

Registered Number 05123368

AIM INVESTMENTS PLC
DIRECTORS' REPORT AND AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011

**AIM INVESTMENTS PLC
COMPANY INFORMATION**

Directors

Mark Pajak
Alexandra Eavis
Andrew Fletcher
Balbir Bindra

Secretary

Robert MacDonald Watson

Auditor

Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Registered Office

85 Elsenham Street
London
SW18 5NX

Bankers

Royal Bank of Scotland
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Nominated Advisor and Broker

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Becket House
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EC2R 8DD

Registered Number

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AIM INVESTMENTS PLC

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AIM INVESTMENTS PLC CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MAY 2011

It is a pleasure to be reporting the full-year results for AIM Investments plc ("the Company") for the twelve months to 31 May 2011. Whilst the Company continued to report a loss, 2011 was a very important year of transition for us. Over the course of the year, we have taken a number of significant actions, which I am confident will lead to an increase in shareholder value.

Key milestones (some of which have occurred following the end of the reporting period) included:

- The formation of a strategic partnership with Desmond Holdings Ltd ("Desmond Holdings") (a Hong Kong based investment company) – which is now the Company's major shareholder.
- Provision of loan facilities by Desmond Holdings, which secured working capital for the Company as well as capital to invest in companies within our target markets.
- Lifting of the suspension in the trading of shares in the Company, after changes to the Investing Policy of the Company were approved by shareholders in the 2010 Annual General Meeting
- Three separate investments made during the period in companies in China and South America. A further investment made after the year-end in a Mongolia-focused investment vehicle.
- The appointment of a new Nominated Advisor and Broker; Daniel Stewart and Company.
- A successful private placing, which raised over £700,000.
- The re-structuring of the Board.

Since the year end, the Board has reviewed the Company's strategy and the exciting investment opportunities that the directors believe exist in emerging and frontier markets. As a consequence, the Board is now proposing to appoint Desmond Holdings as the Company's investment manager and to amend the Company's Investing Policy to focus on emerging and frontier markets. Conditional upon the approval of shareholders of this change at the Annual General Meeting to be held on 23 August 2011, we believe that the Company is now well positioned to make further investments in our target markets which we are confident will begin to generate profitable returns for our shareholders.

Review of the Financial Results

Proactive investment activity on behalf of the Company was limited over the course of the financial year. Operational activity was focused on the actions described above and, principally, the securing of investment capital and working capital to ensure the Company remained a going concern. We are pleased to report that not only were substantial funds secured, but also that the Company was able to execute three investments in Shenzen Cadro (Catic Group) Hydraulic Equipment Co. Limited, Planteman SA and Minera Mapsa SA on 27 October 2010, 2 November 2010 and 5 November 2010 respectively. These represent a combined investment of \$800,000 – funded from the loan facility provided by Desmond Holdings.

The Board anticipates that all investments, made using loans that convert to equity on admission to Market, will yield significant returns on loan capital invested in the form of equity, although this cannot be guaranteed. If these companies do not eventually succeed in being admitted to a public market, the Company will receive back investment monies plus interest.

The Company has successfully kept its operating costs and overheads, including director's remuneration, low over the course of the period. It will continue to operate from a very low cost

**AIM INVESTMENTS PLC
CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 MAY 2011**

base until the Company is generating profits. It is the intention moving forward for incoming and future directors and officers to be remunerated in the main with a combination of shares and performance-related share options.

Working Capital

Desmond Holdings provided a Loan Facility to the Company of up to £500,000 on 28 October 2010 (increased to £700,000 on 1 November 2010) to be used to make qualifying investments under the Company's Investing Policy. The fee for providing this loan was settled by the issue of 58,480,300 shares equivalent to 29.99% of the Company on 10 December 2010.

In addition, the Company is supported by a working capital facility, provided by Desmond Holdings, which funds the underlying operating expenses of the Company. As at 31 May 2011, the total provided under this loan was approximately £87,000.

Subsequent to the end of the reporting period, a private placement for shares in the Company was successfully closed. £721,578 was raised at 1.25p per share, a significant premium to the market price of the shares. A total of 57,726,266 new ordinary shares were issued increasing the total issued share capital to 252,725,666 ordinary shares. This represents 22.84% of the enlarged ordinary share capital of the Company.

The success of the placing at a premium to market price represents a very encouraging endorsement by the new shareholders of the actions we have taken over the course of the year, and the strength of the underlying strategy of the Company.

