



AIM: MERC
22 July 2010

Merchant Securities Group plc
(“Merchant Securities” or “the Group” or “the Company”)

Final results for the year ended 31 March 2010

Highlights

- Group firmly returned to profitability – strong H2 performance
- Revenue increased by 40% to £7.61m (2009: £5.43m), reflecting:
 - increased revenue contributions across all activities
 - seven month contribution from Cavendish Young
- Pre-tax profit rose to £0.64m (2009: loss of £4.58m)
Underlying profit before tax of £1.26m* (2009: loss of £0.50m**)
- Earnings per share increased to 1.09p (2009: loss of 10.63p)
Underlying earnings per share of 2.16p (2009: loss of 0.94p)
- Strong balance sheet – net cash up 42% to £3.06m at 31 March 2010 (2009: £2.15m)
- Integration of businesses completed in H2 and principal subsidiary now trading as “Merchant Securities Limited”
- Private client wealth management division performed very strongly
 - seven month contribution from Cavendish Young, acquired in September 2009
 - private client funds under advice and discretionary management rose by 137% to £181m
- Corporate finance division – 19 transactions completed in the year, including two AIM admissions (out of the 36 admissions to AIM in the 2009 calendar year)
- Institutional sales & research - commission income rose by 20%
 - full year of technical research product “Mercantalyst”
 - new research product launched and key appointments made post period
- Board views prospects for continuing growth with confidence

(* underlying profits are before amortisation and discretionary profit share)

(** underlying profits are before goodwill impairment, revaluation of investments and non-recurring items)

John Green, Chairman, Merchant Securities Group plc, says:

“As we expected, the Group moved firmly into profits over the course of the financial year and we closed the year with profit before taxation significantly ahead of market expectations.

This pleasing result represents the culmination of the business turnaround programme we commenced in mid 2008. It reflects both an improvement in trading conditions for some of our activities as well as the benefits of the changes we have made to the business, including the acquisition of the wealth management business, Cavendish Young, and the expansion of our institutional research products.

The private client wealth management division achieved a particularly strong result, boosted by the addition of Cavendish Young in September 2009. We also completed the integration of our corporate finance businesses, now renamed Merchant Securities Limited.

With the business turnaround completed and profitability restored, the Group is well placed to build on its current position, which is underpinned by a robust balance sheet, with negligible borrowings and a strong net cash position. We expect to see all our divisions make further progress over the new financial year and will continue to consider any complementary acquisitions and additional senior appointments.”

For further information please contact:

Merchant Securities Group plc

Patrick Claridge, Chief Executive
John Foster-Powell, Chief Financial Officer

T: 020 7375 9022

Arden Partners plc

Richard Day
Matthew Armitt

T: 020 7614 5917

Biddicks

Katie Tzouliadis
Sophie Lane

T: 020 7448 1000

About Merchant Securities:

Based in London, Merchant Securities Group plc provides a broad range of financial services to private clients, institutions and companies. Specific services include private client investment and wealth management, institutional sales, research and trading, corporate finance and corporate broking. The Group's principal subsidiary, Merchant Securities Limited, is authorised and regulated by the Financial Services Authority, a member of the London Stock Exchange and an approved Nominated Adviser to AIM companies.

Website: www.merchantsecurities.co.uk

The Company has convened its Annual General Meeting, to be held at 51-55 Gresham Street, London EC2V 7HQ, for 22 September 2010, at 10.00 am.

Financial statements for the year ended 31 March 2010 will be posted by 7 August 2010 to shareholders on the register on 30 July 2010 and will also be available from the Company's registered office, 51-55 Gresham Street, London EC2V 7HQ. Alternatively, the document will be available to be viewed or downloaded from the Company's website: www.merchantsecurities.co.uk

CHAIRMAN'S STATEMENT

Introduction

I am very pleased to report Merchant Securities' results for the year ended 31 March 2010. As we expected, the Group moved firmly into profits over the course of the financial year. After an encouraging first half performance, the second half delivered a much better than expected outcome, as outlined in our trading update on 21 April 2010, and we closed the year with profit before taxation significantly ahead of market expectations.

