AIM: MERC
28 July 2011

Merchant Securities Group plc
("Merchant Securities" or "the Group")

Full Year Results
for the year to 31 March 2011

Merchant Securities, the financial services group, provides wealth management services to individuals and investment banking services to UK small and mid-cap companies, and institutional investors. The Group's investment banking services include private and public company corporate finance and corporate broking, equity research, and institutional sales and trading.

Key Points

- Revenue up by 10% to £8.40m (2010: £7.61m)
  - increased revenues from all activities
- Underlying* profit before taxation up by 34% to £1.12m (2010: £0.83m)
  Statutory profit before taxation of £271,000 (2010: £640,000)
- Non-recurring items of £0.60m, primarily reflect office move costs (2010: £nil)
- Underlying* basic earnings per share up by 22% to 1.83p (2010: 1.50p)
  Statutory earnings per share of 0.27p (2010: 1.09p)
- Net cash balances at year end of £2.62m (31 March 2010: £3.06m), after acquiring GT Independent Financial Advisers Limited.
- Wealth management services:
  - performing well, revenues up 9%
  - further strengthened by acquisition of GT Independent Financial Advisers Limited in Q4, which more than doubled funds under influence to £487m and added 3,300 private clients, taking total to 7,500
- Investment banking activities:
  - expanding, revenues up 12%
  - 23 transactions including 4 flotations
  - equity research and sales teams enlarged
- Move to new City offices in July 2010 – provides scope for expansion
- Strong start to new financial year – outlook positive

**underlying profits are before amortisation and non-recurring items*

Patrick Claridge, Chief Executive, commented, *"The results reflect the very good progress that the Group has made over the last financial year, with revenues and underlying profits significantly ahead of the prior year. Sales were higher across both our private client wealth management division and our investment banking division, demonstrating the benefits of our strategy to diversify the business base and the investment we have made in both activities this financial year and last.*

The Group has been further strengthened with the acquisition of GT Independent Financial Advisers Limited ("GT"), a wealth management company, in February 2011, which has doubled both assets under management and the total number of our private clients. The acquisition provides significant cross-selling opportunities. We have also continued to expand our investment banking teams through key appointments and, in particular, have developed our equity research offering.

The Group is well positioned to deliver a further improvement on its performance in the new financial year and results indicate a strong first quarter. Financially, the business remains very robust, with significant net cash and good cash flows. This will support our expansion plans and we will continue to consider acquisitions which will complement and strengthen our operations."

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CHAIRMAN'S STATEMENT

Introduction

I am pleased to report that the Group continues to make very good progress. Results for the year to 31 March 2011 show revenue moving ahead by 10 per cent. to £8.40m and underlying profit before taxation increased by 34 per cent. to £1.12m compared to the previous year. Both our private client wealth management operations and our investment banking activities generated increased revenues over last year, and the Group's results for the year also benefited from a partial contribution from GT Independent Financial Advisers Limited ("GT"), the wealth management company which we acquired in February 2011.

The year saw significant changes. In line with our strategy to develop our presence in the wealth management sector, we acquired GT, which has added critical mass to our existing business. The addition of GT has doubled the Group's assets under advisory and discretionary management as well as bringing significant cross-selling opportunities. We have also added further range and depth to our investment banking activities over the year, expanding our equity research coverage and adding selectively to our sales team. Our move to new offices in the second quarter of the financial year, while incurring a non-recurring cost, has enabled us to consolidate our London operations more efficiently and also provides us with the space to accommodate future expansion.

The Group is now well-placed to continue to grow revenues and profits. The full benefits of the acquisition of GT have yet to be felt and while trading conditions for our investment banking activities remain demanding, our pipeline of work with publicly quoted and private companies is encouraging.

