including any awards made under the LTIP, is limited to 22.5 per cent. of the number of Ordinary Shares in issue from time to time in any 10 year period.

To the extent that any share based awards made to employees of the Sinclair Henderson companies lapse, the maximum number of Ordinary Shares over which share based awards can be made shall be reduced from 22.5 per cent. by the number of Ordinary Shares over which such awards have lapsed down to a revised upper limit of 20 per cent.

#### 3.6.10 *Taxation*

The LTIP contains provisions to ensure that any income tax and employee's national insurance contribution liabilities that arise on the vesting of an award or any part of the award will be satisfied by the relevant optionholder.

At the discretion of the Remuneration Committee, the optionholder may be required to pay the employer's national insurance liabilities that arise on the acquisition of Ordinary Shares by an optionholder.

#### 3.6.11 *Variation of Share Capital*

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital, the number of Ordinary Shares over which an award has been made may be adjusted.

#### 3.6.12 *Amendment to LTIP*

The terms of the LTIP may be amended on the recommendation of the Remuneration Committee. Certain amendments cannot take effect without the approval of Shareholders unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation treatment for the Company or the optionholders.

The approval of Shareholders is required before any amendment can be made to the dilution limits, the category of persons who may participate, the periods during which awards may be made, the provisions for altering the share capital of the Company and the provisions which relate to the alteration of the terms of the LTIP.

#### 3.6.13 *Awards under the LTIP*

The life of the LTIP is 10 years and no awards may be made more than 10 years after the date of the extraordinary general meeting approving the adoption of the LTIP.

#### 3.6.14 *Pension status*

None of the benefits that may be received under the LTIP will be pensionable.

### 3.7 **SIP**

#### 3.7.1 *Eligibility*

All employees with six months continuous service are eligible to participate.

#### 3.7.2 *Structure*

The SIP has been constituted by a trust deed and plan rules. The SIP has been approved by HMRC under Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003.

On any occasion on which the Board decides to operate the SIP, it may be operated on one or more of the bases allowed by the legislation. These are as follows:

3.7.2.1 At the discretion of the Board an eligible employee may enter into an agreement with the Company to allocate in any tax year out of his pre-tax salary up to the lower of £1,500 and 10 per cent. of his pre-tax salary for that year (or such higher limits as may from time to time be permitted by the relevant statutory provisions) to subscribe for and/or purchase Ordinary Shares ("**Partnership Shares**"). The agreement may provide for the Partnership Shares to be bought within 30 days of the day on which the deduction is made. Alternatively, the agreement may provide for the deductions to be accumulated for a period (not exceeding 12 months) and for the Partnership Shares to be bought within 30 days of the end of that period. A participant may withdraw his Partnership Shares at any time, but if he does so before the Partnership Shares have been held in the trust for five years, he will incur an income tax liability (except in certain specified circumstances such as redundancy or disability).

3.7.2.2 If the Board decides to offer Partnership Shares in any period, it may also decide to offer additional free Ordinary Shares ("**Matching Shares**") to eligible employees who purchase Partnership Shares. The employing companies will provide the trustees with funds to enable them to subscribe for and/or purchase Ordinary Shares which will then be allocated to the eligible employees up to a maximum ratio of two Matching Shares for every Partnership Share (or such higher ratio as may from time to time be permitted by the relevant statutory provisions). Any Matching Shares must normally be awarded on the same basis to all participants. Any Matching Shares must be held by the trustees for a minimum period of

three years or for such longer period not exceeding five years as the Board may decide. If a participant ceases to be employed within the iMO Group before the end of this period, his Matching Shares must be withdrawn from the trust. If the shares are withdrawn from the trust before the end of the five year period, the participant will incur an income tax liability (except in certain specified circumstances such as redundancy or disability). If the participant ceases to be employed within the minimum three year period (or within such shorter period as the Board may decide) other than for a specified reasons such as redundancy or disability, the SIP may provide that his Matching Shares will be forfeited.

- 3.7.2.3 At the discretion of the Board, the employing companies may provide the trustees with funds to enable them to subscribe for and/or purchase Ordinary Shares which will then be allocated free to the eligible employees (“Free Shares”). The maximum individual allocation of Free Shares in any tax year will be £3,000 (or such higher limit as may from time to time be permitted by the relevant statutory provisions). Any allocation of Free Shares must be made on similar terms; however, the allocation can be linked to such individual, term, divisional or corporate performance as the Board may decide and advise the eligible employees as soon as practical after the decision. The performance targets set for each unit must be broadly comparable and must not contain any features which have the effect of concentrating the awards on directors or higher-paid employees. Free Shares must be held by the trustees for a minimum period of three years or for such longer period not exceeding five years as the Board may decide. If a participant ceases to be employed within the iMO Group before the end of this period, his Free Shares must be withdrawn from the trust. If the shares are withdrawn from the trust before the end of the five year period, the participant will incur an income tax liability (except in certain specified circumstances such as redundancy or disability). If the participant ceases to be employed within the minimum three year period (or within such shorter period as the board may decide) otherwise than in certain specified circumstances such as redundancy or disability, the SIP may provide that his Free Shares will be forfeited.

The number of Ordinary Shares subscribed or purchased will be determined by reference to the market value of the Ordinary Shares on the date of subscription or purchase except where savings are accumulated in the case of Partnership Shares where the market value used will be the lower of the market value at the start of the accumulation period and the market value on the date of subscription or purchase.

The SIP may provide that any dividends paid on the Free, Partnership or Matching Shares will either be paid to the participants or re-invested in the purchase of additional Shares to be held in the SIP for a period of three years.

The participant may direct the trustees how to exercise voting rights attributable to their Ordinary Shares. The trustees will not exercise the voting rights attributable to the Ordinary Shares held in the trust except in accordance with participants’ instructions.

No Ordinary Shares will be allocated under the SIP more than 10 years after the approval of the SIP by Shareholders.

### 3.7.3 *Limits*

Excluding all options already granted under any other Company scheme prior to HMRC approval of the SIP, the value of all shares issued or remaining issuable pursuant to rights granted under the SIP, the SAYE Scheme and any executive scheme or other share incentive scheme or profit sharing scheme within a period of 10 years must not exceed 15 per cent. of the Company’s issued share capital.

### 3.7.4 *Rights*

The shares appropriated or acquired under the SIP will rank equally with the other shares then in issue except in regard to any rights arising by reference to a record date prior to their allotment.

### 3.7.5 *General*

The trustees of the SIP may acquire Ordinary Shares through the market in accordance with the rules of the SIP during close periods (as defined in the AIM Rules for Companies). The Company’s directors and applicable employees (as defined in the AIM Rules for Companies) may participate in the SIP.

### 3.8 *Outstanding Options*

As at 8 February 2008, options to subscribe for Ordinary Shares were as follows:

	<i>No. of Ordinary Shares</i>
<i>Approved Share Option Scheme</i>	
Exercisable up to 12 December 2013 at 154p per share	15,500
Exercisable from 4 October 2008 to 4 October 2015 at 142p per share	175,517
Total	<u>191,017</u>
<i>Unapproved Share Option Scheme</i>	
Exercisable between 4 October 2008 and 4 October 2012 at 142p per share	30,983
Total	<u>30,983</u>
<i>EMI Scheme</i>	
Exercisable up to 28 November 2013 at 50p per share	176,590
Exercisable up to 1 December 2013 at 50p per share	20,000
Exercisable up to 12 February 2014 at 50p per share	20,000
Total	<u>216,590</u>
<i>SAYE Scheme</i>	
Between 1 December 2008 and 31 May 2009 at 114p per share	146,898
Between 1 December 2010 and 31 May 2011 at 114p per share	222,353
Total	<u>369,251</u>
<i>LTIP</i>	
Exercisable up to 19 October 2016 at 0p per share	1,090,000
Exercisable up to 3 May 2017 at 0p per share	84,000
Exercisable up to 12 December 2017 at 0p per share	299,992
Total	<u>1,473,992</u>

## 4. Memorandum and Articles of Association

### 4.1 *Memorandum of Association*

The objects of the Company are set out in full in clause 4 of its memorandum of association and include engaging in an activity of whatsoever nature in which a person may lawfully engage whether with a view to profit or otherwise howsoever. iMO's memorandum of association also provides that the liability of the members is limited.

### 4.2 *New Articles of Association*

The new articles of association of the Company which are proposed to be adopted by a special resolution at the General Meeting contain provisions, *inter alia*, to the effect set out below. This paragraph 4.2 is a description of significant rights and does not purport to be complete or exhaustive.

#### 4.2.1 *Votes of Members*

Subject to the provisions of the Acts and to any special rights or restrictions as to voting attached to any shares or class of shares or otherwise provided by the Articles, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

#### 4.2.2 *Restriction on Rights of Members where Calls Outstanding*

Unless the Board otherwise determines, no member shall be entitled to receive any dividend or to be present and vote at a general meeting or at any separate general meeting of the holders of any class of shares either personally or by proxy, or to be reckoned in a quorum, or to exercise any other right or privilege conferred by membership in respect of a share held by him in relation to meetings of the Company unless and until he shall have paid all calls or other sums presently due and payable by him, whether alone or jointly with any other person, to the Company.

#### 4.2.3 *Transfer of Shares*

##### 4.2.3.1 Form of Transfer

Subject to the provisions in the Articles regarding uncertificated shares, all transfers of certificated shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Board and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. In relation to both certificated and uncertificated shares, the transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares. All instruments of transfer which are registered may be retained by the Company.

##### 4.2.3.2 Right to Refuse Registration

The Board may in its absolute discretion and without assigning any reason for its actions refuse to register any transfer of any certificated share which is not a fully paid share provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are admitted to AIM on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

##### 4.2.3.3 Other Rights to Decline Registration

The Board may decline to recognise any instrument of transfer relating to certificated shares unless the instrument of transfer:

- (i) is in respect of only one class of share;
- (ii) is lodged at the registered office of the Company or such other place as the Board may appoint;
- (iii) is accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (iv) is duly stamped (if so required); and

in the case of a transfer to joint holders, the number of joint holders does not exceed four.

#### 4.2.4 *Dividends*

##### 4.2.4.1 Final Dividends

Subject to the provisions of the Acts and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests but no such dividends shall exceed the sum recommended by the Board.

##### 4.2.4.2 Interim Dividends

In so far as in the opinion of the Board the profits of the Company justify such payments, the Board may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment of such dividends and may also from time to time declare and pay interim dividends on shares of any class of such sums and on such dates and in respect of such periods as it thinks fit. Provided the directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

##### 4.2.4.3 Ranking of Shares for Dividend

Unless and to the extent that the rights attached to any shares or the terms of issue of such shares otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the sums paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For this purpose no sum paid on a share in advance of calls shall be treated as paid on the share.

##### 4.2.4.4 No Dividend Except out of Profits

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Acts.

##### 4.2.4.5 No Interest on Dividends

No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

#### 4.2.4.6 Retention of Dividends

The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or obligations in respect of which the lien exists.

