MAM FUNDS PLC

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

MAM Funds plc, the AIM quoted fund management group, announces its annual results for the year ended 31 December 2011.

- In 2011 net revenue increased by 6%, reflecting a rise of 5% in average funds under management to £1.7bn and a modest increase in margin.
- Earnings before interest, tax, amortisation, share-based payments and exceptional items rose £0.1m to £4.5m.
- Adjusted Profit before amortisation, exceptionals and taxation increased by 40% to £3.6m reflecting an improved underlying business performance and a significant fall in interest charged.
- Administrative costs, including share-based payments, increased by 11% reflecting increased investment in sales, distribution and marketing resource.
- The business generated £3.5m of cash during the year before interest and tax. Cash balances at the year-end rose to £9.9m.
- The Company is proposing to pay a dividend of 0.4p per share for the first time in four years.
- Two funds launched, with £50m being raised for a new UK multi cap income investment trust and £11m raised for a similar OEIC fund – presently at £17m.
- Enhanced management team with considerable experience in investment, fund management, business development, and sales and marketing.

Ian Dighé, Executive Chairman, MAM Funds plc, says:

"Over the last 12 months, the trajectory of the group has radically changed. Previously debt had constrained meaningful investment in the business. This year has been marked by a more active and healthy approach to developing our business, following the repayment of our debt in February 2011. Many of our competitors have seen net fund outflows during 2011, so I am pleased to report that overall the Group has increased our average funds under management from £1.6bn to £1.7bn.

"MAM is generating cash of over £3m per annum. The directors therefore feel that it is appropriate to return to the dividend list this year and to indicate our confidence in the business and commitment to a progressive distribution policy in future."

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For further information, please contact:

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Chairman's Statement

A year of change

Over the last 12 months, the trajectory of the Group has radically changed. Previously debt had constrained meaningful investment in the business. This year has been marked by a more active and healthy approach, following the repayment of our debt in February 2011. Many of our competitors have seen net fund outflows during 2011, so I am pleased to report that overall the Group has increased our average funds under management from £1.6bn to £1.7bn.

Results

- Net revenue increased by 5.6% in 2011, reflecting a 4.9% rise in average funds under management and a modest increase in margin.
- Administrative costs, including share-based payments, increased by 10.8% given our investment in greater sales, distribution and marketing resource.
- Earnings before interest, tax, amortisation, share-based payments and exceptional items rose £0.1m to £4.5m - the reduction in interest payments more than offset the increase in our operational costs.
- The business generated £3.5m of cash during the year before interest and tax. Cash balances at the year-end rose to £9.9m.

Funds activity

In a highly undifferentiated market, our approach to delivering value for our clients is distinctive. Through a keen focus on managing the downside risks of volatile assets, as well as participating in the upside, Miton Special Situations and Miton Strategic have delivered consistent long-term track records. These funds are unusual in their willingness to invest in a mix of assets that are very different from the consensus, and especially in their attention to investing in asset classes with low volatility at times of market stress. Martin Gray has managed both funds since inception (14 and 15 years respectively), and his duties are shared with James Sullivan, who has been with the Group for nearly 10 years and co-manages these funds.

We believe a diversified multicap approach offers similar benefits in the UK Equity Income sector. We launched the Diverse Income Trust plc in April 2011, and followed this up with the launch of an open-ended version in October: the Acuim UK Multi Cap Income Fund. In May, Martin Turner, who has many years' experience within small and mid-cap equities, joined Gervais Williams to jointly manage these funds.

Redemptions continued within both the Midas funds during the year. Nevertheless, increasingly they are also being successful at managing volatility whilst delivering attractive returns to clients. Indeed it is encouraging to see that the Midas Balanced Growth Fund was in the top quartile of its peers over three years delivering an investment return of 46.6% against an average return of 35.8%.

Given the growing uncertainties and challenges of investment markets today, we believe our approach is becoming ever more relevant for advisers and investors.

Business support

Managing funds is at the heart of what we do. We are focused on growing assets under management and developing those business functions which support our core activity.