Financial Results

For the year to 31 March 2011, the Group generated revenues of £8.40m, which represents an increase of 10 per cent. on the prior year (2010: £7.61m). This result included a seven week contribution from GT, acquired in February 2011. Underlying profit before amortisation and non-recurring items rose by 34 per cent. to £1.12m (2010: £0.83m). Earnings per share on the same basis rose by 22 per cent. to 1.83p (2010: 1.50p). Non-recurring items totalled £0.60m (2010: £nil) and largely comprised the costs associated with our move to new offices in July 2010. Some of these costs are not allowable for tax purposes which has resulted in a higher than normal tax charge. After taking into account non-recurring items and amortisation of intangible assets, the statutory results show profit before taxation of £0.27m (2010: £0.64m) and earnings per share of 0.27p (2010: 1.09p).

The Group's balance sheet remains robust, with no borrowings and net cash balances at 31 March 2011 of £2.62m (31 March 2010: £3.06m). This is after satisfying the initial cash consideration for GT and the costs of the office move.

Review of Operations

Private Client Wealth Management

Our private client wealth management activities performed well over the year, generating a 9 per cent. rise in revenue to £4.4m (2010: £4.05m) over last year and an underlying profit before tax of £1.26m (2010: £0.84m), which represents an increase of 50 per cent. on 2010. These strong results reflect both organic growth and the benefits of Cavendish Young Limited, the private client wealth management company which we acquired in September 2009, which has integrated well and is delivering the results we hoped for at the time of its acquisition. In May 2010, it was particularly pleasing to see Cavendish Young ranked in the top 25 UK IFAs in an independent research report published by *Private Client*

Practitioner magazine. Later in the year, in November 2010, our private client division was also awarded Best Advisory Service in *The Daily Telegraph* Wealth Management Awards 2010. The award was determined by public vote and reflects our commitment to delivering high service standards to our clients.

In the last quarter of the financial year under review, we completed the acquisition of wealth management firm, GT, which now trades as Merchant Securities Wealth Management Limited ("MSWM"). MSWM has significantly increased our funds under advisory and discretionary management and these now total c. £487 million, more than double the total at the same point last year, when funds under influence stood at £205 million. MSWM has also brought approximately 3,300 new private clients to the Group, increasing our total number of private clients to 7,500. Over time, there is excellent potential to offer additional services and products to MSWM's substantial client base and this will be a focus as we integrate the business with our existing operations.

We continued to create new products to offer to clients and during the year, launched five new managed funds, taking our total to fifteen. After the year end we strengthened the senior management team of the division with the appointment of a sales director.

Investment banking

Our investment banking activities, which include institutional sales, research and execution and provide products and services to both publicly quoted and private companies, contributed revenues of £4.0m (2010: £3.6m) to the Group's result. As expected, these activities made an underlying loss of £0.1m after a full pro-rata allocation of central overheads in the year against the previous year's profit of £0.26m, reflecting the higher cost base as we expanded our teams. We were involved in a total of 23 transactions over the year, including four flotations: Suretrack Monitoring plc, Water Intelligence plc, Motive Television PLC and DEO Petroleum plc. As we previously reported, the restructuring of Norman Broadbent plc, which we led as Nominated Adviser and Broker, was shortlisted for the AIM Transaction of the Year at the 2010 AIM Awards, held in October 2010. Other notable transactions in the year included acting as Rule 3 adviser to Toluna Plc in relation to its £168 million recommended offer.

In line with our plans to develop our investment banking activities, we have expanded our teams both during the year and after the year end, making a number of new research and sales appointments. The result is that we start the new financial year with broader equity research covering five sectors, enhanced distribution and strengthened resource.

Board Changes and Staff

We are delighted to welcome Nigel Gurney to the Board as Finance Director as of 1 August 2011. Nigel has been working in the financial services industry at a senior level for the last seven years. Before joining the Group, he was Finance Director at WH Ireland Group plc, the stockbroking and securities business. Prior to this, Nigel was Financial Controller at Spencer House Capital Management LLP, the independent Asset Management partnership founded by Lord Rothschild and Richard Horlick (formerly CIO of Schroders). Nigel has also held senior management roles at Invicta Investment Management LLP, the London-based hedge fund and ORN Capital LLP, the hedge fund platform.

Nigel replaces John Foster-Powell, who, as we previously announced, will be leaving the Group in the autumn. We would like to thank John for his contribution to the Group and wish him well in his new ventures.