The Board may retain the dividends payable upon shares in respect of which any person is under the provisions in the Articles as to the transmission of shares entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

#### 4.2.4.7 Waiver of Dividend

The waiver in whole or in part of any dividend on any share by any document (whether or not executed as a deed) shall be effective only if such document is signed by the holder of such share (or the person becoming entitled to the share in consequence of the death, bankruptcy or mental disorder of the holder or by operation of law or any other event) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

#### 4.2.4.8 Unclaimed Dividend

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend unclaimed after a period of 12 years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

#### 4.2.4.9 Distribution in Specie

The Company may upon the recommendation of the Board by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Board shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Board may settle the same as it thinks expedient and in particular:

- (i) may issue fractional certificates;
- (ii) may fix the value for distribution of such specific assets or any part of such specific assets;
- (iii) may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all members; and
- (iv) may vest any such specific assets in trustees as may seem expedient to the Board.

#### 4.2.5 *Capitalisation of Profits and Reserves*

4.2.5.1 The Board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts (including any share premium account, capital redemption reserve or other undistributable reserve) or any sum standing to the credit of profit and loss account.

4.2.5.2 Such capitalisation shall be effected by appropriating such sum to the holders of ordinary shares on the register of members of the Company at the close of business on the date of the resolution (or such other date as may be specified in such resolution or determined as provided in such resolution) in proportion to their holdings of ordinary shares and applying such sum on their behalf in paying up in full unissued ordinary shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them in proportion to their holdings.

4.2.5.3 The Board may do all acts and things considered necessary or expedient to give effect to any such capitalisation, with full power to the Board to make such provision as it thinks fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit of such fractional entitlements accrues to the Company rather than to the members concerned). The Board may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such capitalisation and matters incidental to such capitalisation and any agreement made under such authority shall be effective and binding on all concerned.



## 4.2.6 *Share Capital*

### 4.2.6.1 Variation of Rights

Whenever the share capital of the Company is divided into different classes of shares, the special rights for the time being attached to any share or class of share in the Company may, subject to the provisions of the Acts, be varied or abrogated either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting all the provisions of the Articles relating to general meetings of the Company and to the proceedings at such general meetings shall with necessary modifications apply, except that:

- (i) the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal value paid up of the issued shares of the class (but so that if at any adjourned meeting a quorum as defined above is not present, any one holder of any shares of the class present in person or by proxy shall be a quorum); and
- (ii) any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by him.

The provisions in the Articles relating to variation of rights apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights of which are to be varied.

### 4.2.6.2 Special Rights

The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue of that class of shares, be deemed to be varied:

- (i) by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects equally with such shares but in no respect in priority to such shares;
- (ii) by the purchase by the Company of any of its own shares (and the holding of any such shares as treasury shares); or
- (iii) the Board resolving that a class of shares shall become, or the operator of the relevant system permitting such class of shares to be, a participating security (the phrases "operator", "relevant system" and "participating security" having the meanings set out in the CREST Regulations).

### 4.2.6.3 Increase in Share Capital

The Company may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe. All new shares shall be subject to the provisions of the Acts and of the Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

### 4.2.6.4 Consolidation, Subdivision and Cancellation

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- (ii) cancel any shares which, at the date of the passing of such resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled; and
- (iii) subject to the provisions of the Acts, sub-divide its shares, or any of them, into shares of smaller nominal value than is fixed by the memorandum of association and so that the resolution whereby any share is sub-divided may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared to the others.

Apart from this, there are no conversion provisions in the Articles in respect of the Ordinary Shares.

### 4.2.6.5 Reduction or Cancellation

The Company may by special resolution reduce or cancel its share capital or any revaluation reserve or share premium account or any other reserve fund in any manner and with and subject to any confirmation or consent required by law and any rights for the time being attached to any shares.

#### 4.2.6.6 Purchase of Own Shares

Subject to the provisions of the Acts and any special rights for the time being attached to any shares, the Company may purchase or may enter into any contract under which it will or may purchase at any price, any of its own shares of any class (including any redeemable shares) and may hold (and sell) any of such shares as treasury shares. Any shares to be so purchased may (subject to any resolution of the Company in general meeting) be selected in any manner determined by the Board.

Where there are in issue convertible securities convertible into or carrying a right to subscribe for equity shares of a class proposed to be purchased, a separate meeting of the holders of the convertible securities must be held and their approval by extraordinary resolution obtained before the Company enters into any contract to purchase equity shares of the relevant class. Subject to this and notwithstanding anything to the contrary contained in the Articles, the rights and privileges attached to any class of shares shall be deemed not to be altered or abrogated by anything done by the Company in pursuance of any resolution passed under the powers referred to in the preceding paragraph of this paragraph 4.2.6.6.

#### 4.2.6.7 Restrictions on Ordinary Shares

No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a Restriction Notice in the matter described below.

If a member or any person appearing to be interested in shares in the company has been duly served with a notice pursuant to section 793 of the 2006 Act and is in default in supplying to the Company information thereby required within 14 days from the date of such notice the Directors may serve on such member or on any such person a notice (a "**Restriction Notice**") in respect of the shares in relation to which the default occurred ("**Default Shares**") and any other shares held at the date of the Restriction Notice directing that the member shall not be entitled to be present, to vote or to be reckoned in a quorum at any general meeting or class meeting of the Company. The Restriction Notice may, in addition, direct, *inter alia*, that any dividend or other money which would otherwise be payable on the Default Shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested.

#### 4.2.7 *Forfeiture and Lien*

##### 4.2.7.1 Notice on Failure to Pay a Call

If a member fails to pay in full any call or instalment of a call on the due date for payment of such call or instalment, the Board may at any time after the failure serve a notice on him or any person entitled to the shares by transmission requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued on such call or instalment and any expenses incurred by the Company by reason of such non-payment.

The notice shall name a further day (being not fewer than seven days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance with such notice the shares on which the call was made will be liable to be forfeited.

##### 4.2.7.2 Forfeiture for Non-compliance

If the requirements of any such notice as is referred to in paragraph 4.2.7.1 of this Part 6 above are not complied with, any share in respect of which such notice has been given may at any time after the non-compliance, before payment of all calls and interest and expenses due in respect of such share has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Board may accept a surrender of any share liable to be forfeited under the Articles.

##### 4.2.7.3 Notice on Previous Holder

Where any share has been forfeited, notice of the forfeiture shall be served upon the person who was the holder of the share before forfeiture or, in the case of a person entitled to such share by transmission, upon such person (as the case may be). An entry recording the fact that notice of forfeiture has been given and that the share has been forfeited shall immediately be made in the Company's register of members in respect of such share. However, no forfeiture shall be invalidated in any manner by any omission or neglect to give such notice or make such entry.

#### 4.2.7.4 Disposal of Forfeited Shares

A share forfeited or surrendered shall become the property of the Company and, subject to the Acts may be sold, re-allotted or disposed of in any other way either to the person who was the holder of such share or entitled to such share before such forfeiture or surrender, or to any other person upon such terms and in such manner as the Board shall think fit and at any time before a sale, re-allotment or other disposition the forfeiture may be annulled by the Board on such terms as it thinks fit. The Board may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such other person.

#### 4.2.7.5 Holder to Remain Liable Despite Forfeiture

A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares (and shall surrender to the Company for cancellation the certificate for such shares) but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest on such shares at such rate (not exceeding 15 per cent. per annum) as the Board may determine from the date of forfeiture or surrender until payment. The Board may at its absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or waive payment in whole or in part.

#### 4.2.7.6 Lien on Partly-paid Shares

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share. The Board may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions summarised in this paragraph 4.2.7.

#### 4.2.7.7 Sale of Shares Subject to Lien

The Company may sell in such manner as the Board thinks fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled to such share by reason of his death, bankruptcy, liquidation or otherwise.

#### 4.2.7.8 Proceeds of Sale of Shares Subject to Lien

The net proceeds of sale of shares subject to a lien (after payment of the costs of such sale) shall be applied in or towards payment or satisfaction of the debts or liabilities in respect of which the lien exists so far as the same are presently payable and any residue shall (subject to a like lien for liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. For giving effect to any such sale the Board may authorise some person to transfer the shares sold to, or in accordance with the directions of, the purchaser.

#### 4.2.7.9 Evidence of Forfeiture

A statutory declaration in writing that the declarant is a director or the company secretary and that a share has been duly forfeited or surrendered or sold to satisfy obligations covered by a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated in the declaration as against all persons claiming to be entitled to the share. Such declaration shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition and shall not be bound to see to the application of the purchase moneys (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or other disposal of the share.

The forfeiture of a share shall extinguish at the time of forfeiture all interest in and claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share as between the holder whose share is forfeited and the Company, except only such of those rights and liabilities as are by the Articles expressly saved, or as are by the Acts given or imposed in the case of past members.

#### 4.2.8 *Directors*

##### 4.2.8.1 Directors

Subject as provided in the Articles, the directors of the Company shall not be fewer than two nor more than 10 in number. The Company may by ordinary resolution from time to time vary the minimum number and/or maximum number of directors.

##### 4.2.8.2 Share Qualification

A director shall not be required to hold any shares of the Company by way of qualification. A director who is not a member of the Company shall nevertheless be entitled to attend and speak at shareholders' meetings.

##### 4.2.8.3 Directors' Fees

The ordinary remuneration of the directors (excluding other remuneration of directors as set out in paragraph 4.2.8.4 of this Part 6) shall from time to time be determined by the Board except that such remuneration shall not exceed £750,000 per annum in aggregate or such higher sum as may from time to time be determined by ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the directors as the Board may agree, or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

##### 4.2.8.4 Other Remuneration of Directors

Any director who holds any executive office (including for this purpose the office of chairman or deputy chairman whether or not such office is held in an executive capacity), or who serves on any committee of the Board, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Board may determine.

##### 4.2.8.5 Directors' Expenses

The Board may repay to any director all such reasonable expenses as he may properly incur in attending and returning from meetings of the Board or of any committee of the Board or shareholders' meetings or otherwise in connection with the performance of his duties as a director of the Company.

##### 4.2.8.6 Directors' Pensions and Other Benefits

The Board shall have power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any director or ex-director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

##### 4.2.8.7 Directors' Interests in Transactions and Arrangements with the Company

Provided he has declared an interest to the Board, a director may be party to or in any way interested in any existing or proposed contract or arrangement or transaction to which the Company is a party or in which the Company is in any way directly or indirectly interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of auditor) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated for his acts and in any such case (save as otherwise agreed by him) he may retain for his own absolute use and benefit all profits and advantages accruing to him under or in consequence of his acts and no such contract, arrangement or transaction shall be avoided on the grounds of any such interest or benefit.