This pleasing result represents the culmination of the business turnaround programme we commenced in mid 2008. It reflects both an improvement in trading conditions for some of our activities as well as the benefits of the changes we have made to the business, including the acquisition of the wealth management business, Cavendish Young, and the expansion of our institutional research products.

The private client wealth management division achieved a particularly strong result, boosted by the addition of Cavendish Young towards the end of the first half, in September 2009. We also completed the integration of our corporate finance businesses, Merchant Securities Group Limited and John East & Partners Limited, in October last year. On 12 July 2010, the combined business changed its name to "Merchant Securities Limited", following the Group's change of name to "Merchant Securities Group plc", and Merchant Securities Limited now incorporates all the Group's activities except for wealth management.

Financial Results

Revenue for the year ended 31 March 2010 increased by 40 per cent. to £7.61 million, from £5.43 million last year. This reflected strong growth across all three divisions as well as a seven month contribution from Cavendish Young, the independent financial advisory business we acquired in September 2009. The Group moved strongly into profit during the course of the financial year and particularly in the second half, and it is pleasing to see the loss before taxation of £4.58 million reported last year reverse into a profit before taxation of £0.64 million this financial year. This represents a £5.2 million turnaround, year-on-year. The underlying profit before goodwill amortisation and discretionary profit share for the year was £1.26 million. This compared to a reported loss on the same basis of £0.50m last year. Earnings per share increased to 1.09p (2009: loss of 10.63p) and underlying earnings per share were 2.16p (2009: loss of 0.94p).

The Group's balance sheet is strong, with negligible borrowings and net cash of £3.06 million at the year end showing a 42 per cent. increase over the same date last year (2009: net cash of £2.15 million). Net tangible assets at 31 March 2010 stood at £3.3 million, representing a 14 per cent. increase over last year (2009: £2.9 million).

Business Progress

All the Group's three key activities, private client wealth management, institutional sales and research and corporate finance, increased revenues year-on-year.

Private Client Wealth Management

Our private client wealth management services outperformed expectations during the year under review, helped by the improvement in trading conditions. Over the twelve months, we extended the range of services we offer and launched three additional managed funds in the first half, taking our total to nine. In September 2009, the business took a significant step forward with the acquisition of Cavendish Young Limited, the private client wealth management company, which we subsequently rebranded as "Merchant Cavendish Young". This acquisition has helped to boost our funds under advice and discretionary management to £181 million (2009: £76m).

CHAIRMAN'S STATEMENT

Since the year end, the volumes in our private client wealth management business have continued to grow strongly. In May 2010, Merchant Cavendish Young was ranked in the top 25 IFAs in the UK by Private Client Practitioner Magazine. This recognition is especially pleasing as the ranking is based on independent research on the most successful companies providing fee-based advice to high net worth individuals.

Institutional Sales and Research

Institutional secondary commission revenue continues to grow consistently, with income rising by 20 per cent. compared to last year. This result was helped by a full year's contribution from "Mercantalyt", our highly regarded technical research product. In May 2009, we expanded our technical analysis offering with a new weekly product, "Objectivyst". This complements Mercantalyt and its uptake has surpassed expectations.

As previously indicated, we have ambitions to build our institutional sales and research capability. Following the year end, we have made further progress in strengthening our team. Most recently, in June 2010, we were delighted to announce the appointment of Chris Smith as a senior executive to establish our research capability in the Financials sector. Chris has extensive experience as a top ranked financials analyst, covering pan-European financial stocks and will join in September.

Corporate Finance

The corporate finance division worked on 19 transactions in the year, including two of the 36 new admissions to AIM in the 2009 calendar year and ended the financial year with 28 corporate clients. Furthermore, our private equity team, which raises capital for unquoted companies, raised £8 million in five transactions during the year. Whilst IPO activity remained subdued, we continued to grow revenues from retainers, secondary issues and advisory activities. I am pleased to highlight that our corporate finance team was the lead adviser to the AIM Transaction of the Year 2009, for long-standing client Toluna plc in its acquisition of the business and assets of the Internet Survey Solutions division of Greenfield Online Inc., a subsidiary of Microsoft Corporation Inc.