The Group's pleasing results reflect the talents and dedication of our staff and I would like to thank all of them for their efforts over the year, as we continue to pursue our expansion plans.

I would also formally like to mark the passing of Richard Crossley, our technical strategist, responsible for producing the highly respected and well-followed Mercantalyst daily commentary, whose untimely death in April 2011 was a shock to colleagues and friends alike. Richard excelled in his field and deservedly enjoyed a distinguished reputation. He is much missed by all.

Outlook

The Group made very good progress over the financial year under review and the business base is stronger and more diversified than it was a year ago. We have made a very encouraging start to the current year, with the first quarter showing corporate finance fees, commission levels and trading revenues all well ahead of the same period last year. This strong start positions us well for the first half and looking further ahead, we hope to deliver an improvement in performance for the new financial year as a whole.

Our strategy to seek acquisitions which will enhance our existing activities remains in place and our strong balance sheet will help to support organic growth as well as further acquisitions.

I look forward to updating shareholders on the Group's development in due course.

John Green
Chairman

Consolidated Statement of Comprehensive Income

Continuing operations	Notes	Year ended 31 March 2011 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000	Year ended 31 March 2010 £000
Revenue	2		**8,401**		7,611
Cost of sales			**(908)**		(1,281)
Gross profit			**7,493**		6,330
General administrative expenses		**6,417**		5,513	
Amortisation of intangible assets	7	**243**		194	
Non-recurring items	4	**601**		-	
			(7,261)		(5,707)
Operating profit			**232**		623
Investment revenues			**45**		19
Finance costs			**(6)**		(2)
Profit before taxation			**271**		640
Taxation			**(145)**		(129)
Profit for the year attributable to equity holders of the Company			**126**		511
Revaluation of available for sale investments	8		**163**		-
Total comprehensive income for the year net of tax attributable to equity holders of the Company			**289**		511
Earnings per share					
Basic	5		**0.27p**		1.09p
Fully diluted	5		**0.23p**		0.97p
The profit for the year attributable to equity holders of the Company is as follows:					
Underlying profit*			**1,115**		834
Amortisation of intangible assets	7	**243**		194	
Non-recurring items	4	**601**		-	
			(844)		(194)
			271		640
Taxation			**(145)**		(129)
Profit for the year attributable to equity holders of the Company			**126**		511
Underlying earnings per share					
Basic	5		**1.83p**		1.50p
Fully diluted	5		**1.58p**		1.34p

*Underlying profits are before amortisation and non-recurring items.

Consolidated Statement of Financial Position
as at 31 March 2011

	Notes	2011 £000	2011 £000	2010 £000	2010 £000
Non-current assets					
Goodwill	6		3,415		2,554
Intangible assets	7		1,714		623
Property, plant and equipment			449		137
Available-for-sale investments	8		211		-
Trade and other receivables			100		150
Deferred tax asset			150		12
			6,039		3,476
Current assets					
Trade and other receivables		2,082		1,249	
Cash and cash equivalents		2,619		3,141	
		4,701		4,390	
Current liabilities					
Trade and other payables		(2,484)		(1,129)	
Short-term borrowings		-		(76)	
		(2,484)		(1,205)	
Net current assets			2,217		3,185
Non-current liabilities					
Other liabilities			(583)		(228)
Deferred tax liabilities			(9)		(3)
			(592)		(231)
Total assets less liabilities			7,664		6,430
Equity					
Share capital			3,317		3,272
Share premium account			12,656		11,705
Other reserves			(3,845)		(3,845)
Revaluation reserve			163		-
Share-based payment reserve			308		287
Retained earnings			(4,809)		(4,935)
Treasury shares			-		-
Employee benefit trust			(126)		(54)
Equity attributable to equity holders of the Company			7,664		6,430

These financial statements were approved by the board of directors and authorised for issue on 28 July 2011.