##### 4.2.8.8 Directors' Interests Other Than in Relation to Transactions or Arrangements with the Company

If a situation arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it, but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest) the following provisions shall apply if the conflict of interest does not arise in relation to a transaction or arrangement with the Company:

- (i) If the relevant situation arises from the appointment or proposed appointment of a person as a director of the Company, the directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may resolve to authorise the appointment of the director and the situation on such terms as they may determine;

- (ii) If the relevant situation arises in circumstances other than in sub-paragraph (i) above, the directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may resolve to authorise the situation and the continuing performance by the director of his duties on such terms as they may determine.

A director shall not, by reason of his holding an office as a director (or of the fiduciary relationship established by holding that office), be liable to account to the Company for any remuneration, profit or other benefit resulting from any situation authorised or permitted pursuant to paragraph 4.2.8.7 of this Part 6 or this paragraph 4.2.8.8, and no contract shall be liable to be avoided on the grounds of any director having any type of interest authorised or permitted pursuant to paragraph 4.2.8.7 or this paragraph.

#### 4.2.8.9 Declarations of Interests

A director shall declare the nature and extent of his interest to the other directors in a relevant situation pursuant to paragraph 4.2.8.8 of this Part 6 or if he is in any way directly or indirectly interested in a proposed transaction or arrangement with the Company or a transaction or arrangement that has been entered into by the Company. The declaration must be made as soon as reasonably practicable in the case of an interest in a relevant situation and in the case of an interest in a transaction that has been entered into by the Company or, in the case of an interest in a proposed transaction or arrangement, before the Company enters into the transaction or arrangement. A director need not declare an interest if it cannot reasonably be regarded as likely to give rise to a conflict of interest, if the other directors are already aware of it or if it concerns terms of his service contract that have been or are to be considered by the board or board committee.

#### 4.2.8.10 Appointment of Executive Directors

The Board may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of chairman or deputy chairman) on such terms and for such period as they may (subject to the provisions of the Acts) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.

#### 4.2.8.11 Ceasing to be a Director

The appointment of any director to the office of chairman or deputy chairman or chief executive or managing or joint managing or deputy or assistant managing director shall automatically determine if he ceases to be a director but without prejudice to any claim for damages for breach of any contract of service between him and the Company. The appointment of any director to any other executive office shall not automatically determine if he ceases from any cause to be a director, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

#### 4.2.8.12 Powers of Executive Directors

The Board may entrust to and confer upon any director holding any executive office any of the powers exercisable by them as directors upon such terms and conditions and with such restrictions as they think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

### 4.2.9 *Appointment and Retirement of Directors*

#### 4.2.9.1 Power of Company to Appoint Directors

Subject to the provisions of the Articles, the Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles.

#### 4.2.9.2 Power of Board to Appoint Directors

Without prejudice to the power of the Company in general meeting pursuant to any of the provisions of the Articles to appoint any person to be a director, the Board may appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles. Any director so appointed must retire from office at, or at the end of, the next following annual general meeting and will then be eligible to stand for election but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at that meeting.

#### 4.2.9.3 Retirement by Rotation

At each annual general meeting one-third of the directors for the time being shall retire from office by rotation (or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) shall so retire provided always that all directors must be subject to re-election at intervals of no more than three years.

#### 4.2.9.4 Selection of Directors to Retire by Rotation

The directors to retire by rotation shall include (so far as necessary to obtain the number required) any director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election and so that as between persons who became or were last re-elected directors on the same day those to retire shall, unless they otherwise agree among themselves, be determined by lot together with those who in the absence of any such retirement would continue in office for a period in excess of three years. A retiring director shall be eligible for re-election.

#### 4.2.9.5 Re-election of Retiring Directors

The Company at the meeting at which a director retires under any provision of the Articles may by ordinary resolution fill the office being vacated by electing to that office the retiring director or some other person eligible for election. In default the retiring director shall be deemed to have been re-elected except in any of the following cases:

- (i) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such director is put to the meeting and lost;
- (ii) where such director has given notice in writing to the Company that he is unwilling to be re-elected;
- (iii) where such director has attained any retiring age applicable to him as director; or
- (iv) where the default is due to the moving of a resolution in contravention of the provisions in paragraph 4.2.9.6 of this Part 6.

#### 4.2.9.6 Election of Two or More Directors

A resolution for the election of two or more persons as directors by a single resolution shall not be moved at any general meeting unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it; and any resolution moved in contravention of this provision shall be void.

#### 4.2.9.7 Timing of Retirement

The retirement of a director at any general meeting shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in place of the retiring director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring director who is re-elected or deemed to have been re-elected will continue in office without a break.

#### 4.2.9.8 Nomination of Director for Election

No person other than a director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election as a director at any general meeting unless not fewer than seven nor more than 42 days (inclusive of the date on which the notice is given) before the date appointed for the meeting there has been lodged at the Company's registered office notice in writing signed by some member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

#### 4.2.9.9 Vacation of Office

The office of a director shall be vacated if:

- (i) he ceases to be a director by virtue of any provision of the Acts or he becomes prohibited by law from being a director;
- (ii) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
- (iii) he is, or may be suffering from, mental disorder and either:
  - (a) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960; or

- (b) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs;
- (c) he resigns by writing under his hand left at the Company's registered office or he offers in writing to resign and the Board resolves to accept such offer;
- (d) he shall for more than six consecutive months have been absent without permission of the Board from meetings of the Board held during that period and the Board resolves that his office be vacated; or
- (e) notice stating he is removed from office as a director is served upon him signed by all his co-directors who must account to the members at the next general meeting of the Company. If a director holds an appointment to an executive office which automatically determines on his removal from office under this or the preceding sub-paragraph (d) such removal shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company.

#### 4.2.9.10 Removal of Director

The Company may in accordance with and subject to the provisions of the Acts by ordinary resolution of which special notice has been given remove any director from office (notwithstanding any provision of the Articles or of any agreement between the Company and such director, but without prejudice to any claim he may have for damages for breach of any such agreement) and elect another person in place of a director so removed from office. Any person so elected shall be treated for the purpose of determining the time at which he or any other director is to retire by rotation as if he had become a director on the day on which the director in whose place he is elected was last elected a director. In default of such election the vacancy arising upon the removal of a director from office may be filled as a casual vacancy.

#### 4.2.9.11 Resolution as to Vacancy Conclusive

A resolution of the Board declaring a director to have vacated office under the terms of the article summarised in paragraph 4.2.9.9 of this Part 6 shall be conclusive as to the fact and grounds of vacation stated in the resolution.

#### 4.2.10 *Meetings of Shareholders*

##### (i) *General*

The Board is required to hold an annual general meeting at such time and place as the Board may determine in accordance with the Acts, the Companies Act 1989 and all such other applicable statutes (the "**Statutes**"). All other meetings are deemed to be general meetings. The Board may, whenever it thinks fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene a general meeting.

##### (ii) *Notice of general meetings*

An annual general meeting or a general meeting at which it is proposed to pass a special resolution must be called by not fewer than 21 days notice in writing. Any other general meeting must be called by not fewer than 14 days notice in writing. In each case, the period of notice is exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held. A general meeting, notwithstanding that it has been called by a shorter notice than specified above, shall be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting by all members entitled to attend and vote at that annual general meeting; or
- (b) in the case of a general meeting by a majority of the members having a right to attend at that general meeting, being a majority holding not less than 95 per cent. in the nominal value of the shares giving that right.

##### (iii) *Contents of notice of general meetings*

Every notice calling a general meeting shall:

- (a) specify the place and day and hour of the meeting, and contain a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll vote instead of him and that a proxy need not be a member of the Company; and
- (b) if any resolution is proposed as an extraordinary resolution or as a special resolution, set out in full the resolution to be proposed.

(iv) *Quorum*

Two members present in person or by proxy and entitled to attend and vote at a meeting shall be a quorum for all purposes.

4.2.11 *Meetings and Proceedings of Directors*

Subject to the provisions of the Articles the Board may meet together for the despatch of business, adjourn and otherwise regulate their proceedings as they think fit. At any time any director may, and the company secretary at the request of a director shall, summon a meeting of the Board. Notice of a Board meeting shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the Company for that purpose. It shall not be necessary to give notice of a meeting of the Board to any director for the time being absent from the United Kingdom. Any director may waive notice of any meeting and any such waiver may be retrospective.

4.2.12 *Borrowing Powers*

The Board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.2.13 *General*

There are no conditions imposed by the memorandum or articles of association regarding changes in the Company's capital which are more stringent than required by the law of England and Wales. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

**5. Mandatory Bids and Squeeze-out and Sell-out Rules Relating to the Ordinary Shares**

**5.1 *Mandatory Bid***

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

**5.2 *Squeeze-out Rules***

Under the 2006 Act, if an offeror makes an offer to acquire all the Ordinary Shares and successfully acquires 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

**5.3 *Sell-out Rules***

The 2006 Act will also give minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror will be required to give any Shareholder notice of their right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises their rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.



## 6. The Directors and Proposed Directors

### 6.1 Business Address

The business address of the Company's directors at the date of this document is 23 Cathedral Yard, Exeter EX1 1HB.

### 6.2 Interests in iMO's Share Capital

The interests of the Directors and the Proposed Directors, including:

- (i) any interests of persons connected with any Director or Proposed Director which would, if the connected person were a director, be required to be disclosed, and the existence of which is known to, or could with reasonable diligence be ascertained by the relevant Director or Proposed Director within the meaning of sections 820-825 of the 2006 Act;
- (ii) related financial products (as defined in the AIM Rules for Companies); and
- (iii) family (as defined in the AIM Rules for Companies) interests, the existence of which was known to, or could with reasonable diligence be ascertained by, the relevant Director or Proposed Director);

all of which were or will be beneficial unless otherwise stated, in the issued share capital of the Company as at the date of this document and immediately following Admission are and will be as follows:

Name	As at the Date of this Document		On Admission		No. of Ordinary Shares under Option
	No. of Ordinary Shares	% of Issued Share Capital	No. of Ordinary Shares <sup>3</sup>	% of Issued Share Capital	
Scott Campbell <sup>1,2</sup>	1,475,190	6.46	1,475,190	2.57	–
Adrian Collins <sup>2</sup>	–	–	342,205	0.60	–
Simon Edwards <sup>2</sup>	–	–	9,562,675	16.68	–
Martin Gray <sup>1</sup>	1,662,751	7.29	1,622,751	2.90	–
Nicholas Hamilton <sup>1,2</sup>	–	–	–	–	–
William Long <sup>1,2</sup>	160,643	0.70	180,643	0.32	103,157
Bruce McIntosh <sup>1</sup>	61,592	0.27	61,592	0.11	225,657
Gordon Neilly <sup>1,2</sup>	959,718	4.20	1,911,258	3.33	163,157
Michael Phillips <sup>1,2</sup>	1,228,851	5.38	1,728,851	3.02	264,314
Colin Rutherford <sup>2</sup>	925,032	4.05	925,032	1.61	–
Lord Wade of Chorlton <sup>2</sup>	–	–	856,386	1.49	–

Notes:

<sup>1</sup> Director as at the date of this document.