A historic loan provided to the Company by Maji Capital Ltd, a company connected to a former director, was converted into new ordinary shares in the Company on 8 July 2010. Maji Capital has subsequently sold all of its shares in the Company and has no involvement in the ongoing operations of AIM Investments. The former major shareholder, PDT Holdings Ltd, another company connected to the same former director, also disposed of its entire shareholding in April 2011.

Subsequent activities

In addition to the successful placing of shares described above, other important activities which occurred following the end of the reporting period included the appointment of a new Nominated Advisor and Broker to the Company; Daniel Stewart and Company.

A reorganisation of the Board also took place, details of which are outlined below.

In June 2011, the Company subscribed for 42,500 common shares of CAD\$3.51 per share in Mongolia Growth Group Ltd, a real estate and financial services investment fund focusing its operations in the emerging economy of Mongolia, which is listed on the Canadian National Stock Exchange (YAK:CNSX). The cost of this investment was CAD\$149,175 (£95,131) in aggregate and represented a holding of 0.1% of the total issued shares capital of that company.

Going Concern

Further to the successful private placing and the ongoing working capital facility provided by Desmond Holdings, the Board is pleased to report that the Company can continue to trade as a going concern.

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CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 MAY 2011**

Appointment and resignation of directors

Mark Pajak, a director of Desmond Holdings, joined the board of the Company in December 2010, replacing John Frankland as non-executive director. Mr Pajak took up the position of Acting Chairman of the Company after the end of the reporting period, following the departure of Sir Bernard Zissman in June 2011.

Balbir Bindra, a partner and Head of Asia Banking & Finance at international law firm, Gide Loyrette Nouel, in Hong Kong, joined the Board as a non-executive director following the end of the reporting period. He has extensive experience in international finance law and has represented corporates, banks, securities houses, hedge funds, private equity groups and other financial institutions with interests in Asia, Europe, the Middle East, Africa and South America.

Andrew Fletcher, the Company's Finance Director, will be stepping down from the Board following the publication of the annual report and accounts.

We would like to thank John, Andy and Sir Bernard for their hard work on behalf of the Company.

Outlook

We are delighted with the progress that has been made over the course of the year and in particular with the support we have received from our new and existing shareholders, following the recent placement.

The funds we have raised and the solid operational platform we have been able to establish mean that a concerted focus can now be made delivering shareholder value. The Directors have reviewed the investing strategy of the Company and believe that, based on their own contacts and those of Desmond Holdings, shareholders would be better served by re-focusing the Company's Investing Policy on emerging and frontier markets, and on the energy, agricultural, infrastructure, engineering, logistics, manufacturing, transportation and natural resources sectors within those geographic regions. Subject to shareholders approving the new Investing Policy at the Annual General Meeting to be held on 24 August 2011, the directors have a wide range of prospective investment targets currently under review and look forward to announcing progress in relation to these in the coming months.

Mark Pajak
Acting Chairman
29 July 2011

**AIM INVESTMENTS PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2011**

The directors present their report together with the audited financial statements for the Company for the year ended 31 May 2011.

Principal activities and review of business

AIM Investments plc is a frontier and emerging market investment company, which identifies and invests in good quality and high growth companies considering admission to an international stock market or companies that will provide investors the ability to access opportunities in emerging and frontier markets. Investment capital is used to support growth in companies whose shares are already publicly traded, or facilitate the trade sale or admission to market of privately owned companies.

In the period under review, the Company made three investments in Shenzhen Cadro (Catic Group) Hydraulic Equipment Co. Limited, Planteman SA and Minera Mapsa SA., on 27 October 2010, 2 November 2010 and 5 November 2010, with a combined value of up to \$1,100,000. During the period, \$800,000 was drawn down under a loan facility provided by Desmond Holdings Ltd ("Desmond") and transferred into escrow accounts in order to fund these investments.

The Company commenced a private placing of its shares during the period, which raised approximately £721,578 on closing after the period's end on 24 June 2011.

The Company made an additional investment on 28 June 2011, and is currently reviewing a number of other potential investment opportunities.

Principal risks and uncertainties

The principal risks and uncertainties surround the performance of the Company's existing and future investments; the availability of capital to make suitable investments; and the availability of working capital to meet the running costs of the business. The success of the private placing after the year-end has reduced the risks and uncertainties of the latter two, although further investment capital will need to be secured in the near future in order for the Company to execute its strategy in full.