Consolidated Cash Flow Statement
for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Cash flows from operating activities			
Cash generated from operations	11	**778**	1,024
Interest received		**45**	19
Interest paid		**(6)**	(2)
Tax paid		**(77)**	-
Net cash generated from operating activities		**740**	1,041
Cash flows from investing activities			
Acquisition of subsidiary business	13	**(750)**	(60)
Purchase of property, plant and equipment		**(409)**	(15)
Proceeds from lease capital contribution		**200**	-
Purchase of available for sale investments		**(48)**	-
Cost of disposal of tangible fixed assets		**(8)**	-
Net cash used in investing activities		**(1,015)**	(75)
Cash flows from financing activities			
Loan to Employee Benefit Trust		**(181)**	(54)
Proceeds from the issue of shares (net of costs)		**10**	-
Net cash used in financing activities		**(171)**	(54)
Net increase in cash and cash equivalents		**(446)**	912
Cash and cash equivalents at beginning of year		**3,065**	2,153
Cash and cash equivalents at end of year		**2,619**	3,065

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

	Share capital £000	Share premium £000	Other reserves £000	Revaluation reserve £000	Share-based payment reserve £000	Retained earnings £000	Employee benefit trust £000	Total equity £000
Balance at 1 April 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**
Movement in revaluation of available for sale investments	-	-	-	163	-	-	**-**	**163**
Net profit for the year	-	-	-	-	-	126	**-**	**126**
Total comprehensive income	-	-	-	163	-	126	**-**	**289**
Purchase of Shares	-	-	-	-	-	-	(181)	**(181)**
Movement on Employee benefit trust	-	-	-	-	-	-	109	**109**
Recognition of share-based payments	-	-	-	-	21	-	**-**	**21**
Acquisition cost	-	(15)	-	-	-	-	**-**	**(15)**
Issue of share capital	45	966	-	-	-	-	**-**	**1,011**
Balance at 31 March 2011	**3,317**	**12,656**	**(3,845)**	**163**	**308**	**(4,809)**	**(126)**	**7,664**

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 2010 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 2011 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.

The income statement for 2010 has been restated to include the Profit Share Accrual as part of General Administrative Expenses. The effect of the reinstatement in 2010 is as follows:

2010	**Previously reported £000**	**Variance £000**	**Restated £000**
General administrative expenses	5,087	426	5,513
Profit share accrual	426	(426)	-
	5,513	-	5,513

2. Revenue and Gross Profit by Segment

The Group's results for the year ended 31 March 2011, all of which were generated within the United Kingdom, can be analysed by product as follows:

The board is the chief operating decision maker ''CODM'' for identifying the segments in reporting.

The Group is currently managed through two operating divisions – Private Client Wealth Management and Investment banking. The principal activities of these two 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.
- Investment Banking – institutional sales, research, 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.

	2011 £000	2010 £000
Revenue		
Private Client	**4,398**	4,048
Investment banking	**4,003**	3,563
	8,401	7,611
Profit/(loss) before tax		
Private client	**1,260**	842
Investment banking	**(145)**	(8)
Underlying profit	**1,115**	834
Amortisation	**(243)**	(194)
Non-recurring costs	**(601)**	-
	271	640
Total assets – Group	**10,740**	7,866
Total liabilities – Group	**3,076**	1,436

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

3. Particular Administrative Expenses

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

	Notes	2011 £000	2010 £000
Amortisation of intangibles	7	**243**	194
One-off costs		**601**	-
Severance Payments		**38**	-
		882	194

4. Non-recurring Costs

During the year the company merged its operations and moved from two separate offices to one new office. The non-recurring costs primarily represent the costs of moving, surrendering the lease on one property, continuing the rental costs of another to expiry while vacant and incurring the rent on a new property whilst it was being fitted out.

5. Earnings Per Share

Basic earnings per share are based on the post-tax profit for the year of £126,000 (2010: £511,000) and on 47,510,214 ordinary 1p shares (2010: 46,897,270) 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 10.