In June 2010 we were delighted to announce the appointment of Lindsay Mair to our corporate finance team, starting with us in September. Lindsay has over 20 years' experience of the UK Small and Mid Cap sector, including many years as head of corporate finance at Daniel Stewart.

The new financial year has started well. We are actively seeking to increase the number of corporate clients for which we act and since the start of the new financial year, we have been successful in adding several new corporate clients to our list. The private equity team continues to raise funds for private companies in the sub £10 million sector.

Integration

As planned, by October 2009, we completed the integration of our two main subsidiaries, Merchant Securities Group Limited and John East & Partners Limited. The combination of these two subsidiaries means that all the Group's activities, except for private client wealth management, are now managed in a single subsidiary. Recently, in early July, we changed this subsidiary's name from "Merchant John East Securities Limited" to "Merchant Securities Limited". At the same time, we also relocated all our London-based activities into a new office in Gresham Street in the City of London. Of our two former offices, we are in the process of assigning the lease on one and the lease on the other expires on 24 September this year.

Thanks are due to my co-directors and all members of staff who have worked hard and successfully in challenging market conditions.

CHAIRMAN'S STATEMENT

Outlook

With the business turnaround completed and profitability restored, the Group is well placed to build on its current position, which is underpinned by a robust balance sheet with negligible borrowings and a strong net cash position. We expect to see all our divisions make further progress over the new financial year and will continue to consider any complementary acquisitions and additional senior appointments.

I look forward to providing further updates in due course.

John Green
Chairman
21 July 2010

**Consolidated Statement of Comprehensive Income
for the year ended 31 March 2010**

Continuing operations	Notes	Year ended 31 March 2010		Year ended 31 March 2009	
		£000	£000	£000	£000
Revenue	2		7,611		5,425
Cost of sales			<u>(1,281)</u>		<u>(829)</u>
Gross profit			6,330		4,596
Other income			-		40
General administrative expenses	3	5,087		5,266	
Profit share accrual		426		-	
Impairment of goodwill	5	-		2,624	
Impairment of intangible assets	6	-		647	
Amortisation of intangible assets	6	194		120	
Revaluation of trading investments		-		382	
Loss on disposal of investments held for sale		-		15	
Non-recurring items		-		<u>287</u>	
			<u>(5,707)</u>		<u>(9,341)</u>
Operating profit/(loss)			623		(4,705)
Investment revenues			19		147
Finance costs			<u>(2)</u>		<u>(19)</u>
Profit / (loss) before taxation			640		(4,577)
Taxation			<u>(129)</u>		<u>108</u>
Profit / (loss) for the year attributable to equity holders of the Company			511		(4,468)
Other comprehensive income					
Revaluation of available for sale investments			-		(36)
Total comprehensive income for the year net of tax			<u>511</u>		<u>(4,504)</u>
Earnings per share					
Basic	4		<u>1.09p</u>		<u>(10.63p)</u>
Diluted	4		<u>0.97p</u>		<u>(10.63p)</u>

The profit / (loss) for the year attributable to equity holders of the Company is as follows:					
Underlying profit /(loss)			*1,260		** (502)
Impairment of goodwill	5	-		2,624	
Impairment of intangible assets	6	-		647	
Amortisation of intangible assets	6	194		120	
Profit share accrual		426		-	
Revaluation of investments held for sale		-		382	
Loss on disposal of investments held for sale		-		15	
Non-recurring items		-		<u>287</u>	
			<u>(620)</u>		<u>(4,074)</u>
			640		(4,576)
Taxation			<u>(129)</u>		<u>108</u>
			511		(4,468)
Underlying earnings per share based on the underlying profit /(loss)					
Basic EPS after adding back above expenses	4		<u>2.16p</u>		<u>(0.94p)</u>
Diluted EPS after adding back above expenses	4		<u>1.92p</u>		<u>(0.94p)</u>

No dividends were paid during the year (2009: £Nil).