Key performance indicators considered by the Company

The Company focuses on the key performance areas as outlined in its Investing Policy and concentrates on returns on investments. The directors consider it is too early in the implementation of the Company's Investing Policy to make a meaningful assessment of the Company's performance to date.

Results and dividends

The Company made a loss of £328,000 and has not paid a dividend during the year ended 31 May 2011 (2010: £nil) and no dividend is proposed. The Company does not currently have sufficient distributable reserves from which to pay dividends but in the event that the implementation of its Investing Policy yields profits in the future, the directors will consider seeking the necessary approvals to cancel the issued deferred share capital of approximately £7.7 million to facilitate the payment of dividends in the future.

AIM INVESTMENTS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2011

Future developments

The Company intends to continue to identify suitable investment opportunities in line with its stated Investing Policy, and to make such investments from time to time utilising the resources available to it. The Company will also dispose of part or all of such investments at such times as it believes are in the best interests of the Company and its shareholders. The Company is currently carrying out a thorough review of its management structure.

Events after the reporting period

Events after the reporting period are set out in full in the chairman's report and note 14 to the financial statements.

Directors

The directors who served during the period were as follows:

John Frankland	Non-executive director Resigned 13 Dec 2010
Andrew Fletcher	Finance Director
Alexandra Eavis	Executive director
Sir Bernard Zissman	Non-executive director and Acting Chairman Resigned 28 June 2011
Mark Pajak	Non-executive director (Executive director as of 16 March 2011) Appointed 15 Dec 2010

Directors' Interests

As at 31 May 2011, director's interests in the shares of the Company were as follows:

Name	Number of ordinary shares
Sir Bernard Zissman	500,000
Andrew Fletcher	2,000,000
Mark Pajak*	58,480,300

* through beneficial holdings in Desmond Holdings Limited

Employee involvement

The Company had no full time employees during the year.

Policy for payment of creditors

It is the policy of the Company to agree terms of payment when goods or services are ordered and to pay in accordance with these terms. The Company's creditor payment period at 31 May 2011 was 149 days (2010: 190 days) after the date of purchase.

Charitable and political donations

No charitable or political donations were made during the year.

**AIM INVESTMENTS PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2011**

Auditor

A resolution to appoint Crowe Clark Whitehill LLP will be put to the members at the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the financial statements for each financial period in accordance with applicable law and regulations. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and are presented in accordance with AIM requirements. The financial statements are required by applicable law and regulations and by IFRSs to present fairly the financial position and performance of the Company. In preparing these financial statements the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The directors are responsible for keeping proper accounting records which are sufficient to show and explain its transactions, and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of applicable law and regulations. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

Each of the persons who are directors at the time when the Directors' Report is approved is required to make the following statements:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the individual director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

**AIM INVESTMENTS PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2011**

We confirm to the best of our knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the management report which is incorporated into the Chairman's and Directors' reports, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principle rules and uncertainties they face.

This report was approved by the board on 29 July 2011 and signed on behalf of the board by

Andrew Fletcher
Director
29 July 2011

**AIM INVESTMENTS PLC
DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 MAY 2011**

Directors' service agreements and emoluments

The service contracts of the current directors are as follows:

Name	Basic Annual Fee
Mark Pajak	£20,000*
Alexandra Eavis	£18,000
Andrew Fletcher	£24,000

*Subject to the Company generating an operating profit

The service contracts of the former directors were as follows:

Name	Basic Annual Salary
John Frankland	£10,000
Sir Bernard Zissman	£20,000

Directors' emoluments for the year ended 31 May 2011

John Frankland	£10,000
Mark Pajak	-
Alexandra Eavis	£7,500
Sir Bernard Zissman	£10,000
Andrew Fletcher	£24,000
Total directors' remuneration	<u>£51,500</u>

AIM INVESTMENTS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AIM INVESTMENTS PLC

We have audited the financial statements of AIM Investments plc for the year ended 31 May 2011 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity and the related notes numbered 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and any other surrounding information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**AIM INVESTMENTS PLC
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AIM INVESTMENTS PLC**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

