

News release

7 September 2009

Merchant Securities plc Acquisition of Wealth Management Company

Merchant Securities plc (the "Group"), the financial services group specialising in private client investment management, institutional research and trading, corporate finance and corporate broking announces that it has entered into an unconditional agreement (the "Agreement") to acquire Cavendish Young Limited, ("Cavendish Young") an Independent Financial Adviser & fee based Wealth Management company based in Belgravia, London (the "Acquisition").

Cavendish Young, which was formed in 1999, manages £46 million for high net worth individuals and has a total client base of 2500 private clients. For the year ended 31 March 2009, Cavendish Young made a profit before taxation of £2,665 on turnover of £630,342 and had net assets of £229,018 on that date. The sellers of Cavendish Young are Mark Estcourt, the founder and managing director of the company and his wife Tracy Estcourt. Mr Estcourt has entered into a new service agreement with Cavendish Young.

The initial consideration for the Acquisition is £65,000, of which £32,500 was paid on completion, with the balance payable following agreement of the completion balance sheet. Further deferred consideration may become payable dependent upon two factors: the future profitability of Cavendish Young in the financial periods ending 31 March 2014, with a potential deferred consideration in this regard capped at £800,000 and the amount of funds which come under the discretionary management of the Group over the same period, with an additional potential deferred consideration capped at £500,000, giving a maximum potential total consideration of £1.3 million.

As at 31 July 2009 the Group had £85 million under advisory management and a further £6.5 million under discretionary management. The Acquisition increases the total funds under Group management to over £135 million and has the potential to increase the funds under the Group's discretionary management to over £50 million, before any future growth.

Patrick Claridge, Chief Executive of Merchant Securities plc, says:

“This acquisition fits well with our strategy to increase long term recurring income across our three sectors of private client, institutional and corporate finance and corporate broking business. This deal represents a major step forward for the private client business, increasing total Group funds under advisory and discretionary management to over £135 million. We will continue to seek appropriate ways of expanding the Group, with an emphasis on increasing long term recurring income and delivering a high-quality service to our entire client base.”

- Ends -

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