24 September 2012

MAM FUNDS PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

MAM Funds plc ('MAM' or 'the Group'; ticker: MMF.L), the AIM quoted fund management group, today announces its half year results for the six months ended 30 June 2012.

Financial Highlights

- Assets under management of £1.72bn as at 30 June 2012 (31 December 2011: £1.67bn) increased by +3.5%
- Third consecutive quarter of net inflows
- Adjusted profit* before tax increased to £2.0m (2011: £1.9m) +5.3%
- Statutory profit before tax of £0.5m following a loss in the first half of 2011 of £0.2m
- Cashflow of £1.6m generated before interest and tax in the first half
- Total cash balances of £10.3m as at 30 June 2012 after paying a dividend of £0.5m in May, the first in four years
- Adjusted earnings per share* of 1.27p (2011: 1.38p); statutory earnings per share of 0.44p (2011: 0.26p)

Operating Highlights

- Two thirds of our funds were ranked either first or second quartile against their respective peer groups over the first six months of the year
- Since the half year end, investors have increased their support of the Diverse Income Investment Trust PLC with a C share issue following on from its April 2011 IPO, taking the Trust to in excess of £80m
- Since the half year end, the appointment of Nick Ford to the investment team, as our Fund Manager for US Equities, will enable the launch of a distinct new fund to grow and diversify assets under management
- George Godber and Georgina Hamilton will also be joining towards the end of the year to further expand our UK equity offering

Current Trading

- Assets under management increased to £1.75bn as at 31 August 2012.

* Adjusted numbers are stated before amortisation and exceptionals.

Ian Dighé, Executive Chairman of MAM Funds, commented:

"MAM has had an active first half and has been both profitable and cash generative. There were further net inflows of funds during the period. We are planning to invest in growth initiatives and in our fund management capabilities, having scaled up our marketing team during the period.

"We have had an encouraging start to the second half of this year. We have increasing confidence in the quality of our business and in our ability to grow the Group. Notwithstanding market conditions, we are trading in line with our expectations and are ready to step up the investment in and the trajectory of the business".

There will be a presentation to analysts at 9.30am today at the Peel Hunt Offices, Moor House, 120 London Wall, EC2Y 5ET . To register your attendance please contact Rosa Smith at MHP Communications on 0203 128 8560 or rosa.smith@mhpc.com

For further information, please contact:

MAM Funds plc	
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Notes to Editors

MAM Funds plc (MAM) is an AIM-quoted leading specialist fund manager, incorporating Miton Asset Management Limited and Midas Capital Partners Limited fund brands. Both companies are wholly owned subsidiaries of MAM.

Under the leadership of Gervais Williams, Managing Director and Fund Manager, the Group's fund management teams have a wealth of experience and are recognised for their innovative investment processes and performance. They invest in their own funds and are significant shareholders in the Group. MAM has offices in Reading, Liverpool and London.

MAM is a trading name of Miton Asset Management Limited (reg. no.1949322) and Midas Capital Partners Limited (reg. no. 4325961) each incorporated and registered in England and Wales (with their registered offices at 10-14 Duke Street, Reading, Berks. RG1 4RU) and each is authorised and regulated by the Financial Services Authority.

www.mamfundsplc.com

Chairman's Statement

Introduction

I am pleased to report that MAM Funds has had an active first half. There were further net inflows of funds during the period and trading was cash generative and profitable and in line with our expectations. In the second half we will be moving to enhance growth with further initiatives, having scaled up our marketing capability over the last twelve months. We anticipate attracting further talented fund managers and launching distinct new funds to supplement growth in our underlying assets under management.

Our success will be based upon:

- good investment performance
- managed volatility
- rigorous compliance; and
- deepening client relationships.

The first six months of the year were marked by progress in these areas against a backdrop of difficult market conditions. Two thirds of our funds were ranked either first or second quartile against their respective peer groups over the first six months of the year.

Our first single strategy fund - the Acuim UK Multi Cap Income Fund - was launched in October 2011 with a fundamental proposition that is significantly different from, but complementary to, more mainstream large cap income funds. Since launch the fund has outperformed the sector average as well as offering markedly less volatility. The fund has reached £30m in assets just after the period end including the transfer of £5.8m of assets following the merger with another of our funds.

Financial Results

- Over the six months to 30 June 2012 assets under management increased by £58m (3.5%) and included our third consecutive quarter of net inflows.

- Assets under management averaged £1,695m over the period versus £1,682m in the first half of last year.