During 2011 our sales and marketing resource was stepped up with additional staff and IT systems to make this area more effective in relevant and timely client communication. Extending the reach of our client universe is particularly relevant in the context of the Retail Distribution Review (RDR) changes. We are now consistently identifying new entrants to the market and establishing relationships with new client groups.

We believe individuals perform to the best of their ability in an organisation where roles and objectives are clear. During the year we carried out a comprehensive review of each employee's role and job description. Our remuneration structure was reviewed and benchmarked with particular emphasis on establishing a clear policy for performance related pay. All staff now have the scope and incentive to contribute actively to strategy discussions and operational issues.

The future development of the business will come from the innovation, action and hard work of individuals within the Group and also as a result of attracting talented, like-minded individuals to join us.

Towards the end of the year we combined our finance and operations functions together under the leadership of Robert Clarke who joined as Group Finance Director and Director of Operations. He brings 26 years' experience in the financial services sector to our business including key roles at Majedie Investments PLC and Witan Investment Trust Plc.

Looking ahead

Much has been achieved over the last 12 months. However, we are not complacent. These are challenging times for markets and economies. There is a lot to do to complete the task of creating an efficient fund management organisation which can deliver for both its clients and its shareholders. We will be looking to capitalise on the various opportunities which present themselves from time to time in the fund management sector.

Our strategic priorities are to:

- develop our multi-asset Miton specialisation
- reverse the trend in Midas fund flows
- clarify and focus our product offering and branding
- develop and grow the Acuim fund range
- identify and develop complementary business development opportunities
- communicate effectively with shareholders, IFAs, advisers and their ultimate clients.

Our aim is to differentiate our business by:

- developing a distinctive investment philosophy
- making our communication with existing clients, potential investors and others relevant and timely
- maintaining rigorous standards of compliance and risk management
- delivering high levels of service for our customers in order to build relationships.

We have recently formed a collaborative initiative with Tomorrow's Company, a not-for-profit organisation, on a series of lectures, workshops and other initiatives to explore how the methods of adding value in the fund management sector might evolve. Gervais Williams recently gave a lecture at the Mansion House on his investment philosophy as set out in his recently published and well received book *Slow Finance*. Overall the programme of events will involve senior figures from within financial services and will advance the debate as to how finance can best be developed to the benefit of investors and the community alike. Our involvement with this project demonstrates our commitment to serious thought leadership in the fund management sector and in the wider financial arena.

Dividend

MAM is generating over £3m of cash per annum. The directors therefore feel that it is appropriate to return to the dividend list this year and to indicate our confidence in the business and commitment to a progressive distribution policy in future. The Board is recommending the payment of 0.4p per share on 21 May 2012 to shareholders registered as at 10 April 2012.

Ian Dighé
Executive Chairman
23 March 2012

Business Review

Introduction
MAM Funds plc is the AIM-listed parent company of a fund management group operating through two FSA regulated companies:

- Miton Asset Management Limited and
- Midas Capital Partners Limited.

We manage:

- investments within eight open ended funds
- three investment trusts
- segregated accounts.

The business currently operates under three brands: Miton, Midas and Acuim and has 34 employees working out of offices in Reading, Liverpool and London.

2011 was a significant year of change and restructuring of the business as referred to below. Today our fund managers seek value for investors without undue regard for indices and benchmarks. They have the flexibility to invest in companies, funds and asset classes that are better placed to preserve value and see it grow over the medium to longer term.

Corporate changes

1. Successful refinancing of the business
Towards the end of 2010, the new management team of Ian Dighé, Gervais Williams and Graham Hooper had, in conjunction with the existing management team, announced its intention to raise £20m from investors to repay outstanding loans and debt in order to refinance the business and set a new course for growth. On 14 February 2011 the Company announced the successful re-financing of the business.

2. New management team
During 2011, the new team was joined by Neil Bridge, Head of Business Development, Mark Harper, Head of Marketing, and Robert Clarke, Group Finance Director and Director of Operations. The new management team has considerable depth of skills and experience in investment, fund management, marketing & distribution, finance & operations and is well-equipped to capitalise on growth opportunities.

3. Distribution developments
There are significant challenges ahead both within the business and outside as we compete in an interesting trading environment.