29 July 2011

AIM INVESTMENTS PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2011

		12 months ended	
		31 May	
	Notes	2011	2010
		£'000	£'000
Continuing operations			
Gross portfolio return		-	-
Administrative expense		(206)	(93)
		<hr/>	<hr/>
Operating loss	4	(206)	(93)
Finance expense	5	(122)	-
		<hr/>	<hr/>
Loss for the year		(328)	(93)
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive loss for the year		(328)	(93)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share (pence)			
Basic and diluted	12	(0.202)	(0.10)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 18 to 31 form part of the financial statements

AIM INVESTMENTS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2011

	Notes	2011 £'000	2010 £'000 (Restated)
Assets			
Non-current assets			
Investments at fair value through profit or loss	8	486	-
Current assets			
Trade and other receivables	9	42	34
Cash and cash equivalents		106	10
		148	44
Total assets		634	44
Equity and Liabilities			
Shareholders' equity			
Share capital	12	7,915	7,836
Share premium		383	237
Retained earnings		(8,496)	(8,168)
		(198)	(95)
Current liabilities			
Trade and other payables	10	832	139
Total equity and liabilities		634	44

The financial statements set out on pages 14 to 31 were approved by the board and authorised for issue on 29 July 2011 and signed on behalf of the board by

Andrew Fletcher
Finance Director

AIM INVESTMENTS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2011

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 June 2009 as previously stated	7,798	22	(7,060)	(1,015)	(255)
Prior period adjustment (Note 1)	-	-	7,060	(7,060)	-
Balance at 1 June 2009 as restated	7,798	22	-	(8,075)	(255)
Loss for the year	-	-	-	(93)	(93)
Total comprehensive income for the year attributable to equity shareholders	-	-	-	(93)	(93)
Issue of shares	38	215	-	-	253
Balance at 31 May 2010	7,836	237	-	(8,168)	(95)
Balance at 1 June 2010	7,836	237	-	(8,168)	(95)
Loss for the period	-	-	-	(328)	(328)
Total comprehensive income For the year attributable to equity shareholders	-	-	-	(328)	(328)
Issue of shares	79	146	-	-	225
Balance at 31 May 2011	7,915	383	-	(8,496)	(198)

Share capital represents the aggregate nominal value of shares issued to date.

Share premium represents the aggregate amount by which subscription price exceeds nominal value of shares issued to date net of the costs of shares issued and any permissible utilisation of share premium account.

Retained earnings represent accumulated net retained losses to date.

AIM INVESTMENTS PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2011

	12 months ended 31 May	
	2011 £'000	2010 £'000
Loss arising from operating activities	(206)	(93)
Adjustments for:		
Change in investments on foreign exchange translation	14	-
(Increase)/Decrease in trade and other receivables	(8)	(34)
(Decrease)/Increase in trade and other payables	288	(43)
(Decrease)/Increase in amounts owed to related undertakings	-	(154)
Net cash generated/(used) in operating activities	88	(324)
Cash from financing activities		
Share issues	-	253
Net cash from financing activities	-	253
Cash from investing activities		
Other loans	508	79
Investments acquired	(500)	-
Net cash from investing activities	8	79
Net increase in cash and cash equivalents	96	8
Cash and cash equivalents at the beginning of period	10	2
Cash and cash equivalents at the end of the period	106	10
Cash and cash equivalents consist of:		
Cash and cash equivalents included in current assets	106	10
	106	10

The Company has adopted the policy of determining that cash and cash equivalents shall comprise cash in hand and demand deposits, together with short-term liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value. At the end of the reporting period cash and cash equivalents consisted of cash at bank.

Material non-cash transactions in the year are set out in note 12.

AIM INVESTMENTS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011

1. Principal accounting policies

Basis of preparation

AIM Investments plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the company information page. The Company is listed on the AIM Market of the London Stock Exchange (code: AIM).

The financial statements have been prepared under the historical cost convention, except to the extent varied below for fair value adjustments required by accounting standards, and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use by the European Union. The principal accounting policies are set out below.

These financial statements are presented in pounds sterling, rounded to the nearest £'000. Pounds sterling is the currency of the primary economic environment in which the company operates.

The accounting policies adopted by the Company are consistent with those of the previous financial year except as follows:

The Company has adopted new and amended IFRS and IFRIC interpretations as of 1 June 2010 and applied retrospectively where required.

As at the date of approval of these financial statements some standards and interpretations were in issue but not yet effective. The directors expect that the adoption of these standards and interpretations in future accounting periods will not have a material impact on the Company's results.

Financial assets

Purchases or sales of financial assets are recognised at the date of the transaction.