	Six months to 30 June 2012 £m	Six months to 30 June 2011 £m	Year to 31 December 2011 £m
Net revenues	**5.6**	5.6	11.2
Administrative expense	**(3.2)**	(3.2)	(6.7)
Share based payment	**(0.4)**	(0.3)	(0.7)
Net interest	**-**	(0.2)	(0.2)
Adjusted Profit	**2.0**	1.9	3.6
Exceptional charges	**-**	(0.6)	(1.0)
Amortisation	**(1.5)**	(1.5)	(3.0)
Profit /(loss) before Tax	**0.5**	(0.2)	(0.4)

- Adjusted Profit is our key financial measure since this reflects the underlying cash generation of the business. In the first half of 2012 Adjusted Profit increased by 5.3% over the same period for last year to £2.0m with all debt having been repaid in 2011.
- Last year's first half statutory loss before tax of £0.2m has been turned into a profit before tax of £0.5m in the first half of this year.
- The Group generated cashflow of £1.6m from operations in the first six months with total cash balances of £10.3m at the end of the period after paying out a dividend of £0.5m in May, the first in four years. There is no interim dividend declared, in line with our current policy to recommend a dividend in respect of the year as a whole – next payable in May 2013.

Sales and Marketing

Over the last year we have scaled up our marketing team who, we believe, are now punching well above their weight in achieving significant and consistent exposure for our funds. The sales team is broadening its expertise beyond its multi-asset specialisation to sell single strategy funds such as the Acuim UK Multi Cap Income fund. The result has been a widening of our client list, which bodes well for future fund launches and our overall growth.

We continue to grow our distribution capability through building specific attributes into our Customer Relationship Management (CRM) systems, adding more value for clients through email communication and exploring new market trends through the media. We have managers with sufficient reputations and profiles to attract large audiences at roadshow presentations thoughout the country. We are very pleased with the progress made in growing the new Acuim fund to £30m in less than nine months in challenging market conditions**.**

Fund Flows

The table below illustrates the flow of funds for the Group in the first half:

Assets Under Management:

	Opening AUM 1 Jan 2012 £m	Inflows £m	Outflows £m	Net Flows £m	Other Including markets £m	**Unaudited Closing AUM 30 June 2012 £m**
Funds	1,457	236	(202)	34	18	1,509
Investment trusts	127	-	-	-	3	130
Other	82	-	(1)	(1)	4	85
Total	1,666	236	(203)	33	25	1,724

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Fund Range

We believe that our distinctive investment philosophy is particularly well suited to post credit boom conditions. Our funds are typically benchmark agnostic and we actively manage fund volatility. With this in mind, our fund range has been developed over the last six months to more appropriately meet our clients' requirements:

- In May we launched the Miton Global Diversified Income OEIC, a new global, multi-asset income fund managed by James Sullivan and Martin Gray. This fund builds on the investment strategy of Miton Strategic and Special Situations but will attract a different client base given its aim to pay a 4% yield.
- Two funds with less than £20m of assets have been merged into funds with lower costs and mandates with more attractive prospects.
- Under the leadership of Simon Callow, with deputy manager Mark Wright, the CF Midas Balanced Growth Fund has changed significantly. Their focus on increasing liquidity and reducing risk within the portfolio is bearing fruit. The fund was top quartile in the three years to 30 June both in terms of performance and in terms of lower volatility within the sector.
- CF Miton Arcturus, an existing fund with low volatility, consistent positive returns and competitive fees will be relaunched in the fourth quarter.
- In preparation for the requirements of the Retail Distribution Review, we were one of the first to launch new, non-trail commission share classes across our product range earlier this year.

Later this year we aim to launch a UK Smaller Companies Fund co-managed by Gervais Williams and Martin Turner. It will capitalise on their experience in smaller companies and focus on the scope for these stocks to deliver premium returns in the coming years.

With the repositioning of our fund offering to address client demand we are planning to unify under a single brand in early 2013.

Business Development

We are attracting the interest of individual fund managers and teams given our strong sales channel and our enthusiasm for building out our range of single strategy funds. The criteria we apply in discussions to partner with such individuals are the potential to attract assets and generate decent profits, the strength and relevance of a new investment proposition to deliver in challenging market conditions and the complementary nature of the fit with our existing business philosophy.