* Underlying profits are before amortisation and discretionary profit share.

** Underlying profits are before goodwill impairment, intangible asset impairment and amortisation, revaluation of investments and non-recurring items.

**Consolidated Statement of Financial Position
as at 31 March 2010**

Registered No. 05347651

		2010	2009
	Notes	£000	£000
Non-current assets			
Goodwill	5	2,554	2,554
Intangible assets	6	623	562
Property, plant and equipment		137	275
Available-for-sale investments		-	-
Trade and other receivables		150	150
Deferred tax asset		12	-
		<u>3,476</u>	<u>3,541</u>
Current assets			
Trade and other receivables	7	1,249	1,027
Trading investments		-	-
Cash and cash equivalents		3,141	2,153
		<u>4,390</u>	<u>3,180</u>
Current liabilities			
Trade and other payables		(1,129)	(726)
Short-term borrowings		(76)	-
		<u>(1,205)</u>	<u>(726)</u>
Net current assets		<u>3,185</u>	<u>2,454</u>
Non-current liabilities			
Other liabilities		(228)	-
Deferred tax liabilities		(3)	(16)
		<u>(231)</u>	<u>(16)</u>
Total assets less liabilities		<u>6,430</u>	<u>5,978</u>
Equity			
Share capital		3,272	3,272
Share premium account		11,705	11,705
Other reserves		(3,845)	(3,845)
Share-based payment reserve	8	287	292
Retained earnings		(4,935)	(5,446)
Treasury shares		(54)	-
Equity attributable to equity holders of the Company		<u>6,430</u>	<u>5,978</u>

These financial statements were approved by the board of directors and authorised for issue on 21 July 2010.

**Consolidated Cash Flow Statement
for the year ended 31 March 2010**

		2010	2009
	Notes	£000	£000
Cash flows from operating activities			
Cash generated from/(used in) operations	9	1,024	(1,087)
Interest received		19	147
Interest paid		(2)	(19)
Tax received/ (paid)		-	(92)
Net cash generated from/(used in) operating activities		<u>1,041</u>	<u>(1,051)</u>
Cash flows from investing activities			
Acquisition of subsidiary business		(60)	(50)
Purchase of property, plant and equipment		(15)	(11)
Proceeds from disposal of held-for-sale investments		-	25
Purchase of held-for-sale investments		-	(75)
Net cash used in investing activities		<u>(75)</u>	<u>(111)</u>
Cash flows from financing activities			
Purchase of treasury shares		(54)	-
Proceeds from issue of shares (net of issue costs)		-	1,522
Net cash generated from financing activities		<u>(54)</u>	<u>1,522</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		<u>2,153</u>	<u>1,793</u>
Cash and cash equivalents at end of year		<u>3,065</u>	<u>2,153</u>

**Consolidated Statement of Changes in Equity
for the year ended 31 March 2010**

	Share capital £000	Share premium £000	Other reserves £000	Revaluation reserve £000	Share-based payment reserve £000	Retained earnings £000	Treasury Shares £000	Total equity £000
Balance at 1 April 2008	3,115	10,340	(3,845)	36	152	(978)	-	8,820
Movement in revaluation of available for sale investments	-	-	-	(36)	-	-	-	(36)
Net loss for the year	-	-	-	-	-	(4,468)	-	(4,468)
Total comprehensive income	-	-	-	(36)	-	(4,468)	-	(4,504)
Proceeds from new share issue (net of issue costs)	157	1,365	-	-	-	-	-	1,522
Recognition of share- based payments	-	-	-	-	140	-	-	140
Balance at 31 March 2009	3,272	11,705	(3,845)	-	292	(5,446)	-	5,978
Net profit for the year	-	-	-	-	-	511	-	511
Total comprehensive income	-	-	-	-	-	511	-	511
Purchase of Shares	-	-	-	-	-	-	(54)	(54)
Recognition of share- based payments	-	-	-	-	(5)	-	-	(5)
Balance at 31 March 2010	3,272	11,705	(3,845)	-	287	(4,935)	(54)	6,430

Notes to the Consolidated Financial Statements for the year ended 31 March 2010

1. General Information

The financial information set out in this announcement does not constitute statutory accounts as defined in the Companies Act 2006.