Where appropriate criteria are met, the Company makes use of the option of designating fixed asset investments upon initial recognition as financial assets at fair value through profit or loss. These criteria include that the fixed asset investment should meet the Company's published Investing Policy and form part of the Company's managed portfolio or similar investments. Such financial assets are carried at fair value and movements in fair value are taken through the profit and loss account. For quoted securities, fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

In respect of unquoted investments, these are fair valued by the directors in accordance with the following rules, which are consistent with the International Private Equity and Venture Capital Guidelines:

- Investments are to be held at cost for a limited period only and not necessarily for a full 12 month period. The Company values new investments on a price earnings basis when audited financial statements are available within the first 12 months of the investment being made.

AIM INVESTMENTS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011

Principal accounting policies (continued)

- Investments held after the initial holding period are valued using a price earnings ratio (at a significant discount to an appropriate stock market prospective price earnings ratio) in the absence of overriding factors and subject to the availability of sufficient financial information. Where such factors apply or where sufficient information is not available, alternative methods of valuation will include application of an arm's length third party valuation, price of a recent investment, a provision on cost or a net asset basis.

Convertible debt is valued in accordance with the policies in relation to quoted and unquoted investments above with no separation of the embedded derivative and the host bond.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax at rates substantively enacted at the balance sheet date.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have enacted by the balance sheet date.

Deferred tax

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences between the Company's taxable profits and its results as stated in the financial information that arises from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur; which form part of the net investment in a foreign operation and which are recognised in the foreign currency translation reserve.

AIM INVESTMENTS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011

1. Principal accounting policies (continued)

For the purposes of presenting sterling financial statements, the assets and liabilities of the Company's foreign operations are expressed using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in a foreign currency translation reserve.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the directors. The directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the senior management that make strategic decisions. The Company is principally engaged in investment business, the directors consider there is only one business segment significant enough for disclosure.

Prior period adjustment

In order to correct an error an amount of £7,060,000 previously presented as a merger reserve has been re-classified within retained earnings and comparative amounts restated accordingly. There was no effect on previously reported gross or net assets, total equity and liabilities, comprehensive income or cash flows, and no restated balance sheet at 31 May 2009 has therefore been included.

2 Critical accounting estimates and judgments

Preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are in the following areas:

Valuation of unquoted investments

The Company has made a number of investments in the form of pre-IPO loans to companies operating in emerging markets. The investee companies are generally at a key stage in their development and operating in an environment of uncertainty in capital markets. Should planned IPO transactions prove successful the value of the Company's investment is likely to increase, although there can be no guarantee that this will be the case. Should planned IPO transactions prove unsuccessful there is a material risk that the Company's investments may be impaired. The carrying amounts of investments are therefore highly sensitive to the assumption that the strategies of the investee companies will be successfully executed.

In estimating the fair value for an investment, the Company applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable data, market inputs, assumptions and estimates. Any changes in the above data, market inputs, assumptions and estimates will affect the fair value of an investment which may lead to a recognition of impairment loss in the statements of comprehensive income if an indication of impairment exists.

Going concern

At the balance sheet date, the Company had drawn down non-interest bearing loans of £587,000 from Desmond Holdings to enable it to make qualifying investments under its Investing Policy and to provide working capital for the Company. Although amounts drawn down are repayable within 12 months of the balance sheet date Desmond Holdings has agreed that it will not seek repayment of outstanding balances in respect of both facilities unless the Company is in a position to make the repayment.

In addition, on 28 June 2011, the Company announced that it had raised £721,578 from the subscription at 1.25p per share of 57,726,266 new ordinary shares of 0.1p and issue of 57,726,266 fully transferable warrants. These funds will be used to further execute the Company's investing policy. The directors therefore consider it appropriate to prepare the financial statements on the basis that the Company is a going concern.

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3. Segment information

The operating segment has been determined and reviewed by the directors to be used to make strategic decisions. The directors consider there to be a single business segment, being that of investing activity, therefore only one reportable segment.