Following the half year end, we were pleased to announce the appointment of Nick Ford to our investment team. This appointment is in line with the Group's strategy of investing in new talent that will enable us to launch distinct new funds and thereby diversify and grow assets under management. Nick will be launching a US Equity fund to focus on the considerable investment opportunities in that market. He joins from his role as Investment Director on the US and Global Desk at Scottish Widows Investment Partnership, and comes with over 20 years of experience in managing equity funds. His previous roles include co-manager of the Gartmore US Smaller Companies fund, manager of the US unit trusts for Sun Alliance and Clerical Medical, as well as working as a member of the small cap team at F&C Asset Management.

George Godber and Georgina Hamilton will also be joining at the end of the year to further expand our UK equity offering. For the last four years George was co-manager and Georgina, investment analyst, of the IM Matterley Undervalued Assets Fund.

Looking ahead

As a highly ambitious group, currently of a relatively small size compared to the behemoths of the fund management industry, we believe we have the flexibility to respond rapidly to the changing needs of investors and the fast evolving nature of the fund management sector – particularly with the new RDR rules coming into force at the end of the year.

Our prospects will be driven by building the sales of our existing funds combined with new earnings streams from the development of external opportunities. The hopper of such team building and acquisition opportunities is continuing to grow and we hope to convert more of these in the coming months and years into live business initiatives within the Group.

We have had an encouraging start to the second half of this year. We raised a further £30m for the Diverse Income Trust in very difficult market conditions in July. This was followed by the appointment of Nick Ford in early September and the more recent news of George Godber and Georgina Hamilton joining the firm. By the end of August, funds under management stood at £1.75bn.

We have increasing confidence in the quality of our business and our ability to grow the Group. Notwithstanding market conditions, we are trading in line with our expectations and are ready to step up the investment in and the trajectory of the business.

Ian Dighé
Executive Chairman
24 September 2012

Consolidated Statement of Comprehensive Income

for the period ended 30 June 2012

	Notes	**Unaudited Six months to 30 June 2012 £000**	Unaudited Six months to 30 June 2011 £000	Audited Year to 31 December 2011 £000
Revenue	2	**11,021**	10,701	21,423
Fees and commission expense		**(5,407)**	(5,119)	(10,244)
Net revenue		**5,614**	5,582	11,179
Administration expenses		**(3,214)**	(3,224)	(6,666)
Share-based payments	9	**(376)**	(296)	(701)
Amortisation		**(1,484)**	(1,485)	(2,974)
Exceptional operating expense	3	**–**	(236)	(773)
Operating profit from Continuing Operations		**540**	341	65
Exceptional loss on restructuring and financing		**–**	(325)	(325)
Finance revenue		**11**	2	3
Finance costs		**–**	(169)	(170)
Profit/(loss) for the period from Continuing Operations before taxation		**551**	(151)	(427)
Taxation		**40**	238	501
Profit for the period from Continuing Operations after taxation		**591**	87	74
Discontinued Operations				
Profit for the period from Discontinued Operations		**–**	214	243
Profit for the period attributable to equity holders of the parent		**591**	301	317

		pence	pence	pence
Earnings per share				
- Basic and diluted	5	**0.44**	0.26	0.25
Earnings per share from Continuing Operations				
- Basic and diluted	5	**0.44**	0.07	0.06

Consolidated Statement of Changes in Equity

for the period ended 30 June 2012

	Share Capital £000	Share Premium £000	Treasury Shares £000	MEI Treasury Shares £000	Warrant Reserve £000	Capital Redemption Reserve £000	Creditors Reserve £000	Retained Earnings £000	Total £000
At 1 January 2011	**70**	**24**	**(52)**	**–**	**239**	**5,527**	**799**	**28,068**	**34,675**
Profit for the period	–	–	–	–	–	–	–	301	301
Placing shares issued	61	19,939	–	–	–	–	–	–	20,000
Cost of share issue	–	(557)	–	–	–	–	–	–	(557)
Exercise of warrants	2	239	–	–	(239)	–	–	–	2
Redemption of preference shares	–	–	–	–	–	6,035	–	(6,035)	–
Sale of treasury shares	–	–	52	–	–	–	–	–	52
Shares issued to Management Equity Incentive (MEI)	13	4,283	–	(4,296)	–	–	–	–	–
Shares issued on exercise of options	–	–	–	–	–	–	–	(48)	(48)
Share-based payments	–	–	–	–	–	–	–	296	296
Deferred tax direct to equity	–	–	–	–	–	–	–	40	40
Transfer from creditors reserve	–	–	–	–	–	–	(222)	222	–
At 1 July 2011	**146**	**23,928**	**–**	**(4,296)**	**–**	**11,562**	**577**	**22,844**	**54,761**
Profit for the period	–	–	–	–	–	–	–	16	16
Cost of share issue	–	44	–	–	–	–	–	–	44
Shares issued on exercise of options	1	308	–	–	–	–	–	(248)	61
Share-based payments	–	–	–	–	–	–	–	405	405
Deferred tax direct to equity	–	–	–	–	–	–	–	8	8
Transfer from creditors reserve	–	–	–	–	–	–	(210)	210	–
At 1 January 2012	**147**	**24,280**	**–**	**(4,296)**	**–**	**11,562**	**367**	**23,235**	**55,295**
Profit for the period	–	–	–	–	–	–	–	591	591
Share-based payments	–	–	–	–	–	–	–	376	376
Deferred tax direct to equity	–	–	–	–	–	–	–	26	26
Transfer from creditors reserve	–	–	–	–	–	–	(104)	104	–
Dividends paid	–	–	–	–	–	–	–	(535)	(535)
At 30 June 2012	**147**	**24,280**	**–**	**(4,296)**	**–**	**11,562**	**263**	**23,797**	**55,753**