The financial information for the year ended 31 March 2009 has been extracted from the Group's financial statements to that date which received an unmodified auditors' report and have been delivered to the Registrar of Companies. The financial information for the year ended 31 March 2010 has been extracted from the Group's financial statements to that date which have received an unmodified auditor's report but have not yet been delivered to the Registrar of Companies.

2. Revenue and Gross Profit by Segment

The Group's results for the year ended 31 March 2010, all of which were generated within the United Kingdom, can be analysed by product as follows:

The Group is currently managed through three operating divisions – Private Client Wealth Management, Institutional Broking and Corporate. The principal activities of these three divisions are as follows:

- Private Client – the provision of advisory stockbroking, discretionary portfolio management and wealth management to individuals, trusts, pension funds, charities and companies.
- Institutional – Institutional sales and research.
- Corporate – corporate finance and broking for small to mid-cap UK listed companies and private equity fundraising.

Sales between units are carried out on an arms length basis. Revenue reported below represents revenue from external customers.

	2010	2009
	£000	£000
Revenue		
Private Client	4,048	2,396
Institutional broking	1,559	1,199
Corporate	2,004	1,830
	<u>7,611</u>	<u>5,425</u>
Profit/(loss) before tax		
Private client	1,006	(253)
Institutional broking	548	355
Corporate	(294)	(714)
Central	(620)	(3,965)
	<u>640</u>	<u>(4,577)</u>
Total assets - Central	<u>7,866</u>	<u>6,721</u>
Total liabilities - Central	<u>1,436</u>	<u>743</u>

The Group does not allocate its balance sheet between business segments. There are no transactions with an external customer which exceeds 10% of revenue.

3. Particular Administrative Expenses

The Group has disclosed separately the following items, due to their material effect on the accounts:

	Notes	2010	2009
		£000	£000
Impairment of goodwill		-	2,624
Impairment of intangibles		-	647
Amortisation of intangibles		194	120
Profit share accrual		426	-

Impairment of trading investments	-	382
Disposal of trading investments	-	15
One-off professional costs	-	85
Severance payments	-	155
Bad debts written-off	-	47
	<u>620</u>	<u>4,075</u>

4. Earnings Per Share

Basic earnings per share are based on the post-tax profit for the year of £511,000 (2009: loss of £4,468,000) and on 46,897,270 ordinary 1p shares (2009: 42,021,243) being the weighted average number of shares in issue during the year.

The effect of all potential ordinary shares under option is dilutive. Details of the share options issued which could be dilutive in the future are set out in note 8.

Calculations are as follows:

	2010 £000	2009 £000
Earnings for the purpose of basic and diluted earnings per share		
Net profit / (loss) attributable to equity holders of the Group	511	(4,468)
Impairment of goodwill	-	2,624
Profit share accrual	426	-
Tax thereon	(119)	-
Amortisation/Impairment of intangible assets	194	767
Revaluation of investments held-for-sale	-	382
Loss and disposal of investments held-for-sale	-	15
Non-recurring costs	-	286
Expenses added back	<u>501</u>	<u>4,074</u>
Underlying profit /(loss) after tax	<u>*1,012</u>	<u>** (394)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>46,897,270</u>	<u>42,021,243</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>52,445,032</u>	<u>47,220,057</u>
Earnings per share (EPS)		
Basic EPS based on profit/(loss) attributable to equity holders	1.09p	(10.63p)
Diluted EPS based on profit/(loss) attributable to equity holders	0.97p	(10.63p)
Underlying earnings per share based on the underlying profit /(loss)		
Basic EPS after adding back above expenses	2.16p	(0.94p)
Diluted EPS after adding back above expenses	<u>1.92p</u>	<u>(0.94p)</u>

* Underlying profits are before amortisation and discretionary profit share.