<sup>2</sup> Director on Admission.

<sup>3</sup> Excludes any Ordinary Shares acquired under the iimia Investment Group plc Share Incentive Plan between the date of this document and Admission

### 6.3 Interests in Significant Transactions

- 6.3.1 Scott Campbell and Martin Gray were interested in the sale of MitonOptimal Group Limited to iMO on the terms of the share purchase agreement referred to in paragraph 8.1.1.6 of this Part 6.
- 6.3.2 Gordon Neilly, Adrian Collins, Simon Edwards and Lord Wade of Chorlton are interested in the sale of Midas to iMO on the terms of the Acquisition Agreements.
- 6.3.3 Save as disclosed in this paragraph 6.3, no Director or Proposed Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the iMO Group and which was effected by any member of the iMO Group in the current or immediately preceding financial year or which was effected during an earlier financial year and which remains in any respect outstanding or unperformed.

### 6.4 Service Contracts and Letters of Appointment

- 6.4.1 Those individuals who will be directors of the Company on Admission (the "Continuing Directors") have or will enter into service contracts or letters of appointment with the Company on the following terms.

#### 6.4.1.1 Scott Campbell

Mr Campbell entered into a service contract with the Company dated 23 October 2007 pursuant to which he receives a basic annual salary of £115,000 (inclusive of any director's fees payable to him under the Articles). Mr Campbell is also eligible, at the discretion of iMO, to receive an annual bonus. His basic salary is subject to annual review by the remuneration committee. In addition, he is entitled to membership of the iMO life insurance scheme. He is not entitled to further benefits. Mr Campbell makes his own pension provision. The service contract is terminable by either party on not less than 12 months' written notice. The service contract contains provisions for early termination in the event, *inter alia*, of serious breach of the terms of his employment, failure (after warning) to perform his duties and circumstances

that would render his continued employment inappropriate (e.g. ceasing to be a fit and proper person for FSA purposes or petition for bankruptcy). Mr Campbell is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The service contract is governed by South African law to the extent it relates to Mr Campbell's employment and duties in South Africa and by English law to the extent to relates to new South African duties or directorships.

6.4.1.2 *Adrian Collins*

Mr Collins, on Admission, will enter into a letter of appointment governing the terms of his appointment as a non-executive director of the Company. Mr Collins, as a non-executive director and member of the remuneration and audit committees, will be entitled to an annual fee of £25,000 per annum. He is not entitled to benefits, but is entitled to reimbursement of reasonable costs (such as travel and accommodation) and to participate in the directors' and officers' insurance. The appointment is subject to termination on three months' notice by Mr Collins or the Company.

6.4.1.3 *Simon Edwards*

Mr Edwards will enter into a service contract with the Company on Completion pursuant to which he will receive a basic annual salary of £165,000 (inclusive of any director's fees payable to him under the Articles). Mr Edwards will also be eligible, at the discretion of the Company, to receive an annual bonus. His basic salary will be subject to annual review by the remuneration committee. In addition, he will be entitled to membership of the Company's life insurance scheme. Mr Edwards is entitled to participate in the Midas retirement benefits scheme and receives pension contributions of 5 per cent. of basic salary. He will not be entitled to further benefits, though he may participate in other benefit plans operated by the Company if he chooses to meet the cost of premiums himself. Mr Edwards will make his own pension provision. The service contract will be subject to an initial one year term and will then be terminable by either party on not less than 12 months' written notice. The service contract will contain provisions for early termination in the event, *inter alia*, of gross breach. Mr Edwards will be subject to certain non-competition and non-solicitation covenants for a period of 6 months' following the termination of his employment. The service contract will be governed by English law.

6.4.1.4 *Nicholas Hamilton*

Mr Hamilton entered into a non-executive letter of appointment dated 20 July 2005. Mr Hamilton is not entitled to benefits, but is entitled to reimbursement of reasonable costs (such as travel and accommodation) and to participate in the directors' and officers' insurance. There is no set notice period under the appointment letter and termination would be in accordance with the Articles. On Admission, Mr Hamilton, as a non-executive director, a member of the remuneration committee and chairman of the audit committee, will be entitled to an annual fee of £30,000.

6.4.1.5 *William Long*

Mr Long, currently a non-executive director (having stood down as an executive director with effect from 10 September 2007) and chairman of the Company, has entered into a non-executive appointment letter dated 11 February 2008 with the Company pursuant to which he has agreed, with effect from Completion, to step down as chairman and continue as a non-executive director, subject to termination thereafter on three months' notice by Mr Long or the Company. Mr Long's appointment is also subject to the provisions of applicable statute and the Articles, in particular the need for periodic re-election. On Admission, Mr Long, as a non-executive director, chairman of the remuneration committee and member of the audit committee, will be entitled to an annual fee of £30,000. He is not entitled to benefits but is entitled to reimbursement of reasonable costs (such as travel and accommodation) and to participate in the directors' and officers' insurance. The remuneration committee determined that it was appropriate that, on standing down as an executive, Mr Long should retain his options under The iimia Investment Group plc 2006 Long Term Incentive Plan and that the performance criteria for the performance tranche of his options should be the same as the performance criteria for his retention tranche.

6.4.1.6 *Gordon Neilly*

Mr Neilly entered into a service contract with the Company dated 28 September 2005 pursuant to which he receives a basic annual salary of £150,000 (inclusive of any director's fees payable to him under the Articles). Mr Neilly is also eligible, at the discretion of iMO, to receive an annual bonus. His basic salary is subject to annual review by the remuneration committee. In addition, he is entitled to membership of the iMO life insurance scheme. He is not entitled to further benefits, though he may participate in other benefit plans operated by iMO if he chooses to meet the cost of premiums himself. Mr Neilly makes his own pension provision. The service contract is terminable by either party on not less than 12 months' written notice. The

service contract contains provisions for early termination in the event, *inter alia*, of serious breach of the terms of his employment, failure (after warning) to perform his duties and circumstances that would render his continued employment inappropriate (e.g. ceasing to be a fit and proper person for FSA purposes or petition for bankruptcy). Mr Neilly is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The service contract is governed by English law.

6.4.1.7 *Michael Phillips*

Mr Phillips entered into a service contract with the Company dated 5 July 2004 pursuant to which he receives a basic annual salary of £165,000 (inclusive of any director's fees payable to him under the Articles). Mr Phillips is also eligible, at the discretion of iMO, to receive an annual bonus. His basic salary is subject to annual review by the remuneration committee. In addition, he is entitled to membership of the iMO life insurance scheme, the premiums for which are deducted from his basic salary. He is not entitled to further benefits, though he may participate in other benefit plans operated by iMO if he chooses to meet the cost of premiums himself. Mr Phillips makes his own pension provision. The service contract is terminable by either party on not less than 12 months' written notice. The service contract contains provisions for early termination in the event, *inter alia*, of serious breach of the terms of his employment, failure (after warning) to perform his duties and circumstances that would render his continued employment inappropriate (e.g. ceasing to be a fit and proper person for FSA purposes or petition for bankruptcy). Mr Phillips is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The service contract is governed by English law.

6.4.1.8 *Colin Rutherford*

Mr Rutherford, on Admission, will enter into a letter of appointment governing the terms of his appointment as a non-executive director and the chairman of the Company. Mr Rutherford, as a non-executive director, the chairman of the Company and member of the remuneration and audit committees, will be entitled to an annual fee of £50,000 per annum. He is not entitled to benefits but is entitled to reimbursement of reasonable costs (such as travel and accommodation) and to participate in the directors' and officers' insurance. The appointment is subject to termination on three months' notice by Mr Rutherford or the Company.

6.4.1.9 *Lord Wade of Chorlton*

Lord Wade, on Admission, will enter into a letter of appointment governing the terms of his appointment as a non-executive director and the deputy chairman of the Company. Lord Wade, as a non-executive director, the deputy chairman of the Company and member of the remuneration and audit committees, will be entitled to an annual fee of £35,000 per annum. He is not entitled to benefits, but is entitled to reimbursement of reasonable costs (such as travel and accommodation) and to participate in the directors' and officers' insurance. The appointment is subject to termination on three months' notice by Lord Wade or the Company.

6.4.2 The appointments of the Continuing Directors will be subject to the provisions of the Acts and the Articles, in particular the need for periodic re-election.

6.4.3 Save as disclosed in paragraph 6.4.1 of this Part 6, there are no existing or proposed service contracts or consultancy agreements between any Continuing Director and any member of the Existing Group or the Enlarged Group.

6.4.4 There is no arrangement under which any of the Continuing Directors have waived or agreed to waive future emoluments.

6.5 *Other Directorships and Partnerships*

6.5.1 The names of those companies and partnerships of which the Directors and Proposed Directors have been members of the administrative, management or supervisory bodies or partners at any time during the five years immediately preceding the date of this document (apart from their directorships of the Company, other members of the iMO Group and Midas) are as follows:

6.5.1.1 *Scott Campbell*

Current directorships and partnerships: Conduit Capital Limited; Kovacs Investments 433 (Proprietary) Limited; Stony Creek Capital Limited.

Previous directorships and partnership: Appleton Limited.

6.5.1.2 *Adrian Collins*

Current directorships and partnerships: Bluewater Bio International; Campden Partners Limited; City Natural Resources High Yield Trust PLC; The Colombo Commercial Company (Produce) Limited; Corvus Capital Inc.; Deutsche Land PLC; Fincorp International Limited; HIM Capital Holdings Limited; HIM Capital Limited; The Laxey Investment Trust PLC;

Life Co Revival Limited; LTC Holdings plc; New City High Yield Fund Limited; Nuwara Eliya (Holdings) PLC; Nuwara Eliya Tea Estates Company, Limited; Raven Russia Limited; The Sri Lanka Fund Limited.

Previous directorships and partnerships: Applied Solutions International Limited (dissolved); Avanti Capital PLC; The Badger Coffee & Tea Company Limited (dissolved); Geared Income Investment Trust PLC (administrative receiver); New City High Yield Trust plc; Raven Russia Limited; Strand Partners Limited; Windsor plc.

6.5.1.3 *Simon Edwards*

Current directorships and partnerships: Cheltenham Securities Limited; Standard Life European Private Equity Trust PLC.

Previous directorships and partnerships: London Scottish Bank PLC; The Maghull Homes Limited; Merseyside Special Investment Fund Consulting Limited; Merseyside Special Investment Fund Limited; Merseyside Special Investment Mezzanine Fund Limited; Merseyside Special Investment Mezzanine Fund Two Limited; Merseyside Special Investment (Small Firms) Fund Limited; Merseyside Special Investment (Small Firms) Fund Two Limited; Merseyside Special Investment Venture Fund Limited; M H Training Limited; MSIF Interest Rebates Limited; MSIF IPSS Limited; MSIF Money with Management Limited; Parkhaven Trust.

6.5.1.4 *Nicholas Hamilton*

Current directorships and partnerships: Channdia Limited; Storeys Group Limited (in liquidation).