Consolidated Balance Sheet

as at 30 June 2012

	Notes	**Unaudited Six months to 30 June 2012 £000**	Unaudited Six months to 30 June 2011 £000	Audited Year to 31 December 2011 £000
Non-current assets				
Goodwill		**34,544**	34,544	34,544
Intangible assets		**14,559**	17,505	16,042
Property and equipment		**139**	139	148
		49,242	52,188	50,734
Current assets				
Trade and other receivables		**1,929**	1,552	1,589
Income tax receivables		**–**	503	60
Cash and cash equivalents	6	**10,319**	9,251	9,941
		12,248	11,306	11,590
Total assets		**61,490**	63,494	62,324
Current liabilities				
Trade and other payables		**1,169**	1,310	1,583
Income tax payable		**567**	1,874	446
Provisions	7	**828**	1,160	1,332
		2,564	4,344	3,361
Non-current liabilities				
Deferred tax liabilities		**3,173**	4,259	3,651
Provisions	7	**–**	130	17
		3,173	4,389	3,668
Total liabilities		**5,737**	8,733	7,029
Net assets		**55,753**	54,761	55,295
Equity				
Share capital	8	**147**	146	147
Share premium		**24,280**	23,928	24,280
MEI treasury shares	8	**(4,296)**	(4,296)	(4,296)
Capital redemption reserve		**11,562**	11,562	11,562
Creditors reserve	6	**263**	577	367
Retained earnings		**23,797**	22,844	23,235
Total equity		**55,753**	54,761	55,295

Consolidated Statement of Cash Flows

for the period ended 30 June 2012

	Notes	**Unaudited Six months to 30 June 2012 £000**	Unaudited Six months to 30 June 2011 £000	Audited Year to 31 December 2011 £000
Operating activities				
Profit for the period		**591**	301	317
Adjustments to reconcile profit to net cash flow from operating activities				
Tax on Continuing Operations		**(40)**	(238)	(501)
Net finance (revenue)/cost		**(11)**	167	167
Depreciation		**29**	32	77
Amortisation of intangible assets		**1,484**	1,485	2,974
Share-based payments		**376**	296	701
Decrease/(increase) in trade and other receivables		**152**	(27)	(64)
Decrease in trade and other payables		**(482)**	(1,256)	(939)
Movement in provisions	7	**(521)**	(626)	(567)
Exceptional loss on restructuring and financing		**–**	325	325
Tax charged directly to equity		**26**	(48)	(48)
Cash generated from operations		**1,604**	411	2,442
Income tax paid		**(257)**	–	(1,323)
Net cash flow from operating activities		**1,347**	411	1,119
Investing activities				
Interest received		**11**	2	3
Purchase of property and equipment		**(20)**	(46)	(100)
Purchase of intangible assets		**–**	–	(26)
Proceeds from disposal of treasury shares		**–**	52	52
Net cash flow from investing activities		**(9)**	8	(71)
Financing activities				
Dividend paid to equity shareholders of the parent	4	**(535)**	–	–
Loan to employee benefit trust		**(425)**	–	–
Proceeds from share issue		**–**	20,002	20,063
Costs of share issue		**–**	(513)	(513)

Interest paid		**–**	(1,155)	(1,155)
Repayment of borrowings		**–**	(17,584)	(17,584)
Early redemption payment		**–**	(325)	(325)
Net cash flow from financing activities		**(960)**	425	486
Increase in cash and cash equivalents		**378**	844	1,534
Cash and cash equivalents at the beginning of the period		**9,941**	8,407	8,407
Cash and cash equivalents at the period end	6	**10,319**	9,251	9,941

Notes to the Consolidated Financial Statements

1. Basis of preparation

These interim condensed and consolidated financial statements do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. They have been prepared on the basis of the accounting policies as set out in the Group's Annual Report for the year ended 31 December 2011.