The new sales and marketing team has:
- implemented a new Customer Relationship Management (CRM) system including an enhanced database
- identified and targeted new large distributors and investors not previously contacted
- improved the quality and frequency of communications
- developed a new website; and
- completed a roadshow with 200 attendees.

These projects will see further improvements and progress in 2012.

Market & fund review
From an investment market perspective, 2011 was an unusual year. Investment returns were dictated as much by political policy decisions as by investment analysis. The early part of the year witnessed healthy returns, as quantitative easing and elevated liquidity increased investors' inclination to allocate to more risky assets. Corporate earnings surprised on the upside, as margins improved and customer demand recovered. However, July proved to be a tipping point, as the quantitative easing programme in the US came to an end and Standard & Poors (S&P) downgraded the US's AAA debt

rating. Both developments triggered a significant downward move across major equity indices, from which there was little respite until markets stabilised somewhat in October. Europe's sovereign debt crisis then took centre stage, as Greece's national debt difficulties threatened the integrity of the Eurozone project.

New funds: In April, we launched the Diverse Income Trust, a new closed ended investment company raising £50m in difficult market conditions. The portfolio is managed by Gervais Williams and Martin Turner who are capitalising on the opportunities they see to source good and growing income from companies right across the market capitalisation spectrum. This new vehicle and its open ended sister fund Acuim UK Multi Cap Income Fund – launched in October and now standing at £17 million - have been very well received by investors and the market.

2011 Assets under Management

	Opening AUM 1 Jan 2011	Inflows	Outflows	Net Flows	Other including market movement	Closing AUM 31 Dec 2011
	£m	£m	£m	£m	£m	£m
Funds	1,473	401	-378	23	-39	1,457
Investment trusts	95	49	0	49	-17	127
Other	112	0	-20	-20	-10	82
Total	1,680	450	-398	52	-66	1,666

Strategy

During 2011 we made a good start in addressing various issues. Our strategic and nearer term priorities are:

- to develop our multi-asset specialisation highlighting our focus on unconstrained investing, low volatility portfolios and capital preservation
- to launch a global diversified multi asset income fund
- to clarify and reposition the product offering to help investors understand better the fund range and make informed investment decisions - specifically to merge our Cautious Income fund into the Acuim UK Multi Cap Income and to merge Global Growth with Select Assets.
- to concentrate and refocus the brand proposition to facilitate effective communication with the market and intermediaries
- to reverse the trend in Midas fund flows, reinvigorating the product proposition and communicating effectively with investors
- to build on the early success of the Diverse Income Trust and Acuim UK Multi Cap Income Fund by launching further single strategy funds
- to identify and develop complementary business opportunities including strategic partnership, joint venture, acquisition or organic growth
- to communicate effectively with shareholders and stakeholders outlining the prospects for growing the business.

Financial review

The Consolidated Statement of Comprehensive Income shows a loss before tax of £427,000 for continuing operations. This is after charging £1.0m of exceptional costs relating to business restructuring and is an improvement on the loss before tax of £1.3m in 2010. Profit from discontinued operations was £243,000.

The Board focuses on Adjusted Profit when reviewing business performance. Adjusted Profit is profit before tax after deducting the 'cost' of share based payments, which is viewed as a remuneration cost, before amortisation and exceptional items.

	2011 £m	**2010 £m**
Net revenues	11.2	10.6
Administrative expense	(6.7)	(6.2)
Underlying EBITA	**4.5**	**4.4**
Net interest	(0.2)	(1.3)
Share based payment	(0.7)	(0.5)
Adjusted Profit	**3.6**	**2.6**
Exceptional restructuring charges	(1.0)	(0.9)
Amortisation	(3.0)	(3.0)
Loss Before Tax	**(0.4)**	**(1.3)**

Key points:

- Net revenues after fees and commission expense of £11.2m increased by 5.6% reflecting an increase of 4.9% in average funds under management between 2010 and 2011 and a modest increase in margin.
- Administrative expense increased by 7.4% largely as a result of the sales, marketing and distribution functions being upgraded.
- Underlying EBITA of £4.5m, being earnings before interest, taxation, amortisation, share based payments and exceptional items exceeded our expectations of earlier in the year as a result of higher revenues and good cost control.
- Adjusted Profit increased by 40% during the year reflecting an improved underlying business performance and a significant fall in interest payments.
- Exceptional restructuring charges include redundancy costs, redemption charges relating to the repayment of bank debt and fund closure costs.