Previous directorships and partnerships: Airborne Systems Group Limited; Airborne Systems Holdings Limited; Air-Sea Survival Equipment Limited; Edlaw Limited; Myratech.net plc; OVER50s.com Limited; Travelstore.com Group Plc (dissolved).

6.5.1.5 *William Long*

Current directorships and partnerships: None.

Previous directorships and partnerships: None.

6.5.1.6 *Gordon Neilly*

Current directorships and partnerships: The Edinburgh Agency Limited; Eye 2 Detail Limited; INVESCO Leveraged High Yield Fund Limited; Irvine Bay Developments Limited; Irvine Bay Urban Regeneration Company Limited; Personal Assets Trust PLC.

Previous directorships and partnerships: Buildstore Limited; The Buildstore Share Scheme Trustees Limited; DMWS 503 PLC (dissolved); DMWS 504 Limited; Intelli Dealing Company Limited; Intelli Investments Limited; Intelli Securities Limited (dissolved); Intelli Services Limited; Malvern Leisure Limited; Personal Assets Investments Limited (dissolved); Selective Assets Trust Plc.

6.5.1.7 *Michael Phillips*

Current directorships and partnerships: iimia Investment Trust Plc; Strategic Equity Capital Plc.

Previous directorships and partnerships: Amnium Limited (dissolved); Capita Financial Nominees Limited; Capita Sinclair Henderson Limited; Leggmason Investors Strategic Assets Securities Plc; Leggmason Investors Strategic Assets Trust Plc; Sinclair Henderson Fund Administration Limited.

6.5.1.8 *Colin Rutherford*

Current directorships and partnerships: Argent Energy PLC; Avance Holdings (No.1) Limited; Cranley Business Advisers Limited; Donaldson Trustee Limited; Farlows Group Limited; Imagine Homes Employees' Trustees Limited; Imagine Homes Limited; Imagine Homes Holdings Limited; Integrin Advanced Biosystems Ltd; James Donaldson & Sons Limited; Mackays Stores Group Limited; Malvern Leisure Limited; Nallatech Limited; Renaissance Services (SAOG); Smoothed Growth Funds–SPC; Smoothed Growth Funds–Plus; Smoothed Growth Funds–Currency Plus; Sportfish Limited.

Previous directorships and partnerships: Broomco (3708) Limited; Blue Marine Limited; C. Farlow & Company Limited; DMWS 503 PLC (dissolved); DWMS 504 Limited; Euro Sales Finance PLC; Farlows of Pall Mall Limited; Flightwave Limited; HBJ 346 Limited (dissolved); HBJ 505 Limited (dissolved); Intelli Corporate Finance Limited; Intelli Dealing Company Limited; Intelli ESOP Limited; Intelli Investments Limited; Intelli Management Consultants Limited (dissolved); Intelli Partners Limited; Intelli Securities Limited (dissolved); Intelli Services Limited; Kinmont Limited; NH Gordon No. 2 Limited; NH Gordon No. 3 Limited; NH UK Co. 1 Limited; NH UK Co. 2 Limited; Noble House Pub Company Group Limited; Orient Pub Company Limited; Pioneer Inns and Taverns Limited; Pioneer Pub Company Limited; Scanforest (A/S); Voxar Limited; Voxar.

6.5.1.9 *Lord Wade of Chorlton*

Current directorships and partnerships: Country Pubs Limited; JointBest Limited; Nimtech; Open View Exchange Limited; Risingstars Growth Fund Limited; Rocktron Limited; William Wild & Son (Mollington) Limited.

Previous directorships and partnerships: Chester Developments Limited (dissolved); Enterprise Business Solutions 2000 Limited; Murray Vernon Limited (liquidation); Murray Vernon Holdings Limited; Nimtech Global Ventures Limited (dissolved); Stirling Energy Systems Ltd (dissolved); Wilds Farm (Cheese Exports) Limited (dissolved).

- 6.5.2 Adrian Collins was a non-executive director of Geared Income Investment Trust PLC ("GIIT") which was placed in administrative receivership on 8 April 2003 (with an estimated deficiency as regards creditors of approximately £118.5 million). The board of GIIT invited Lloyds TSB Bank and Bank of Scotland to appoint a receiver under the terms of floating charges granted by GIIT in November 2000 to the banks and in respect of all other security as such banks had over the assets of GIIT. From December 1990 to December 1991, Adrian Collins was a non-executive director of Marillion plc, which, in July 1992, was placed in administrative receivership and there was a deficiency to creditors; further details are unavailable. He was also, from April 1991 to April 1992, a non-executive director of Murray Meat Markets Ltd, which, in April 1992, was placed in administrative receivership and later in November 1992 appointed a liquidator. Adrian Collins was also a non-executive director of Sporting Classics Publications Limited a company which was put into creditors' voluntary liquidation in March 1999. There was a deficiency to creditors; further details are unavailable.
- 6.5.3 Simon Edwards was a non-executive director of Dawn Til Dusk plc, which was placed into administrative receivership on 15 June 1999 and there was a deficiency to creditors; further details are unavailable.
- 6.5.4 Nicholas Hamilton was a non-executive director of Storeys Group Limited, which was the subject of a creditors' voluntary liquidation on 6 June 2007 (with an estimated deficiency as regards creditors of £15.9 million). He was also non-executive Chairman of Myratech.net plc which entered into a company voluntary arrangement on 1 July 2004 (with an estimated deficiency as regards creditors of £0.3 million). Myratech.net plc was re-admitted to trading on AIM and subsequently changed its name to SKY High PLC.
- 6.5.5 William Long was an executive director of Lockwoods Foods Limited, which was placed in administrative receivership in 1981. Estimated gross deficit to creditors was approximately £11 million.
- 6.5.6 Michael Phillips was a non-executive director of Leggmason Investors Strategic Assets Trust Plc, which was the subject of creditors' voluntary liquidation, with a deficit to creditors of approximately £10 million. Michael Phillips was also a director of Exeter Fund Managers Limited, a member of the iMO Group which was placed into administration on 3 March 2005 (for further information see the section headed "Acquisition of Subsidiary – Exeter Investment Group plc" in paragraph 4.13 of section 2 of Part 4 of this document). No information is yet available as to any deficiency to creditors.
- 6.5.7 Lord Wade of Chorlton was a non-executive director of Murray Vernon Limited, which was placed into administration on 5 December 2005 and was subsequently the subject of a creditors' voluntary liquidation in December 2006. Estimated deficiencies to creditors were £4.4 million. Lord Wade was also a director of a French company, Frandel, active in cheese export. A few months after he resigned, in 1988, the company was wound up. No further details are available.

6.6 **General**

- 6.6.1 Save as disclosed in paragraph 6.5 of this Part 6, as at the date of this document, none of the Continuing Directors had:
- (i) any unspent convictions in relation to indictable offences;
  - (ii) any bankruptcy order made against him or entered into any voluntary arrangements;
  - (iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
  - (iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (v) been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

- (vi) been officially publicly criticised, incriminated or sanctioned by any statutory or regulatory authorities (including designated professional bodies); or
  - (vii) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- 6.6.2 There are no outstanding loans granted by any members of the iMO Group to any of the Directors or the Proposed Directors, nor has any guarantee been provided by any member of the iMO Group for their benefit.

## 7. Major Shareholders

- 7.1 Pursuant to rule 5.1 of the Disclosure and Transparency Rules issued by the Financial Services Authority (the “Disclosure and Transparency Rules”), holders of 3.0 per cent. or more of the nominal value of the Company’s share capital are required to notify their holdings in writing to the Company. To the extent that a shareholder (as defined for the purposes of chapter 5 of the Disclosure and Transparency Rules) who already holds at least 3.0 per cent. or more of the nominal value of the Company’s share capital increases or decreases their holding, rule 5.1 of the Disclosure and Transparency Rules requires that this is also notified to the Company by that shareholder.
- 7.2 As at 8 February 2008, the Company had been notified that the persons listed in the following table held voting rights as a shareholder (as defined for the purposes of chapter 5 of the Disclosure and Transparency Rules) or through direct or indirect holdings of financial instruments (falling with DTR 5.1.3 R of the Disclosure and Transparency Rules) representing 3.0 per cent. or more of the voting rights in the Company. The following table also lists those persons who the Directors are aware will hold voting rights as a shareholder (as defined for the purposes of chapter 5 of the Disclosure and Transparency Rules) or through direct or indirect holdings of financial instruments (falling with DTR 5.1.3 R of the Disclosure and Transparency Rules) representing 3.0 per cent. or more of the voting rights in the Company on Admission.

Name	As at the Date of this Document		On Admission	
	No. of Ordinary Shares	% of Issued Share Capital	No. of Ordinary Shares	% of Issued Share Capital
Ian Henderson <sup>1</sup>	1,900,000	8.3	1,900,000	3.3
Martin Gray	1,662,751	7.3	1,662,751	2.9
Scott Campbell <sup>2</sup>	1,475,190	6.5	1,475,190	2.6
CF Miton Special Situations Portfolio	1,475,000	6.5	2,475,000	4.3
Michael Phillips	1,228,851	5.4	1,728,851 <sup>3</sup>	3.0
Saracen ICVC	1,208,100	5.3	1,208,100	2.1
Duncan Abbot	1,168,107	5.1	1,168,107 <sup>3</sup>	2.0
Steve Carr	1,020,093	4.5	1,020,093	1.8
Gordon Neilly	959,718	4.2	1,911,258	3.3
Colin Rutherford	925,032	4.1	925,032	1.6
Sam Liddle	860,074	3.8	860,074	1.5
Simon Edwards	–	–	9,562,977	16.7
Hiscox plc	105,000	0.5	2,198,388	3.8

### Notes:

<sup>1</sup> Includes 620,000 Ordinary Shares in which Ian Henderson has a non-beneficial interest.

<sup>2</sup> Beneficial holding held through Stony Creek Capital Limited.

<sup>3</sup> Excludes any Ordinary Shares acquired under the iimia Investment Group plc Share Incentive Plan between the date of this document and Admission.

- 7.3 The Company’s major shareholders do not have different voting rights from other Shareholders. The voting rights attached to the Ordinary Shares are described in paragraph 4.2.1 of this Part 6.
- 7.4 As at the date of this document, the Company was not aware of any person who, directly or indirectly, jointly or severally, exercised or could exercise control over the Company or will exercise or could exercise control over the Company upon Admission.
- 7.5 As at the date of this document, the Company was not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

## 8. Material Contracts

### 8.1 Existing Group

- 8.1.1 The following contracts (not being contracts entered into in the ordinary course of business) have either been entered into by members of the iMO Group in the two years immediately preceding the date of this document and are, or may be, material or are contracts entered into at any time which contain provisions under which any member of the iMO Group has an obligation or entitlement which is material to the iMO Group as at the date of this document.