The Group's Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and is available on the MAM Funds Group website (www.mamfundsplc.com).

These unaudited financial statements were approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 21 September 2012.

The full year accounts to 31 December 2011 were approved by the Board of Directors on 23 March 2012 and have been delivered to the Registrar of Companies. The report of the Auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. The figures for the six months ended 30 June 2012 and 2011 have not been audited.

2. Segmental information

The Group operates as one business segment: Fund Management, which offers a number of fund management products through a variety of distribution channels.

3. Group profit for the period - Exceptional operating expense

	Six months to 30 June 2012 £000	Six months to 30 June 2011 £000	Year to 31 December 2011 £000
Group restructuring costs	**–**	236	690
Capital reconstruction costs	**–**	–	(76)
Other costs	**–**	–	159
	–	236	773

4. Dividend

The dividend for the year ended 31 December 2011 was paid on 21 May 2012, being 0.4p per share. The trustees of the Employee Benefit Trust waived their rights to part of this dividend, leading to a total distribution of £535,000 which is reflected in the Statement of Changes in Equity.

5. Earnings per share

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

In calculating diluted earnings per share, IAS 33 Earnings Per Share requires that the profit/(loss) of the combined Continuing and Discontinued Operations is divided by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of any potential dilutive ordinary shares that would be issued on their conversion to ordinary shares during the period.

However, options issued under the Long Term Incentive Plan (LTIP) and the Management Incentive Plan (MIP) and the shares issued under the Management Equity Incentive (MEI) have been excluded from all diluted earnings per share calculations. The conditions of the option grants fall within the definition of contingently issuable shares, and the shares issued under the MEI are treated as cancelled and non-dilutive as required by IAS 33. Certain MIP Share Options which vested during the year have not been exercised and therefore have no effect on the earnings per share calculations.

(a) Reported earnings per share from the combined operations

This includes both the Continuing and Discontinued Operations' profit for the period and has been calculated as follows:

	Six months to 30 June 2012			Six months to 30 June 2011		
	Profit £000	**Shares No.**	**Earnings per share pence**	Profit £000	Shares No.	Earnings per share pence
Profit from Continuing Operations	**591**			87		
Profit from Discontinued Operations	**–**			214		
Net profit attributable to ordinary equity holders of the parent for basic earnings	**591**			301		
Basic	**591**	**133,690,736**	**0.44**	301	116,715,579	0.26
Dilutive potential						
Ordinary shares	**–**			–		
Diluted	**591**	**133,690,736**	**0.44**	301	116,715,579	0.26

	Year to 31 December 2011		
	Profit £000	Shares No.	Earnings per share pence
Profit from Continuing Operations	74		
Profit from Discontinued Operations	243		
Net profit attributable to ordinary equity holders of the parent for basic earnings	317		
Basic	317	125,150,273	0.25
Dilutive potential			
Ordinary shares	–	–	–
Diluted	317	125,150,273	0.25

(b) Reported earnings per share from Continuing Operations

This includes the profit for the Continuing Operations in the period and was as follows:

	Six months to 30 June 2012 pence	Six months to 30 June 2011 pence	Year to 31 December 2011 pence
Basic and diluted	**0.44**	0.07	0.06

(c) Adjusted earnings per share from Continuing Operations

Adjusted Earnings Per Share ("Adjusted EPS") is based on Adjusted Profit after tax, where Adjusted Profit is stated after charging interest and share-based payment but before amortisation and exceptional items.