Cashflow: Cash generated from operations in 2011 was £2.4m as shown in the Consolidated Statement of Cash Flows. However, when adjustments have been made for one off items in respect of VAT and loan interest the relevant underlying core cashflow before interest and tax was £3.5m before interest and tax (2010: £4.5m).

Total cash balances held at the year end as per our balance sheet were £9.9m of which £3.5m is considered free cash - analysed as follows:

	£m	£m
Total Group cash		9.9
less:		
Regulatory capital requirements	2.7	
Regulatory capital contingency	1.3	
Provisions unwinding over 24 months – see below	1.3	
Year end payables not in regular working capital	0.7	
Creditors reserve	0.4	
		6.4

Estimated free cash	3.5

Other balance sheet items
As a result of past acquisitions the balance sheet includes £34.5m of goodwill and £16.0m of intangible assets. An annual review is carried out to assess the value in use of the relevant business assets. This has been assessed this year as being significantly greater than the combined carrying value of £50.5m and therefore no impairment write down is required. The original cost of the intangible assets is written off over their useful lives resulting in an annual amortisation charge of £3.0m.

Provisions of £1.3m at the end of the year relate to outstanding redundancy payments, onerous lease commitments and other exceptional fund management provisions.

The equity side of the balance sheet shows increases in share capital and share premium accounts as a result of the £20m equity fund raising. The Management Equity Incentive scheme (MEI) treasury shares of £4.3m are held in an employee benefit trust pending possible vesting between 2015 and 2019. They are required to be shown as a deduction from total equity funds. The Capital Redemption Reserve has increased by £6.0m to £11.6m as a result of the redemption of preference shares as part of the refinancing. Cumulative retained earnings stand at £23m.

Principal risks and uncertainties

The Group faces a range of risks originating both externally and from within our fund management business. The Risk Committee is responsible for identifying, evaluating and managing significant business risks faced by the Group. It has identified the following principal risks to which the Group is exposed and the relevant mitigating factors as described.

Market risk
Market risk arises in relation to the investments held by funds managed by us and the revenue generated from the management charge on the value of those assets. Our funds are invested in a wide range of asset classes under different investment mandates including single strategy equity, multi-asset and portfolios of collective investment schemes. The overall market risk is well diversified away from specific market dependencies. To the extent that different asset classes behave differently in times of higher volatility, our funds under management and revenues are likely to be less affected than would be the case in a business with a single asset class.

External risks
External risks include those arising from non-adherence to relevant regulations and legislation and any changes as they occur. The Companies Acts, the Financial Services Authority Handbook and the Rules of the Alternative Investment Market of the London Stock Exchange – on which we are listed, are especially relevant. We pay particular attention to comply with all relevant investment, taxation and operational regulatory laws and rules including various reporting requirements. Specific controls, reporting procedures and review processes have been established to prevent, detect and address any non-compliance.

Operational risk
Operational risk is the risk of loss arising from a failure in internal systems, procedures or in outsourced functions. Three fundamental elements of our operational structure are people, information technology and outsourced services. We rely on all our staff for the day-to-day running of the business and seek to attract and retain the best qualified individuals.

The Group is an equal opportunities employer and actively encourages employee involvement at all levels, both through regular employee briefings and by direct access to managers and the directors. During the year we carried out a comprehensive review of each person's role and job description. The remuneration structure was reviewed and benchmarked with particular emphasis on establishing a clear structure for performance related pay. Equity share incentives are provided to help retain and incentivise senior employees and directors.

Key priorities for our technology and systems are to maintain operational performance and reliability. The various outsourced services provided are monitored on an ongoing basis and reviewed at regular intervals both internally and through meetings with the relevant organisations. Comprehensive business continuity planning is in place to ensure the ongoing operation of key business functions in the event of normal systems being interrupted. These arrangements are tested at least annually.