4. Operating loss

	12 months ended 31 May	
	2011 £'000	2010 £'000
<i>The operating loss is arrived at after charging:</i>		
Fees payable to the Company's auditor		
- for the audit of the Company's annual accounts	9	5
Change in investments held at fair value through profit or loss due to foreign exchange differences	14	-
	<u> </u>	<u> </u>

5. Finance expense

	12 months ended 31 May	
	2011 £'000	2010 £'000
Loan arrangement fee	120	-
Loan interest	2	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

6. Directors, key management and employees

Staff costs, including directors' remuneration, were as follows:

	12 months ended 31 May	
	2011 £'000	2010 £'000
Wages and salaries	52	30
Social security costs	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

AIM INVESTMENTS PLC
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6. Directors, key management and employees (continued)

The average monthly number of employees, including directors, during the year was as follows:

	12 months ended 31 May	
	2011 No.	2010 No.
Directors	4	4
Administration	-	-
	<u>4</u>	<u>4</u>
	<u><u>4</u></u>	<u><u>4</u></u>

Directors' emoluments

	12 months ended 31 May	
	2011 £'000	2010 £'000
Emoluments	52	30
	<u>52</u>	<u>30</u>
	<u><u>52</u></u>	<u><u>30</u></u>

The highest paid director received emoluments and benefits as follows:

	12 months ended 31 May	
	2011 £'000	2010 £'000
Emoluments	24	17
	<u>24</u>	<u>17</u>
	<u><u>24</u></u>	<u><u>17</u></u>

The directors are the key management of the Company.

There were no directors (2010: none) to whom retirement benefits were accruing under money purchase schemes.

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7. Taxation

Analysis of charge in the year

	12 months ended 31 May	
	2011 £'000	2010 £'000
Current tax:		
UK corporation tax on profit of the year	-	-
Deferred tax	-	-
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	-	-
	<u> </u>	<u> </u>

	12 months ended 31 May	
	2011 £'000	2010 £'000
Loss on ordinary activities before tax	(328)	(93)
	<u> </u>	<u> </u>

Analysis of charge in the year

	12 months ended 31 May	
	2011 £'000	2010 £'000
Profit on ordinary activities multiplied by small companies rate of corporation tax in the UK of 21%.	(69)	(20)
Effects of:		
Loss carried forward	69	20
	<u> </u>	<u> </u>
Current tax charge for year as above	-	-
	<u> </u>	<u> </u>

AIM INVESTMENTS PLC
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8. Investments at fair value through profit or loss

	£'000
Balance as at 1 June 2010	-
Additions	500
Effect of foreign exchange	(14)
<u>Balance as at 31 May 2011</u>	<u>486</u>

On 27 October 2010, the Company announced that it had entered into a US\$100,000 convertible loan agreement with Shenzen Cadro (Catic Group) Hydraulic Equipment Co. Limited ("Cadro"), a Chinese hydraulics company, in order to partially fund the cost of Cadro's proposed IPO. The loan is convertible, at the Company's discretion, into Cadro equity at a 50% discount to the issue price. The directors estimate that the equity entitlement on eventual conversion, should that take place, would represent approximately 1% of Cadro's total issued share capital.

On 2 November 2010, the Company announced that it had entered into a convertible loan agreement of up to US\$700,000 with Planteman S.A. ('Planteman'), a Uruguayan agricultural company, in order to fund all expenses connected with its proposed IPO. The loan is convertible, at the Company's discretion, into equity in Planteman (or its new holding company) at a 50% discount to the issue price. The Company made an initial advance under the facility of \$600,000. The directors estimate that the equity entitlement on eventual conversion, should that take place, will represent approximately 1% of Planteman's total issued share capital prior to a planned substantial capital raise concurrent with a public listing.

On 8 November 2010, the Company announced that it had entered into a convertible loan agreement of up to US\$300,000 with Minera Mapsa SA ("Minera Mapsa"), a Peruvian mining company, in order to fund certain expenses of Minera Mapsa's proposed listing on a UK or US stockmarket. The loan is convertible, at the Company's discretion, into Minera Mapsa equity at a 50% discount to the issue price for the listing. The Company made an initial advance under the facility of \$100,000. The directors estimate that the equity entitlement on eventual conversion, should that take place, will represent approximately 0.4% of Minera Mapsa's total issued share capital.

As the directors are not aware of any adverse elements that would materially affect the value of the above loans, they consider the original cost is an appropriate valuation as at 31 May 2011.