** Underlying profits are before goodwill impairment, intangible asset impairment and amortisation, revaluation of investments and non-recurring items.

5. Goodwill

	2010	2009
Cost	£000	£000
At 1 April	5,600	5,550
Recognised on acquisition of Merchant Securities Limited	-	50
At 31 March	5,600	5,600
Impairment		
At 1 April	3,046	422
Charge for the year	-	2,624
At 31 March	3,046	3,046
Net Book Value		
At 31 March	2,554	2,554

Goodwill acquired in a business combination is allocated to the cash generating units expected to benefit from the business combination. The Group tests goodwill annually for impairment or more frequently if deemed necessary. Goodwill of £1,528,000 (2009: £1,528,000) and £1,026,000 (2009: £1,026,000) has been allocated to the Private Client and Corporate cash generating units respectively

The carrying amount of the segments has been reduced to their recoverable amount through recognition of an impairment loss against goodwill (refer note 4). The impairment charge arose due to the change in market conditions during 2009. This charge has been included in the Consolidated Statement of Comprehensive Income.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment. Impairment of goodwill has been allocated to the following cash generating units: Private Client £nil (2009: £1,180,000) and Corporate £nil (2009: £1,444,000).

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. A discount rate of 9% per annum has been assumed throughout the period.

6. Intangible Assets

	2010	2009
	£000	£000
Cost		
At 1 April	1,389	1,389
Recognised on acquisition of Merchant Cavendish Young	255	-
At 31 March	1,644	1,389
Amortisation		
At 1 April	180	60
Charge for the year	194	120
At 31 March	374	180
Impairment		
At 1 April	647	-
Impairment Charge	-	647
At 31 March	647	647
Net Book Value		
At 31 March	623	562

Intangible assets represent externally acquired trademarks, customer relationships and non-compete agreements.

Impairment tests for intangible assets

The Group has reviewed the carrying value of intangible assets in relation to trademarks, customer relationships and non-compete agreements acquired and has determined that there would be no requirement to write down the carrying value of its intangible assets. (2009: £647,000).

7. Cash and Cash Equivalents

Cash and cash equivalents consist of the Group's own cash at bank only.

8. Share Based Payments

The Group runs two equity-settled share based option schemes, an Enterprise Management Incentives ("EMI") scheme and an Executive Share Option Scheme ("EXSOS"). Options expire if the director or employee leaves the Group before exercise or if the options remain unexercised after the exercise period has lapsed. In September 2009, a new share option scheme was approved. As well as updating the terms and conditions of the options granted, share options were granted in lieu of share options issued previously. The significant modification to the original share options issued included the exercise price per share being reduced to 10p, compared to the market price of 7.25p at time of implementation.

The Group recognised a credit of £5,000 (2009: expense of £140,000) related to equity-settled share based payment transactions. The corresponding equity debit/credit has been allocated to the share-based payment reserve. No deferred tax charge or credit has been recognised.

a) EMI Scheme

At 31 March 2010 the following options have been granted and remain outstanding in respect of ordinary shares of 1p in the Company under the Company's EMI scheme.

Dates of grant	9 September 2009	20 November 2008	24 August 2007	30 June 2006 – 30 October 2006
<i>Exercisable</i>	9 September 2010 – 8 September 2019	23 April 2010 – 19 November 2018	24 August 2009 – 8 October 2017	30 June 2008 – 29 October 2016
Number of shares	3,991,078	716,083	235,000	617,901
Exercise price per share	10p	15.00p - 25.00p	36.50p	29.94p
Fair value per share	0.39p	0.83p - 1.15p	8.41p	0.5p-23.56p

The fair value of the options has been calculated using the Black-Scholes model with the following inputs. Expected volatility is based on the historical share price volatility.