Credit Risk

The Group is subject to credit risk arising as a result of counterparty exposure in the Group's receivable balances from fund management clients and in relation to the cash balances placed with financial institutions. We monitor closely the creditworthiness of all relevant counterparties both directly and through third party reports. We have reintroduced a diversification policy of allocating cash deposits between at least two suitable institutions.

Robert Clarke
Group Finance
Director & Director
of Operations

Gervais Williams
Managing Director

23 March 2012

Consolidated Statement of Comprehensive Income for the year ended 31 December 2011

	2011 £'000	2010 £'000
Revenue	21,423	20,434
Fees and commission expense	(10,244)	(9,849)
Net revenue	11,179	10,585
Administration expenses	(6,666)	(6,209)
Share based payment	(701)	(438)
Amortisation	(2,974)	(2,969)
Exceptional operating expense	(773)	(850)
Operating profit from continuing operations	65	119
Exceptional loss on restructuring and financing	(325)	(63)
Finance revenue	3	2
Finance costs	(170)	(1,336)
Loss for the year from continuing operations before taxation	(427)	(1,278)
Taxation	501	31
Profit/(loss) for the year from continuing operations after taxation	74	(1,247)
Discontinued operations		
Profit for the year from discontinued operations	243	1,633
Profit for the year attributable to equity holders of the parent	317	386

	pence	pence
Earnings per share		
- Basic and diluted	0.25	0.56
Earnings per share from continuing operations		
- Basic and diluted	0.06	(1.79)

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

	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 2010	**5,746**	**18,902**	**(32)**	**-**	**176**	**2,438**	**-**	**6,593**	**33,823**
Profit for the year	-	-	-	-	-	-	-	386	386
Exceptional loss on restructuring	-	-	-	-	63	-	-	-	63
Shares issued on exercise of options	1	-	-	-	-	-	-	-	1
Capital reconstruction	(5,677)	(18,902)	-	-	-	(2,438)	978	26,039	-
LTIP direct to equity	-	24	-	-	-	-	-	(64)	(40)
Deferred tax direct to equity	-	-	-	-	-	-	-	24	24
Movement in year	-	-	(20)	-	-	-	-	-	(20)
Share based payments	-	-	-	-	-	-	-	438	438
Redemption of preference shares	-	-	-	-	-	5,527	-	(5,527)	-
Transfer from Creditors Reserve	-	-	-	-	-	-	(179)	179	-
At 1 January 2011	**70**	**24**	**(52)**	**-**	**239**	**5,527**	**799**	**28,068**	**34,675**
Profit for the year	-	-	-	-	-	-	-	317	317
Placing shares issued	61	19,939	-	-	-	-	-	-	20,000
Cost of share issue	-	(513)	-	-	-	-	-	-	(513)
Exercise of warrants	2	239	-	-	(239)	-	-	-	2
Redemption of preference shares	-	-	-	-	-	6,035	-	(6,035)	-
Sale of treasury shares	-	-	52	-	-	-	-	-	52
Shares issued to Management Equity Incentive (MEI)	13	4,283	-	(4,296)	-	-	-	-	-
Shares issued on exercise of options	1	308	-	-	-	-	-	(296)	13
Share based payments	-	-	-	-	-	-	-	701	701
Deferred tax direct to equity	-	-	-	-	-	-	-	48	48
Transfer from Creditors Reserve	-	-	-	-	-	-	(432)	432	-
At 31 December 2011	**147**	**24,280**	**-**	**(4,296)**	**-**	**11,562**	**367**	**23,235**	**55,295**