9 Trade and other receivables

	2011	2010
	£'000	£'000
Other debtors	13	12
Prepayments and accrued income	29	22
	<u>42</u>	<u>34</u>
	<u>42</u>	<u>34</u>

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10. Trade and other payables

	2011	2010
	£'000	£'000
Trade payables	123	48
Other taxation and social security	106	6
Other loans	587	79
Accruals and deferred income	16	6
	<u>832</u>	<u>139</u>
	<u><u>832</u></u>	<u><u>139</u></u>

Other loans of £587,000 comprise advances made by Desmond Holdings, a Hong Kong investment company. The loans were provided to enable the Company to make qualifying investments under its Investing Policy and to provide working capital for the Company.

The terms of the loans are as follows:

a) Investment facility

Non-interest bearing loan facility of up to £700,000. The Company may only make drawdowns in order to enter into investment agreements companies introduced by Desmond Holdings should they comply with the Company's Investing Policy to provide funds to assist good quality and high growth companies achieve a listing for their shares on an appropriate stockmarket.

The Company paid Desmond Holdings a fee of £120,000 for providing the facility, such fee being satisfied by the issue on 13 December 2010 of 58,480,300 ordinary shares in the Company for a total consideration of £120,000. In the event that the admission of the Company's shares is cancelled after monies have been drawn down against the facility the outstanding balance will be repaid through the transfer of the benefit of those investments to Desmond Holdings. Amounts drawn down under the facility are otherwise repayable within 12 months of the date of drawdown.

b) Working capital loans

Interest-bearing loans to provide financial support to enable the Company to meet its reasonable working capital requirements. The facility will remain in place for at least 12 months from the date of approval of the financial statements.

Desmond Holdings has agreed that it will not seek repayment of outstanding balances in respect of both facilities unless the Company is in a position to make the repayment.

11. Financial instruments

Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

- i. ensuring that appropriate funding strategies are adopted to meet the Company's short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections;
- ii. ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and
- iii. ensuring that credit risks on receivables are properly managed.

Financial instrument by category

The accounting policies for financial instruments have been applied to the line items below:

Financial assets at fair value through profit or loss

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements for those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.

At the balance sheet date all of the Company's financial assets fell into Level 2.

Carrying values of all financial assets and liabilities approximate to fair values.

Credit risk

The Company's credit risk is primarily attributable to other receivables. Management has a credit policy in place and the exposure to credit risks is monitored on an ongoing basis.

In respect of other receivables, individual credit evaluations are performed whenever necessary. The Company's maximum exposure to credit risk is represented by the total financial assets held by the Company.

11. Financial instruments (continued)

Interest rate risk

The Company currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. As the Company has no borrowings from the bank and the amount of deposits in the bank are not significant, the exposure to interest rate risk is not significant to the Company. The effect of a 10% increase or fall in interest rates obtainable on cash and on short-term deposits would be to increase or decrease the Company's profit by less than £1,000 (2010: Less than £1,000).

Liquidity risk

The Company manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Company's policy to ensure facilities are available as required is to issue equity share capital in accordance with agreed settlement terms with vendors or professional firms, and all are due within one year.

Price risks

The Company's securities are susceptible to price risk arising from uncertainties about future values of its investments. This price risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investment traded in the market.

During the year under review, the Company did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in a £50,000 (2010: £nil) increase/decrease in the net asset value.

While investments in companies whose business operations are based in emerging markets may offer the opportunity for significant capital gains, such investments also involve a degree of business and financial risk, in particular for unquoted investments.

Generally, the Company is prepared to hold unquoted investments for middle to long time frame, in particular if an admission to trading on a stock exchange has not yet been ready. Sales of securities in unquoted investments may result in discount to the book value.

Currency risks

Because investments may be made in foreign currencies (primarily US\$) the Company is exposed to the risk of unrealised losses on retranslation into the reporting currency at reporting dates and to realised losses on realisations of investments denominated in foreign currencies. There is no systematic hedging in foreign currencies against such possible losses on translation/realisation.

Otherwise the Company operate primarily within its local currency

11. Financial instruments (continued)

Capital management

The Company's financial strategy is to utilise its resources to further grow its portfolio. The Company keeps investors and the market informed of its progress with its portfolio through regular announcements and raises additional equity finance at appropriate times.

The Company regularly reviews and manages its capital structure for the portfolio companies to maintain a balance between the higher shareholder returns that might be possible with certain levels of borrowing for the portfolio and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure of the portfolio in the light of changes in economic conditions. Although the Company has utilised loans from shareholders to acquire investments, it is the Company's policy as far as possible to finance its investing activities with equity and not to have gearing in its portfolio.