Calculations are as follows:

Earnings for the purpose of basic and diluted earnings per share		**2011 £000**		2010 £000
Net profit attributable to equity holders of MSG plc		**126**		511
Amortisation of intangible assets	**243**		194	
Non-recurring costs	**601**		-	
Tax effect on non-recurring costs	**(98)**		-	
Expenses added back		**746**		194
Underlying profit after tax*		**872**		705
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share		**47,510,214**		46,897,270
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share		**55,330,244**		52,445,032
Earnings per share (EPS)				
Basic EPS based on profit attributable to equity holders		**0.27p**		1.09p
Fully diluted EPS based on profit attributable to equity holders		**0.23p**		0.97p

Underlying earnings per share based on the underlying profit*		
Basic EPS after adding back amortisation of intangible assets, non-recurring costs and related tax	**1.83p**	1.50p
Fully diluted EPS after adding back amortisation of intangible assets, non-recurring costs and related tax	**1.58p**	1.34p

*Underlying profits are before amortisation and non-recurring costs.

6. Goodwill

	2011	2010
Cost	**£000**	£000
At 1 April	**5,600**	5,600
Recognised on acquisition of MSWM	**861**	-
At 31 March	**6,461**	5,600
Impairment		
At 1 April and **31 March**	**3,046**	3,046
Net Book Value		
At 31 March	**3,415**	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 (2010: £1,528,000) and £1,026,000 (2010: £1,026,000) has been allocated to the private client and investment banking 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 to note 2). 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 (2010: £nil) and investment banking £nil (2010: £nil).

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 cent. per annum has been assumed throughout the period.

7. Intangible Assets

	2011	2010
Cost	**£000**	£000
At 1 April	**1,644**	1,389
Recognised on acquisition of MCY	**-**	255
Recognised on acquisition of MSWM	**1,334**	-
At 31 March	**2,978**	1,644
Amortisation		
At 1 April	**374**	180
Charge for the year	**243**	194

At 31 March	**617**	374
Impairment		
At 1 April and **31 March**	**647**	647
Net Book Value		
At 31 March	**1,714**	623

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 (2010: £nil).

8. Investments

Non-current investments	**2011 £000**	2010 £000
Investments available for sale at start of year at cost	**-**	134
IFRS revaluation adjustment brought forward	**-**	(134)
Investments available for sale at start of year at fair value	**-**	-
Investments available for sale acquired at cost	**48**	-
Revaluation at year end	**163**	-
At 31 March	**211**	-

The Group holds a number of warrants and options over shares in various companies, some unlisted, and others listed on AIM. The cost of these options and warrants was £Nil. Fair value has been established by calculating the difference between the market value of the shares and the exercise price. Market value has been ascertained by reference to the market price in the case of options over shares in listed companies, or otherwise by use of other appropriate valuation techniques.

9. Cash and Cash Equivalents

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

10. 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.

The Group recognised a charge of £21,000 (2010: £5,000 credit) 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 2011 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.

Details of the share options granted are as follows:

Dates of grant	3 Jun 2010 – 31 Mar 2011	9 Sep 2009	20 Nov 2008	24 Aug 2007	30 Jun 2006 – 30 Oct 2006
Exercisable	*2 Jun 2010 – 30 Mar 2021*	*9 Sep 2010 – 8 Sep 2019*	*23 Apr 2010 – 19 Nov 2018*	*24 Aug 2009 – 8 Oct 2017*	*30 Jun 2008 – 29 Oct 2016*
Number of shares	2,749,194	3,991,078	716,083	235,000	617,901
Exercise price per share	19.00p - 30.00p	10.00p	15.00p - 25.00p	36.50p	29.94p
Fair value per share	4.07p – 6.89p	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	19.0p - 23.5p	7.25p	7.00p	36.50p	14.97p - 50.00p
Expected life	3 years	2 years	2.5 years	2.5 years	2.18 – 2.5 years
Expected volatility	40%	25%	67.4%	29.9%	29.9%
Risk free rate	2.0%-2.5%	3.00%	3.62%	4.08%	4.68%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil

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

	2011		2010	
EMI Share option scheme	**Number of shares**	**Weighted average exercise price**	Number of shares	Weighted average exercise price
1 April	**5,560,062**	**14.29p**	4,184,690	28.11p
Granted	**2,749,194**	**25.81p**	3,991,078	10.00p
Exercised	**(102,776)**	**10.00p**	-	-
Forfeited	**(1,105,144)**	**21.78p**	(26,700)	32.40p
Waived	**-**	**-**	(2,589,006)	28.68p
31 March	**7,101,336**	**17.65p**	5,560,062	14.29p
Exercisable	**2,659,950**	**15.70p**	2,176,027	18.52p

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.