Consolidated Balance Sheet as at 31 December 2011

	2011 £'000	2010 £'000
Non-current assets		
Goodwill	34,544	34,544
Intangible assets	16,042	18,990
Property and equipment	148	125
	50,734	53,659
Current assets		
Trade and other receivables	1,589	1,525
Income tax receivables	60	393
Cash and cash equivalents	9,941	8,407
	11,590	10,325
Total assets	62,324	63,984
Current liabilities		
Trade and other payables	1,583	2,528
Financial liabilities	-	2,550
Income tax payable	446	1,341
Provisions	1,332	1,514
	3,361	7,933
Non-current liabilities		
Financial liabilities	-	16,013
Deferred tax liabilities	3,651	4,961
Provisions	17	402
	3,668	21,376
Total liabilities	7,029	29,309
Net assets	55,295	34,675
Equity		
Share capital	147	70
Share premium	24,280	24
Treasury shares	-	(52)
MEI treasury shares	(4,296)	-
Warrant reserve	-	239
Capital redemption reserve	11,562	5,527
Creditors reserve	367	799
Retained earnings	23,235	28,068
Total equity	55,295	34,675

Ian Dighé
Executive Chairman
23 March 2012

Consolidated Statement of Cash Flows for the year ended 31 December 2011

	2011 £'000	2010 £'000
Operating activities		
Profit for the year	317	386
Adjustments to reconcile profit to net cash flow from operating activities:		
Tax on Discontinued Operations	-	(57)
Tax on Continuing Operations	(501)	(31)
Net finance cost	167	1,334
Depreciation	77	88
Amortisation of intangible assets	2,974	2,969
Share based payment	701	438
(Increase)/decrease in trade and other receivables	(64)	466
(Decrease)/increase in trade and other payables	(939)	1,004
Movement in provisions	(567)	924
Profit on disposal of subsidiaries	-	(1,874)
Exceptional loss on restructuring and financing	325	63
Direct charge to equity	(48)	(40)
Movements in investments at fair value through profit or loss	-	(20)
Cash generated from operations	2,442	5,650
Income tax paid	(1,323)	(204)
Net cash flow from operating activities	1,119	5,446
Investing activities		
Interest received	3	2
Purchase of property and equipment	(100)	(94)
Purchase of intangible assets	(26)	(13)
Proceeds from disposal of treasury shares	52	-
Proceeds from sale of subsidiaries net of costs of disposal	-	6,304
Net cash flow from investing activities	(71)	6,199
Financing activities		
Proceeds from share issue	20,063	-
Costs of share issue	(513)	-
Interest paid	(1,155)	(1,016)
Repayment of borrowings	(17,584)	(5,977)
Early redemption payment	(325)	-
Settlement of loans	-	(744)
Net cash flow from financing activities	486	(7,737)
Increase in cash and cash equivalents	1,534	3,908
Cash and cash equivalents at the beginning of the year	8,407	4,499
Cash and cash equivalents at the year end	9,941	8,407

Selected notes to the Consolidated Financial Statements
At 31 December 2011

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

The financial statements of MAM Funds plc and its subsidiaries (the "Group") for the year ended 31 December 2011 were authorised for issue by the Board of directors on 23 March 2012 and the balance sheet was signed on the Board's behalf by Ian Dighé. MAM Funds plc is a public limited Company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2011.

2. Accounting policies - basis of preparation

This financial information does not constitute statutory accounts, but has been extracted from the statutory accounts for the year ended 31 December 2011 on which an unqualified audit report, which did not contain a statement under s498(2) or s498(3), has been issued and which will be delivered to the Registrar following their adoption at the Annual General Meeting. The preliminary announcement has been prepared on the same basis as that used in the preparation of the previous year's Annual Report and was approved for issue by the board of directors on 23 March 2012.

The statutory accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held at 10.30 am on 16 May 2012 in the Maple Suite at 12 Austin Friars, London EC2N 2HE.

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

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

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

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

3.Segment information

With the completion in 2010 of the disposal of its non-core assets the Group now operates as one business segment, Fund Management, which offers a number of fund management products through a variety of distribution channels.

4(a) Exceptional operating expense – continuing operations

	2011 £'000	2010 £'000
Group restructuring costs	690	441
Capital reconstruction costs	(76)	148
Other costs	159	261
	773	850

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

In 2011, capital reconstruction costs provided in 2010 have been released following a review by management concluding that these costs will not be incurred. This created a gain in the current year of £76,000. Other exceptional operating costs comprise £109,000 in respect of the closure of one open ended fund, £40,000 relating to provisions for dilapidations and £10,000 relating to other fund management provisions.