8.1.1.1 Pursuant to a sale and purchase agreement (the “**Principal Acquisition Agreement**”) dated 12 February 2008 between the Company and Lord Wade of Chorlton, Alan Borrows, Michael Carr, Adrian Collins, Simon Edwards, Alec Foster and David Thomas (the “**Principal Vendors**”), the Principal Vendors have agreed to sell the shares held by them in Midas to iMO in consideration for the allotment to them of their *pro rata* entitlement to 27,500,129 Ordinary Shares and the payment to them of their *pro rata* entitlement to £58,999,971 in cash (the full number of shares and the full amount of such cash being the aggregate consideration payable by the Company for the entire issued share capital of Midas).

The Principal Acquisition Agreement is conditional upon:

- (i) iMO having received the requisite approvals from the Financial Services Authority, Shareholders in general meeting and Midas Shareholders holding 70 per cent. or more of Midas issued share capital;
- (ii) Midas not having any indebtedness to the Midas Vendors or associates thereof or any other person;
- (iii) completion of the Placing;
- (iv) the Bank agreeing to the drawdown of £40.0 million by way of bank borrowing; and
- (v) Admission.

All Principal Vendors have agreed to give to the Company general, commercial and tax warranties and tax indemnities regarding Midas as well as warranties in respect of their capacity to sell their shares in Midas and their title to them and their authority to enter into the Principal Acquisition Agreement. The overall liability of the Principal Vendors in relation to the general, commercial and tax warranties and tax indemnities is limited to 75 per cent. of the total consideration received by each of them. The small claims threshold is £50,000 and there is a further threshold of £1 million in aggregate. Any claims in excess of that £1 million can then be claimed. Any claims under the tax deed are treated on the same basis. All claims on warranties other than those relating to tax must be made no later than 31 March 2009.

Simon Edwards, Alan Borrows and David Thomas have undertaken not, amongst other things, to take up or hold any position or be engaged in a competing business to Midas, deal with any customer of Midas, solicit employees of Midas other than in a junior capacity or deal with any customer of Midas or IFA, PCB or other investment manager with whom Midas had dealings for periods of between two and two and a half years in the United Kingdom and Channel Islands subject to certain limited exceptions.

All the Midas Shareholders other than the Principal Vendors are expected to enter into individual sale and purchase agreements (the “**Individual Acquisition Agreements**”) on Completion relating only to the Midas Shares held by them respectively. Under the terms of each such agreement, the relevant Midas Shareholder will give warranties to the Company only in respect of their capacity to sell their shares in Midas and their authority to enter into the relevant Individual Acquisition Agreement.

Pursuant to the terms of the Principal Acquisition Agreement and the Individual Acquisition Agreements, two other Midas Shareholders are to enter into restrictive covenant deeds on Completion with the Company whereby each of the individuals will undertake not, amongst other things, to take up or hold any position or be engaged in a competing business to Midas, deal with any customer of Midas, solicit employees of Midas other than in a junior capacity or deal with any customer of Midas or IFA, PCB or other investment manager with whom Midas had dealings for periods of between two and two and a half years in the United Kingdom and Channel Islands subject to certain limited exceptions.

Pursuant to the terms of the Principal Acquisition Agreement, Midas Shareholders employed by Midas (including Simon Edwards and Alan Borrows) will give undertakings to the Company to re-invest at least 50 per cent. of the net after tax cash proceeds of the Midas Shares sold by them in the Enlarged Group’s investment funds for a minimum period of 12 months, and to continue to reinvest 25 per cent. of such proceeds in such funds for a minimum period of 24 months. Pursuant to this undertaking, a shareholder may move investments from one fund managed by the Enlarged Group to another provided that the total percentage of net cash proceeds reinvested remains above the minimum requirement.

Pursuant to the terms of the Principal Acquisition Agreement and the Individual Acquisition Agreements, each of the Midas Shareholders will enter into lock-in covenants on Completion in favour of the Company and Arbuthnot pursuant to which each of the individuals will undertake not to dispose of or transfer any Consideration Shares for a period of 12 months from Admission and, thereafter, not to dispose of or transfer more than 25 per cent. of the Consideration Shares in which they are interested prior to the second anniversary of Admission. These restrictions are subject to certain exceptions including, amongst others, the

right to dispose of an interest for the purpose of giving an irrevocable undertaking to accept an offer for the entire issued share capital of the Company, the right to dispose of an interest pursuant to a buy-back of shares by the Company and the right to dispose of an interest to satisfy a claim made pursuant to the Acquisition Agreements. The Company and Arbuthnot may waive any of these restrictions provided that any such sale must be effected through Arbuthnot if the terms offered are not materially less than would be received by the individual on normal market terms.

8.1.1.2 Pursuant to a placing agreement dated 12 February 2008 between the Company, the Directors, the Proposed Directors and Arbuthnot, Arbuthnot has agreed to use reasonable endeavours to procure subscribers for the Placing Shares under the Placing in accordance with the Placing Agreement. In consideration for its services under the Placing Agreement, Arbuthnot will be paid:

- (i) a corporate finance fee up to a maximum of £150,000; and
- (ii) a commission equal to 2.5 per cent. of the gross proceeds of the Placing.

The Company will pay all other costs, charges and expenses of, or incidental to, the issue of the Placing Shares, including the fees of the London Stock Exchange, printing costs, registrars' fees, the Company's legal expenses and Arbuthnot's legal and out-of-pocket expenses. The Placing Agreement, which contains certain warranties by the Company, the Directors and the Proposed Directors in favour of Arbuthnot, is conditional, among other things, on:

- (a) the Acquisition Agreements having become unconditional in all respects (save for (i) satisfaction of the consideration, (ii) any condition relating to the Placing Agreement and (iii) Admission) and not having been terminated;
- (b) the passing of the Resolutions;
- (c) Admission becoming effective on or before 8.00 a.m. on, or before 14 March 2008 (or such later date as Arbuthnot may agree).

The Company has given an indemnity to Arbuthnot in relation to, *inter alia*, losses which Arbuthnot may suffer or incur in connection with or arising out of the Placing.

Arbuthnot may terminate the Placing Agreement if, amongst other things, the Company or the Directors or Proposed Directors fail in any material respect to comply with any of their obligations thereunder or any of the warranties contained in the Placing Agreement ceases to be true and not misleading at any time prior to Admission.

Arbuthnot may also terminate the Placing Agreement up to the time of Admission if, amongst other things, an event occurs, or if there is a change in national or international financial, monetary, economic, political or market conditions, which in Arbuthnot's reasonable opinion is or may be materially prejudicial to the Company, the Placing, the acquisition of Placing Shares by placees or Admission. Pursuant to a separate agreement dated 7 January 2008 between the Company and Arbuthnot, Arbuthnot has agreed to act as nominated adviser and broker to the Company in relation to the Acquisition, Placing and Admission.

8.1.1.3 Pursuant to an agreement dated 12 February 2008 made between the Company and Arbuthnot, Arbuthnot has agreed to act as nominated adviser and broker to the Company following completion of the proposed Acquisition and Admission (the "**Nominated Adviser and Broker Agreement**"). As nominated adviser, Arbuthnot shall provide, amongst other things, advice and guidance to the directors of the Company as to their responsibilities and obligations to ensure compliance by the Company on an ongoing basis with the rules of the London Stock Exchange governing admission to and the operation of AIM. As broker, Arbuthnot has agreed, among other things, that its research team will cover the Company and publish written reports on the Company at least annually and its institutional sales department will maintain regular contact with the Company's institutional investors. The Company has agreed to comply at all times with all applicable legal and regulatory requirements, to notify Arbuthnot of, and to consult with Arbuthnot regarding, certain matters and to provide Arbuthnot with information required by Arbuthnot to perform its roles as nominated adviser and broker. The Nominated Adviser and Broker Agreement is terminable upon not less than 30 days notice, following 12 months from the date of the agreement, to be given by Arbuthnot or the Company to the other. The Nominated Adviser and Broker Agreement also contains provisions for early termination in certain circumstances including: if Admission does not take place on or before 31 March 2008; if the Company fails to comply with its obligations under the agreement; or if the Company or any material subsidiary is subject to insolvency proceedings or otherwise becomes insolvent. Arbuthnot is entitled to be paid an annual fee of £50,000. The Company has given an indemnity to Arbuthnot in relation to the provision by Arbuthnot of its services under the Nominated Adviser and Broker Agreement.



8.1.1.4 Pursuant to a facilities agreement (the “**Facilities Agreement**”) dated 12 February 2008 between the Bank of Scotland as arranger, original bank and agent (the “**Agent**”) and the Company, subject to the satisfaction of the conditions precedent specified in the Facilities Agreement, the Bank will provide £40.0 million in two facilities to the Company. These two facilities are to assist the Company to finance the costs of acquiring Midas and may be summarised as follows:

- (i) A term loan facility of £35.0 million (“**Facility A**”) repayable in full on or before the date which is 60 months after Completion. Interest on amounts outstanding under Facility A will be charged at a rate of 2.75 per cent. per annum plus LIBOR and mandatory costs.
- (ii) A term loan facility of £5.0 million (“**Facility B**”) repayable in full on or before the date which is 60 months after Completion. Interest on amounts outstanding under Facility B will be charged at a rate of 3.25 per cent. per annum plus LIBOR and mandatory costs.

Key terms of the Facilities Agreement include the following:

(a) *Amortisation*

Amounts borrowed under Facility A and Facility B (together, the “**Facilities**”) will be repaid in six month instalments, commencing from the date six months after Completion. The amortisation payments for repayments for Facility A increase over time, whereas the amortisation repayments for Facility B do not increase.

(b) *Mandatory Prepayment*

The Facilities must be prepaid if any person or group of persons acting in concert acquire 50 per cent. or more of the issued share capital of the Company or control of the Company (including, *inter alia*, the ability to control the casting of more than 50 per cent. of the votes of the Company). Upon the occurrence of a change of control, a lender shall not be obliged to fund a utilisation under the Facilities Agreement and, if it so requires, may cancel its commitment and declare its participation in all outstanding utilisations, together with accrued interest and fees and all other amounts accrued under the Facilities Agreement and related finance documents, immediately due and payable;

In addition, certain proceeds (above agreed thresholds) of any disposal, insurance claim, acquisition and claims against the Vendors settled in cash are to be used to prepay the Facilities. 50 per cent. of any excess cash flow (above £250,000) in any financial year is to be used to prepay amounts outstanding under Facility A.

(c) *Voluntary Prepayment*

The Facilities Agreement permits the Company to prepay loans in whole or in part upon five business days’ written notice, subject to the payment of break costs if the prepayment occurs during an interest period.

(d) *Representations and Warranties*

The Facilities Agreement contains representations and warranties that are customary for this type of agreement (including status, power and authority, no default, authorisations, no misleading information, financial statements, no litigation, good title to assets and tax) which are deemed to be repeated by the Company on the date of each utilisation request, on the date of any such utilisation and on the first day of each interest period under the Facilities Agreement.