Details of the share options granted are as follows:

Dates of grant	3 Jun 2010 – 31 Mar 2011	9 Sep 2009	24 Aug 2007	30 Jun 2006
Exercisable two years following date of grant	*2 Jun 2010 – 30 Mar 2021*	*9 Sep 2010 – 8 Sep 2019*	*24 Aug 2009 – 23 Aug 2017*	*30 Jun 2008 – 29 Jun 2016*
Number of shares	471,806	167,005	70,000	167,016
Exercise price per share	23.50p – 30.00p	10.00p	36.50p	29.94p
Fair value per share	3.38p – 4.99p	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	23.50p	7.25p	36.50p-38.50p	14.97p
Expected life	1 – 3 years	2 years	2.5 years	2.5 years
Expected volatility	40%	25%	29.9%	29.9%
Risk free rate	2.50%	3.00%	4.08% - 4.57%	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.

EXSOS Share option scheme	**2011** Number of shares	Weighted average exercise price	2010 Number of shares	Weighted average exercise price
1 April	**404,021**	**22.83p**	1,050,473	**33.13p**
Granted	**471,806**	**29.71p**	167,005	**10.00p**
Waived	**-**	**-**	(813,457)	**33.49p**
31 March	**875,827**	**26.54p**	404,021	**22.83p**
Exercisable	**308,796**	**27.47p**	292,684	**27.72p**

11. Cash Generated From Operations

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Operating profit for the year	**232**	623
Adjustments for:		
Depreciation	**126**	163
Amortisation of intangible assets	**243**	194
Share based payment expense	**21**	(5)
Changes in working capital:		
Increase in receivables	**(840)**	(353)
Increase in payables	**996**	402
Net cash inflow from operating activities	**778**	1,024

12. Financial Commitments

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

	Land and buildings		**Other**	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Within one year	**257**	179	**29**	29
Between one and five years	**1,000**	318	**27**	55
More than five years	**415**	-	**-**	-
	1,672	497	**56**	84

13. Acquisition of MSWM

On 9 February 2010, MSG plc acquired the entire share capital of MSWM (formerly GT Independent Financial Advisers Limited) for a cash consideration of £750,000, £1 million satisfied by the issue of ordinary shares in the Company, deferred consideration of £279,000 and further deferred performance consideration estimated to be £300,000. The transaction has been accounted for using the purchase method as prescribed by IFRS 3 Business Combinations.

Net assets acquired	**Book Value £000**	**Adjustments £000**	**Fair value £000**
Property, plant and equipment	**37**	-	37
Cash and Bank	**156**	-	156
Trade and other receivables	**224**	(15)	209
Trade and other payables	**(257)**	-	(257)
Liabilities due within more than on year	**(11)**	-	(11)
Goodwill	**-**	861	861
Intangible asset	**-**	1,334	1,334
	149	2,180	2,329

Consideration paid:	
Cash	750
Deferred cash payment	279
Estimated deferred consideration	300
Shares	1,000
	2,329

Net cash outflow arising on acquisition:	
Cash consideration paid	750
Cost of acquisition	103
Cash and cash equivalents	-
	853

In assessing the value of the net assets acquired, the directors considered whether there were any separately identifiable intangible assets. The separately identifiable intangible assets have been independently valued at their fair values as follows:

Customer relationships	1,334
	1,334

In the year ended 31 March 2011 MSWM contributed £174,000 to the Group's revenues as set out in the Consolidated Statement of Comprehensive Income. There was no material impact on the profit before tax in the year.

Deferred consideration comprises an entitlement of the former shareholders of MSWM to performance payments dependent on the attainment of certain revenue targets and is payable up to 50 per cent in shares in the acquirer at the company's discretion.

14. Availability of accounts

Copies of the financial statements will be sent to shareholders by 31 August 2011 and will be available from the registered office of the Company at 51-55 Gresham Street, London, EC2V 7HQ after that date and on the Company website www.merchantsecurities.co.uk