Following the announcement on 15 December 2010 of its £20 million placing proposals, the Group was required to make full provision in the 2010 Income Statement for the compensation costs for loss of office to which Colin Rutherford and Adrian Collins became entitled on the successful completion of those proposals on 15 February 2011. A provision of £441,000 for those compensation costs and the related employment taxes was charged to the exceptional operating expense line within the 2010 Statement of Comprehensive Income.

In August 2010, costs of £148,000 were incurred in respect of a capital reconstruction which was required to create distributable reserves to enable a redemption of preference shares following the disposals in the year. Additionally during 2010, other costs of £136,000 were incurred in respect of a proposed debt restructuring in October 2010 that did not take place. £75,000 was incurred in respect of a rationalisation of the Group's IT infrastructure following the disposals in the year and £50,000 relating to professional fees.

4(b) Exceptional operating expense – discontinued operations 2010

As a result of the disposal of the wealth management business in January 2010, additional restructuring costs of £764,000 were directly incurred and have been charged to exceptional operating expense - discontinued operations in the year and reported within the profit/(loss) for the year from discontinued operations within the Statement of Comprehensive Income.

5. Cash and short term deposits

	2011 £'000	2010 £'000
Cash at bank and in hand	9,941	8,407

Within cash at bank in 2011 and in 2010 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 31 December 2011 of £367,000 (2010: £799,000) was held in a separate escrow account. As these amounts individually fall due in the period to end December 2012, the cash in this creditors' account will be transferred to the Group’s clearing account on the due date for settlement of the creditors.

6.Earnings per share

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

In calculating diluted earnings per share, IAS 33 Earnings Per Share requires that the profit/(loss) of the 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 under IAS 33. Certain MIP Share Options vested during the year have not been exercised and therefore have no effect on the earnings per share calculations.

Additionally, the weighted average number of shares used in the earnings per share calculations excludes Nil (2010:139,983) of the Group’s own shares, of which Nil (2010: 69,921) were held by Exeter Investment Group ESOP Trustee Limited and Nil (2010: 70,062) were held by Midas ESOP Limited.

(a) Reported earnings per share from the combined operations

This includes both the continuing and discontinued operations’ profit/(loss) for the period and has been calculated as follows:

	Profit £’000	**Shares No.**	**2011 Earnings Per share pence**	**(Loss)/ profit £000**	**Shares No.**	**2010 Earnings per share pence**
Profit/(loss) from continuing operations	74			(1,247)		
Profit from discontinued operations	243			1,633		
Net profit attributable to ordinary equity holders of the parent for basic earnings	317			386		
Basic	317	125,150,273	0.25	386	69,529,364	0.56
Dilutive potential Ordinary shares	-	-	-	-	-	-
Diluted	317	125,150,273	0.25	386	69,529,364	0.56

(b) Reported earnings per share from continuing operations

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

	2011 pence	**2010 pence**
Basic and diluted	0.06	(1.79)

(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.

The calculation of Adjusted EPS has been amended for 2011 and prior periods so that it is now after net interest. This change has been made to recognise the transformation in the Group's financial position following the issue of 60.6 million ordinary shares by way of a placing in February 2011. The £20 million placing proceeds were used to redeem all of the Group's bank debt and this has increased the proportion of the Group's profits that are now attributable to shareholders.

Adjusted Profit for calculating Adjusted earnings per share**:**

	2011 £000	**2010 £000**
Loss for the period from continuing operations before taxation	(427)	(1,278)
Add back:		
Exceptional loss on restructuring and re-financing	325	63
Exceptional operating expense	773	850
Amortisation	2,974	2,969
Adjusted Profit	3,645	2,604
Taxation:		
Tax in the Statement of Comprehensive income for continuing operations	501	31
Tax effect of adjustments	(1,083)	(1,007)
Adjusted Profit after tax for the calculation of Adjusted earnings per share	**3,063**	**1,628**

Adjusted earnings per share from continuing operations was as follows:

	2011 pence	**2010 pence**
Basic and diluted	2.45	2.34