Adjusted Profit for calculating Adjusted earnings per share:

	Six months to 30 June 2012 £000	Six months to 30 June 2011 £000	Year to 31 December 2011 £000
Profit/(loss) for the period from Continuing Operations before taxation	**551**	(151)	(427)
Adjustments:			
Exceptional loss on restructuring and financing	**–**	325	325
Exceptional operating expense	**–**	236	773
Amortisation	**1,484**	1,485	2,974
Adjusted Profit	**2,035**	1,895	3,645
Taxation:			
Tax in the Statement of Comprehensive Income for Continuing Operations	**40**	238	501
Tax effect of adjustments	**(371)**	(519)	(1,083)
Adjusted Profit after tax for the calculation of Adjusted earnings per share	**1,704**	1,614	3,063

Adjusted earnings per share from Continuing Operations was as follows:

	Six months to 30 June 2012 pence	Six months to 30 June 2011 pence	Year to 31 December 2011 pence
Basic and diluted	**1.27**	1.38	2.45

6. Cash and short-term deposits

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Cash at bank and in hand	**10,319**	9,251	9,941

Within cash at bank are certain balances held for the account of creditors to the Company as identified in the 23 August 2010 capital reconstruction. The amount due to these creditors as at 30 June 2012 of £263,000 (30 June

2011: £577,000; 31 December 2011: £367,000) was held in a separate escrow account. As these amounts individually fall due in the period to end 31 December 2012, the cash in these creditors' accounts will be transferred to the Group's clearing account on the due date for settlement.

7. Provisions

Provisions — current

	Onerous Leases £000	**Restructuring £000**	**Other Fund Management Provisions £000**	**Total £000**
At 1 January 2012	163	778	391	1,332
Transferred from non-current	17	–	–	17
Provided	–	–	–	–
Utilised	(77)	(444)	–	(521)
At 30 June 2012	**103**	**334**	**391**	**828**

Provisions — non-current

	Onerous Leases £000
At 1 January 2012	17
Transferred to current	(17)
At 30 June 2012	**–**

All provisions at 30 June 2012 are expected to be settled within 12 months.

8. Authorised and issued share capital

Authorised:	**30 June 2012 £000**	30 June 2011 £000	31 December 2011 £000
250,000,000 ordinary shares of 0.1 pence each	**250**	250	250

Allotted, called up and fully paid:	**No. of ordinary shares 0.1 pence each No.**	Value of ordinary shares 0.1 pence each £000
At 1 January 2012 and 30 June 2012	**146,808,000**	**147**

Management Equity Incentive (MEI)

On 29 June 2012 the Group granted Robert Clarke an equity incentive over 2,000,000 ordinary shares of 0.1p per share on the terms set out below:

- Half of the shares have a strike price of 33 pence per share and will vest at any time during the period commencing on the date on which the Group publishes its preliminary results for the year ending 31 December 2014 and ending on the date 40 days after the date on which the Group publishes its preliminary results for the year ending 31 December 2018.
- The other half of the shares have a strike price of 50 pence per share and will vest at any time during the period commencing on the date on which the Group publishes its preliminary results for the year ending 31 December 2015 and ending on the date 40 days after the date on which the Group publishes its preliminary results for the year ending 31 December 2018.

Notes to the Consolidated Financial Statements continued

The equity incentive is subject to certain good leaver/bad leaver provisions. The closing middle market price on 28 June 2012 was 19.3 pence per ordinary share.

It is intended that the shares required to settle the exercise of the above award will come from existing issued share capital.

13,117,572 new ordinary shares issued on 14 April 2011 are held by the Employee Benefit Trust pursuant to MEI equity incentives granted on that date (June and December 2011: 13,117,572). The fair value of the shares at issue of £4,296,000 (equating to 32.7 pence per share) has been disclosed as MEI treasury shares in the Consolidated Statement of Changes in Equity and the Balance Sheet as at 30 June 2012.

9. Share-based payments

The fair value of the incentive granted in the period to 30 June 2012 was £124,566 (2011: £2,364,748). Of the total £376,131 (2011: £296,000) share-based payment charge in the period, £218 (2011: £117,902) relates to the incentive granted in the period, which was as follows:

(i) Management Equity Incentive (MEI)

The fair value calculated for the MEI grant in the period was £124,566 (2011: £2,158,616), of which £218 was charged to the Statement of Comprehensive Income in the period (2011: £109,996).

(ii) Management Incentive Plan (MIP)

In the period to 30 June 2012 no awards were made and hence the fair value calculated for the awards granted in the period was £nil (2011: £206,132), of which £Nil was charged to the Consolidated Statement of Comprehensive Income in the period (2011: £7,906).

For both the MEI and MIP awards, the fair value was estimated as at the date of grant using a Black–Scholes model and based on employee exit and forfeiture rates, dividend yields, share price, composite volatility and performance conditions. The expected life of the incentives has been estimated taking account of the extent to which the exercise price was above or below the share price at date of grant. The annualised volatility has been based upon historical trends, which have been assumed to indicate future volatility. The risk free interest rate has been based on the UK gilts rate with a maturity corresponding to the expected life of the option.

END