Share price at date of grant	7.25p	7.00p	36.50p	14.97p-50.00p
Expected life	2 years	2.5 years	2.5 years	2.18 – 2.5 years
Expected volatility	25%	67.4%	29.9%	29.9%
Risk free rate	3.00%	3.62%	4.08%	4.68%
Expected dividend yield	Nil	Nil	Nil	Nil

The following table reconciles outstanding share options at the beginning and end of the financial year.

EMI Share option scheme	2010		2009	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
1 April	4,184,690	28.11p	4,129,109	31.36p
Granted	3,991,078	10.00p	1,421,083	18.11p
Exercised	-	-	-	-
Forfeited	(26,700)	32.40p	(1,365,502)	27.51p
Waived	(2,589,006)	28.68p	-	-
31 March	5,560,062	14.29p	4,184,690	28.11p
Exercisable	2,176,027	18.52p	1,469,603	29.94p

b) EXSOS Scheme

At 31 March 2010 the following options have been granted and remain outstanding in respect of ordinary shares of 1p in the Company under the Company's EXSOS scheme.

Dates of grant	9 September 2009	24 August 2007	30 June 2006
<i>Exercisable two years following date of grant</i>	<i>9 September 2010 – 8 September 2019</i>	<i>24 August 2009 – 23 August 2017</i>	<i>30 June 2008 – 29 June 2016</i>
Number of shares	167,005	70,000	167,016
Exercise price per share	10.00p	36.50p	29.94p
Fair value per share	0.39p	8.41p	0.5p

The fair value of the options has been calculated using the Black-Scholes model with the following inputs. Expected volatility is based on the historical share price volatility.

Share price at date of grant	7.25p	36.50p-38.50p	14.97p
Expected life	2 years	2.5 years	2.5 years
Expected volatility	25%	29.9%	29.9%
Risk free rate	3%	4.08% - 4.57%	4.68%
Expected dividend yield	Nil	Nil	Nil

The following table reconciles outstanding share options at the beginning and end of the financial year.

EXSOS Share option scheme	2010		2009	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
1 April	1,050,473	33.13p	1,356,339	33.08p
Granted	167,005	10.00p	-	-
Exercised	-	-	-	-
Forfeited	-	-	(305,866)	32.92p
Waived	(813,457)	33.49p	-	-
31 March	404,021	22.83p	1,050,473	33.13p
Exercisable	292,684	27.72p	501,047	29.94p

9. Cash Generated From Operations

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Operating profit/(loss) for the year	623	(4,705)
Adjustments for:		
Depreciation	163	121
Impairment of goodwill	-	2,624
Amortisation of intangible assets	194	120
Impairment of intangible assets	-	647
Revaluation of investments held for sale	-	382
Loss on sale of investments held-for-sale	-	15
Loss on disposal of property, plant and equipment	-	2
Share based payment expense	(5)	140
Changes in working capital:		
(Increase) / decrease in receivables	(353)	2,208
Increase / (decrease) in payables	402	(2,641)
Net cash inflow / (outflow) from operating activities	1,024	(1,087)

10. Financial Commitments

Total commitments under leases entered into by the Group at 31 March were:

	Land and buildings		Other	
	2010 £000	2009 £000	2010 £000	2009 £000
Leases expiring:				
Within one year	179	227	29	27
Between one and five years	318	469	55	81
	497	696	84	108

After the year end the Group had entered into an operating lease with regard to land and buildings. This lease is for a period of six years with an annual rental commitment of £227,240.

The lease expiring between one and five years relates to the Company's former premises at John Stow House, the lease of which is in the process of being assigned. The completion of the assignment will mitigate future lease obligations but will give rise to a non-recurring charge to the statement of comprehensive income in the current financial year.

11. Availability of accounts

Copies of the Financial Statements will be sent to shareholders by 7 August and will be available from the registered office of the Company at 51-55 Gresham Street, London EC2V 7HQ after that date and the Company website www.merchantsecurities.co.uk.