(g) *Covenants*

The Facilities Agreement contains certain financial covenants. The Company must ensure that, on a consolidated basis, the Enlarged Group does not exceed or fall below certain financial ratios, including a ratio of interest payable to EBITA and a ratio of net debt to EBITDA. In addition, the Company must ensure that the Enlarged Group maintains a total value of FuM&A of at least £2.1 billion. Compliance with these covenants will be tested on an ongoing basis against the Company’s latest consolidated financial statements and/or compliance statements on a rolling 12-month basis.

The Facilities Agreement also contains general positive and negative covenants that are customary for this type of agreement. These include restrictions on the ability of members of the iMO Group to, amongst other things, acquire shares, dispose of assets, raise capital, make investments, grant security, pay dividends or interest on any loan stock or similar instruments other than as permitted in the Facilities Agreement. The Company is permitted to pay dividends for so long as there are no continuing defaults under the Facilities Agreement.

A violation of any of these provisions may in certain circumstances constitute an event of default under the Facilities Agreement. If an event of default were to occur and be continuing (after the expiry of any applicable grace period), the amounts outstanding

under the Facilities Agreement (including accrued interest and all other amounts accrued thereunder) would immediately become due and payable if demanded by the Agent. The Agent is further entitled to accelerate the Facilities and cancel commitments thereunder upon the occurrence of certain other events (i.e. the mandatory prepayment and illegality provisions of the Facilities Agreement).

The Agent is entitled to an arrangement fee of 1.75 per cent. of the value of the Facilities, 50 per cent. of which was payable on entering into the Facility Agreement and the balance of which is payable on 14 March 2008 or, if earlier, the date of Admission.

(h) *Consent of Lenders*

Certain terms of the Facilities Agreement may be amended or waived with the consent of lenders representing 66 per cent. of the commitments thereunder and the Company. Other changes cannot be made without the consent of all of the lenders under the Facilities Agreement and the Company and these include changes to the borrower, changes to the margin, an increase in a commitment or extension of the term of the Facilities and changes to the Intercreditor Agreement.

Pursuant to an intra-group loan agreement (the "**Intra Group Loan Agreement**") to be entered into on Completion between the Company, Midas and certain other members of the iMO Group the Company is a borrower and a lender. Under the terms of the Intra Group Loan Agreement, *inter alia*, Midas makes a £50.0 million loan facility available to the Company in order to assist the Company to meet its payment obligations under the Facilities Agreement.

Pursuant to an intercreditor deed (the "**Intercreditor Agreement**") to be entered into on Completion between the Company, Midas and the Agent (among others), the intra-group debt claims of members of the Enlarged Group, among other things, are regulated.

8.1.1.5 Pursuant to an engagement letter dated 10 December 2007, Intelli has agreed to act as financial adviser to the Company in connection with the Acquisition in consideration for which the Company shall pay Intelli a monthly retainer fee of £50,000 for the period from 1 November 2007 to 30 April 2008 (or, if earlier, Completion) together with a success fee of £1,000,000 (inclusive of the retainers) on Completion.

8.1.1.6 Pursuant to an agreement dated 10 September 2007 between the Company, Scott Macgibbon Campbell, Joanne Baynham and the shareholders of MitonOptimal Group Limited (the "**Vendors**"), the Company acquired the entire issued share capital of MitonOptimal Group Limited. The consideration payable for the acquisition comprised cash as to £1,952,723 and 6,622,851 new Ordinary Shares.

Under the terms of the agreement, the Vendors gave warranties and indemnities which were normal for this type of transaction. No claim can be made under the warranties (subject to limited exceptions including those warranties relating to tax) after 31 May 2009, and no amount is payable until a threshold of £10,000 is reached. Claims under the tax warranties must be made by 10 September 2014.

8.1.1.7 Pursuant to an agreement dated 30 July 2007 between the Company and the shareholders of John K Miln (the "**Vendors**"), the Company acquired the entire issued share capital of John K Miln. The consideration payable for the acquisition comprised cash, shares and loan notes not exceeding £1,900,000 together with an earn-out of up to £351,350 payable upon the expiry of the earn-out period in July 2010.

Under the terms of the agreement, the Vendors gave warranties and indemnities which were normal for this type of transaction. No claim can be made under the warranties (except those relating to tax) after 30 July 2010, and no amount is payable until a threshold of £50,000 is reached. Claims under the tax warranties must be made by 30 July 2014.

8.1.1.8 Pursuant to an agreement dated 16 June 2006 between the Company, Capita Financial Group Limited ("**Capita**"), Exeter Investment Group plc and 23 Cathedral Yard Limited (the "**Vendors**"), Capita acquired the entire issued share capital of Sinclair Henderson Limited and Sinclair Henderson Fund Administration Limited (together, "**Sinclair Henderson**") from the Vendors and the Company agreed to guarantee to Capita the performance by the Vendors of all their liabilities as if it were the principal obligor.

The initial consideration paid for the acquisition was £10,500,000. A deferred consideration equal to 1.25 times the Sinclair Henderson income for the two periods to 6 June 2008 is also payable, subject to a total deferred consideration maximum payment of £1,500,000.

Under the terms of the agreement, the Vendors gave warranties which were normal for this type of transaction. No claim can be made under the warranties (subject to limited exceptions including those warranties relating to tax) after 31 March 2008, and no amount is payable until a threshold of £150,000 is reached. Claims under the tax warranties must be made by 6 June 2012.

- 8.1.2 Save as disclosed in paragraph 8.1.1 of this Part 6, no member of the Existing Group has:
- (i) entered into any material contract (not being a contract entered into in the ordinary course of business) in the two years immediately preceding the date of this document; or
  - (ii) entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which any member of the Existing Group has any obligation or entitlement which is material to the iMO Group as at the date of this document.

## 8.2 *Midas*

Midas has not:

- (i) entered into any material contract (not being a contract entered into in the ordinary course of business) in the two years immediately preceding the date of this document; or
- (ii) entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which Midas has any obligation or entitlement which is material to the Company as at the date of this document.

## 9. **Litigation**

### 9.1 *Existing Group*

Save as disclosed in paragraph 12 of Part 2 of this document, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period of 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the Existing Group's financial position or profitability.

### 9.2 *Midas*

Save as disclosed in paragraph 12 of Part 2 of this document, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period of 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on Midas' financial position or profitability.

## 10. **Significant Changes**

### 10.1 *Existing Group*

Save as disclosed in this document, there has been no significant or material change in the financial or trading position of the iMO Group since 30 June 2007 (being the end of the last period for which unaudited financial information on the iMO Group has been published).

### 10.2 *Midas*

Save as disclosed in this document, there has been no significant change in the financial or trading position of Midas since 30 September 2007 (being the end of the last period for which unaudited financial information on Midas has been published).

## 11. **Working Capital**

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, that, taking into account the Existing Group's and Midas available cash resources, the bank facilities that are to be made available to the Enlarged Group and the net proceeds of the Placing, the Enlarged Group has sufficient working capital available to it for its present requirements, that is, for at least the next 12 months from the date of Admission.

## 12. Investment Performance of the Enlarged Group's UK Open-ended Funds

Fund	Performance to 31 January 2008 – Return (%) <sup>1</sup>						
	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	Since Launch
CF iimia							
Accelerated	(6.9)	(11.4)	(11.4)	(8.6)	24.7	–	112.5
Growth	(6.1)	(8.7)	(6.7)	(3.0)	30.1	–	31.7
Growth & Income	(5.9)	(8.4)	(7.1)	(3.5)	34.3	–	35.8
Income	(3.4)	(4.5)	(2.4)	1.3	31.8	–	32.1
CF Midas							
Balanced Growth	(5.3)	(9.0)	(8.3)	(4.9)	30.2	116.6	66.0
Balanced Income	(4.2)	(6.6)	(6.8)	(5.0)	21.6	83.9	53.4
CF Miton							
Arcturus Fund	(2.9)	(3.0)	(1.0)	1.6	–	–	3.8
Cautious Income Portfolio	(5.4)	(7.6)	(5.1)	(5.4)	17.8	57.7	30.2
Global Portfolio	(8.0)	(11.3)	(6.7)	(0.8)	35.1	103.5	62.7
Strategic Portfolio	(0.2)	0.2	4.5	6.2	21.5	60.1	96.2
Special Situations Portfolio	(0.3)	(0.3)	3.9	8.5	43.8	128.4	211.9

Fund	Performance to 31 January 2008 – Quartile/Decile Ranking in Relevant IMA Sector <sup>1</sup>						
	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	Since Launch
CF iimia							
Accelerated <sup>4</sup>	2nd	3rd	4th	4th	4th	–	1st
Growth <sup>4</sup>	1st	2nd	3rd	3rd	3rd	–	3rd
Growth & Income <sup>3</sup>	2nd	2nd	4th	3rd	1st	–	1st
Income <sup>2</sup>	2nd	2nd	2nd	1st	1st <sup>5</sup>	–	1st <sup>5</sup>
CF Midas							
Balanced Growth <sup>3</sup>	1st	2nd	4th	3rd	2nd	1st <sup>5</sup>	1st <sup>5</sup>
Balanced Income <sup>2</sup>	3rd	3rd	4th	3rd	1st	1st	1st <sup>5</sup>
CF Miton							
Arcturus <sup>2</sup>	1st	1st	1st	1st	–	–	1st
Cautious Income Portfolio <sup>2</sup>	4th	4th	4th	3rd	2nd	2nd	3rd
Global Portfolio <sup>4</sup>	3rd	3rd	3rd	2nd	2nd	2nd	1st
Strategic Portfolio <sup>3</sup>	1st <sup>5</sup>	1st <sup>5</sup>	1st <sup>5</sup>	1st <sup>5</sup>	4th	4th	1st
Special Situations Portfolio <sup>3</sup>	1st <sup>5</sup>	1st <sup>5</sup>	1st <sup>5</sup>	1st <sup>5</sup>	1st <sup>5</sup>	1st <sup>5</sup>	1st <sup>5</sup>

### Notes:

<sup>1</sup> Source: Financial Express, return on an investment expressed as a percentage, UK sterling, NAV-NAV, net income reinvested.

<sup>2</sup> IMA sector – cautious managed.

<sup>3</sup> IMA sector – balanced managed.

<sup>4</sup> IMA sector – active managed.

<sup>5</sup> Decile ranking.

## 13. United Kingdom Taxation

The following comments are intended as a general guide only and are based on current United Kingdom legislation and HMRC practice as at the date of this document. Except where the position of non-United Kingdom resident Shareholders is expressly referred to, these comments deal only with the position of Shareholders who are resident in the United Kingdom for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. They do not deal with the position of certain classes of Shareholders, such as dealers in securities.

### 13.1 Dividends

Under current United Kingdom tax legislation, no amounts in respect of tax will be withheld at source from dividend payments made by iMO.