At the balance sheet date the capital structure of the Company consisted of borrowings disclosed in note 10, cash and cash equivalents and equity comprising issued capital and reserves.

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12. Share capital

	2011	2010
	£'000	£'000
Authorised		
Equity shares		
2,280,038,212 Ordinary shares of 0.1p each	2,280	2,280
77,979,412 deferred shares of 9p each	7,018	7,018
77,979,412 deferred shares of 0.9p each	702	702
	<u>10,000</u>	<u>10,000</u>
	<u><u>10,000</u></u>	<u><u>10,000</u></u>
Called up		
Equity shares		
194,999,400 Allotted, called up and fully paid ordinary shares of 0.1p each (2010 : 116,467,100)	195	116
77,979,412 Allotted, called up and fully paid deferred shares of 9p each	7,018	7,018
77,979,412 Allotted, called up and fully paid deferred shares of 0.9p each	702	702
	<u>7,915</u>	<u>7,836</u>
	<u><u>7,915</u></u>	<u><u>7,836</u></u>

The deferred shares carry no entitlement to receive notice of any general meeting, to attend, speak or vote at such general meeting. Holders are not entitled to receive dividends, and on a winding up of the Company holders of deferred shares are entitled to a return of capital only after the holder of each Ordinary share has received a return of capital together with a payment of £1 million per share. The deferred shares may be cancelled at any time for no consideration by way of a reduction in capital.

On 8 July 2010 the Company allotted 19,962,000 ordinary shares of 0.1p each for a consideration of £105,000. These shares were allotted in settlement of historic loan obligations to Maji Capital Ltd, a company connected to a former director.

On 13 December 2010 the Company allotted 58,480,300 ordinary shares of 0.1p each for a total consideration of £120,000. These shares were allotted in settlement of the arrangement fee for the provision of new loans by Desmond Holdings.

Both the share issues on 8 July and 13 December 2010 represent material non-cash transactions in the year.

The calculation of earnings per share is based on the loss attributable to the equity holders for the period of £328,000 and on 161,998,742 shares (2010: 90,725,302) being the weighted average number of shares, both basic and diluted, in issue during the period.

As described in note 14, after the balance sheet date the Company issued a further 57,726,266 new ordinary shares of 0.1p and 57,726,266 fully transferable warrants. These issues will have a material impact on the calculation of basic and diluted weighted average number of shares in issue in future periods.

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13. Related party transactions

During the year, the Company entered into the following transactions with related parties and connected parties:

Loans from Desmond Holdings

Amounts of £587,000 were advanced by Desmond Holdings, shareholder in the Company. Details are set out in note 10.

The Company paid Desmond Holdings a fee of £120,000 for providing the loan facilities described in note 10, such fee being satisfied by the issue of 58,480,300 ordinary shares.

Directors and key management

Amounts payable in the year to directors (who also comprise key management) are set out in the Directors' Remuneration report. At 31 May 2011 the following amounts were payable to directors:

Sir Bernard Zissman	£5,000
Alexandra Eavis	£1,500
John Frankland	£5,000
Andrew Fletcher	£23,050

All key management personnel are directors and appropriate disclosure with respect to them is made in note 6 of the financial statements. There are no other contracts of significance in which any director has or had during the year a material interest.

14. Events after the reporting period

On 28 June 2011 the Company announced that it had raised £721,578 from the subscription at 1.25p per share of 57,726,266 new ordinary shares of 0.1p and issue of 57,726,266 fully transferable warrants. The warrants are exercisable at 1.5p per share at any time before 30 June 2014. These funds will be used to further execute the Company's Investing Policy.

Also on 28 June 2011, a number of board changes were made to prepare the Company for a growing involvement in emerging and frontier markets. Non-Executive Chairman, Sir Bernard Zissman, resigned from the Board with effect from 28 June 2011 and Mark Pajak was appointed to the role of Acting Chairman. Balbir Bindra joined the board as a non-executive director and it was announced that Andrew Fletcher would be stepping down as Finance Director following completion of the Company's 2011 annual report.

On 29 June 2011, the Company announced that it had subscribed for 42,500 common shares of CAD\$3.51 per share in Mongolia Growth Group Ltd, a real estate and financial services investment fund focusing its operations in the emerging economy of Mongolia, which is listed on the Canadian National Stock Exchange (YAK:CNSX). The cost of this investment was CAD\$149,175 (£95,131) in aggregate and represented a holding of 0.1% of the total issued shares capital of that company.