Where iMO pays a dividend, a holder of an Ordinary Share who is an individual resident (for tax purposes) in the United Kingdom and who receives that dividend will be entitled to a tax credit equal to one ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit, which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the dividend, unless and except to the extent that the dividend and the related tax credit fall above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the dividend and the related tax credit of an amount determined by applying the "dividend upper rate", which is 32.5 per cent., to the dividend plus tax credit and then deducting the tax credit from that sum. So, for example, a dividend of £80 will carry a tax credit of £8.89 (one ninth of £80) and to the extent that the dividend and the related tax credit fall above the threshold for the higher rate of income tax, the income tax payable on the

dividend of £80 plus tax credit of £8.89, namely £28.89, less the tax credit of £8.89, leaving a net tax charge of £20. There will be no payment of the tax credit or any part of it to an individual whose liability to income tax on the dividend and the related tax credit is less than the tax credit.

UK pension funds and charities are generally not taxed on the receipt of dividends and will generally not be entitled to claim payment of the tax credit in respect of dividends paid by iMO.

Subject to certain exceptions for traders of securities and others, a corporate holder of Ordinary Shares that is resident for tax purposes in the United Kingdom and that receives a dividend paid by iMO will not be taxable on the receipt of the dividend but will not be entitled to the payment of any tax credit with respect to the dividend.

Whether a holder of Ordinary Shares who is resident for tax purposes in a country other than the United Kingdom is entitled to a tax credit in respect of dividends received from iMO and to claim payment of any part of that tax credit will depend on the provisions of any double taxation convention or agreement which may exist between that shareholder's country of residence and the United Kingdom. A non-United Kingdom resident holder of Ordinary Shares may be subject to foreign taxation on dividend income in its country of residence.

### 13.2 *Chargeable Gains*

For the purposes of United Kingdom taxation on chargeable gains, a disposal of Ordinary Shares by a holder of Ordinary Shares resident for tax purposes in the United Kingdom or a holder of Ordinary Shares that carries on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment may, depending on the holder's circumstances and the application of various possible reliefs, give rise to a chargeable gain or allowable loss.

### 13.3 *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No liability to stamp duty or SDRT will generally arise on the allotment and issue of Ordinary Shares.

The conveyance or transfer on sale of Ordinary Shares will usually be subject to *ad valorem* stamp duty, normally at the rate of 0.5 per cent., rounded-up if necessary to the nearest multiple of £5, of the amount or value of the consideration paid. Stamp duty is normally paid in practice by the purchaser. A charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid for the Ordinary Shares will arise in relation to an unconditional agreement to transfer Ordinary Shares. However, if within six years of the date of the agreement (or, if the agreement was conditional, the date the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and that instrument is duly stamped, this will cancel, or give rise to a repayment in respect of, the SDRT liability. SDRT is specifically the liability of the purchaser.

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate than mentioned above or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

In particular, special rules apply to agreements made by market intermediaries, to certain sale and re-purchase and stock borrowing arrangements and to arrangements involving CREST, clearance services or depositary receipts.

**If you are in any doubt as to your tax position or if you require more detailed information than that outlined above, you should consult an appropriate professional adviser immediately.**

## 14. General

- 14.1 The total expenses of or incidental to the Acquisition (including stamp duty), the Placing, the preparation and circulation of this document and Admission, which are payable by iMO and Midas, are estimated to amount to approximately £2.8 million (including VAT). This amount excludes the fee (excluding VAT) payable to Intelli, a subsidiary of the Company, pursuant to the engagement letter referred to in paragraph 8.1.1.5 of this Part 6 as such fee will be eliminated in the Company's consolidated accounts.
- 14.2 The Existing Ordinary Shares are, and the New Ordinary Shares will be, in registered form and capable of being held in both certificated and uncertificated form.
- 14.3 The currency of the Placing is pounds sterling.
- 14.4 The Existing Ordinary Shares and the New Ordinary Shares will be admitted to trading only on AIM. No application is being made for the Existing Ordinary Shares or the Enlarged Share Capital to be admitted to the Official List or to listing or trading on any stock exchange other than AIM.
- 14.5 Arbuthnot has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 14.6 Baker Tilly Corporate Finance LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and the references to such report and to its name in the form and context in which they are included.

- 14.7 Colin Rutherford, who will be appointed as non-executive Chairman of the Board on Completion, is entitled to an annual fee of £20,000 pursuant to a consultancy agreement entered into with the Company on its acquisition of Intelli on 29 September 2005 (that consultancy agreement will be terminated with effect from Completion). Save for that agreement and as set out in paragraph 8.1.1 of this Part 6, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- (i) received, directly or indirectly, from iMO or Midas within the 12 months preceding the expected date of application for Admission; or
  - (ii) entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from iMO or Midas on or after Admission:
- any of the following:
- (a) fees totalling £10,000 or more;
  - (b) securities in iMO with a value of £10,000 or more calculated by reference to the expected opening price of the Ordinary Shares on Admission; or
  - (c) any other benefit with a value of £10,000 or more at the expected date of Admission.
- 14.8 Save as disclosed in this document, the Directors and Proposed Directors are not aware of any exceptional factors which will influence the Enlarged Group's activities.
- 14.9 Where information in this document has been sourced from third parties, such information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.10 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 14.11 The Company has made statements in Part 1 of this document regarding the Company's competitive position on the basis of its knowledge of the industry in which it operates and communications with customers of the Company.
- 14.12 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 14.13 There have been no public takeover bids by third parties in respect of the Existing Ordinary Shares.

## 15. Availability of this AIM Admission Document

Copies of this document are available free of charge from:

- (i) the Company's registered office;
  - (ii) the offices of Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR; and
  - (iii) the offices of Taylor Wessing LLP, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX;
- during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until one month after the date of Admission.

An electronic copy of this document is also available from the Company's website: [www.imopl.c.co.uk](http://www.imopl.c.co.uk).

**NOTICE OF GENERAL MEETING  
OF  
iimia MITONOPTIMAL PLC**

**NOTICE IS HEREBY GIVEN** that a general meeting of iimia MitonOptimal plc (the “**Company**”) will be held at the offices of Taylor Wessing LLP, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y ODX, on Thursday, 6 March 2008 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolutions 3, 4 and 5 will be proposed as special resolutions.

**ORDINARY RESOLUTIONS**

1. THAT the acquisition by the Company of the whole of the issued share capital of Midas Capital Partners Limited on the terms of a sale and purchase agreement dated 12 February 2008 made between certain shareholders of Midas Capital Partners Limited and the Company and the individual sale and purchase agreements to be entered into between the other shareholders of Midas Capital Partners Limited and the Company (collectively, the “**Acquisition Agreements**”) and as summarised in a circular to the Company’s shareholders dated 12 February 2008 which contains the notice convening this meeting (the “**Circular**”) be and is hereby approved in accordance with the rules published by the London Stock Exchange governing admission to and operation of the AIM market and that the directors of the Company be and are hereby authorised to take all such steps on behalf of the Company as are necessary or in their opinion desirable to effect such acquisition.
2. THAT, conditionally upon the passing of resolution 1 above and in substitution for all such authorities previously granted, the directors of the Company be and are hereby authorised for the purposes of section 80 of the Companies Act 1985 (the “**1985 Act**”) to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in section 80(2) of the 1985 Act) of the Company generally on such terms and conditions as the directors of the Company may determine provided that such authority shall be limited to:
  - (i) the allotment of 27,500,129 new ordinary shares of 10p each in the capital of the Company to such persons as may be entitled to receive relevant securities under the terms of the Acquisition Agreements in connection with the acquisition by the Company of the whole of the issued share capital of Midas Capital Partners Limited, such authority to expire on 30 June 2008;
  - (ii) the allotment of 7,000,000 new ordinary shares of 10p each in the capital of the Company to such persons as may be entitled in connection with the Placing (as defined in the Circular), such authority to expire on 30 June 2008; and
  - (iii) otherwise than as referred to in sub-paragraphs (i) and (ii) of this resolution, the allotment of relevant securities up to an aggregate nominal amount of £1,910,000 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on 6 June 2009 or at the conclusion of the next annual general meeting of the Company, whichever first occurs;

but so that, in any such case, the Company is able before such expiry to make an offer or agreement which would or might require relevant securities to be allotted after expiry of such authority and the directors of the Company will be authorised to allot relevant securities in pursuance of that offer or agreement notwithstanding that such authority has expired.

**SPECIAL RESOLUTIONS**

3. THAT, conditionally upon the passing of resolutions 1 and 2 above and in substitution for all such powers previously granted, the directors of the Company be and they are hereby generally given power for the purposes of section 95 of the 1985 Act to allot equity securities (as defined in section 94 of the 1985 Act) pursuant to the authorities conferred by resolution 2 above as if section 89(1) of the 1985 Act did not apply to any such allotment provided that such power shall be limited to:
  - (i) the allotment of 27,500,129 new ordinary shares of 10p each in the capital of the Company to such persons as may be entitled to receive relevant securities under the terms of the Acquisition Agreements in connection with the acquisition by the Company of the whole of the issued share capital of Midas Capital Partners Limited, such power to expire on 30 June 2008;
  - (ii) the allotment of 7,000,000 new ordinary shares of 10p each in the capital of the Company to such persons as may be entitled in connection with the Placing (as defined in the Circular), such power to expire on 30 June 2008; and
  - (iii) otherwise than as referred to in sub-paragraphs (i) and (ii) of this resolution, the allotment of equity securities up to an aggregate nominal amount of £287,000 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on 6 June 2009 or at the conclusion of the next annual general meeting of the Company, whichever first occurs;

but so that, in any such case, the Company is able before such expiry to make an offer or agreement which would or might require equity securities to be allotted after expiry of such power and the directors of the Company will have power to allot relevant securities in pursuance of that offer or agreement notwithstanding that such power has expired.

4. THAT the articles of association set out in the document produced to the meeting (and, for the purpose of identification initialled by the chairman of the meeting) be and are hereby approved and adopted as the articles of association of the Company in substitution for and to the exclusion of all existing articles of association of the Company.
5. THAT, conditionally upon the passing of resolutions 1, 2 and 3 above, the name of the Company be changed to Midas Capital plc.

By order of the Board

Company Secretary  
Roger Bennett

Registered Office  
23 Cathedral Yard  
Exeter EX1 1HB

12 February 2008

**Notes:**

1. *At the date of this notice, the issued share capital of the Company was 22,824,041 ordinary shares of 10p each and the total number of voting rights was 22,824,041.*
2. *Only holders of Ordinary Shares are entitled to attend and vote at the General Meeting. A member entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the General Meeting.*
3. *A Form of Proxy is provided with this notice and instructions for use are shown on the form. To be effective, the completed Form of Proxy must be deposited with the Company's registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time fixed for holding the General Meeting together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a materially certified or office copy of such power or authority.*
4. *A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.*
5. *The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 10.00 a.m. on Tuesday, 4 March 2008 shall be entitled to attend and vote at the General Meeting in respect of such number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after 10.00 a.m. on Tuesday, 4 March 2008 shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.*
6. *CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service should also note the following paragraphs.*
7. *In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in paragraph 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.*
8. *CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.*
9. *The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the CREST Regulations.*