



Merchant Securities

Merchant Securities Group plc

Final Results Presentation
Year to 31 March 2011

July 2011





Merchant Securities

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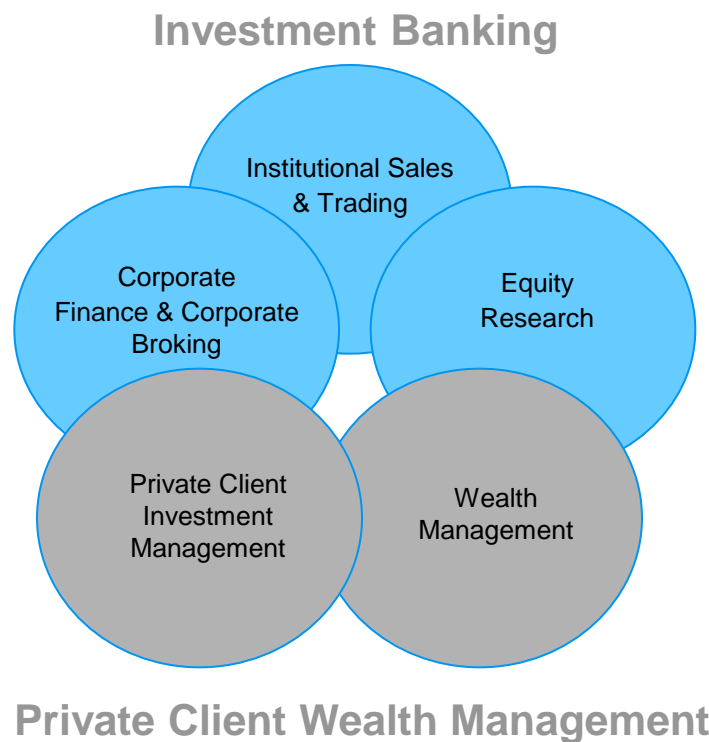
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Group Overview

- Established in 1987, Merchant Securities has grown into a diversified financial services group
- Offering a comprehensive range of financial services to its clients (corporate, institutional, private):





Group Overview *continued*

- Merchant Securities Group plc listed on AIM in 2006 (EPIC: MERC)
- 73 employees in the Group:
 - 34 Private Client Wealth Management division
 - 20 Investment Banking division
 - 14 Support
 - 5 Executive & Board
- 5 offices in the UK
- Move to new City offices in July 2010 providing scope for expansion
- Increased revenues across all activities for year to 31 March 2011
- Strong start to the current financial year



Financial Highlights *year to 31 March 2011*

- Revenue +10% to £8.40 million (2010: £7.61 million):
 - Increased revenues from all activities
- Underlying* profit before taxation +34% to £1.12 million (2010: £0.83 million)
- Underlying* basic EPS +22% to 1.83p (2010: 1.50p)
- No borrowings (2010: £76,000)
- Net cash balances at 31 March 2011 of £2.62 million (2010: £3.06 million):
 - After initial cash consideration relating to acquisition of GT Independent Financial Advisers Limited in February 2011, and office move costs
- Net tangible assets of £2.53 million (2010: £3.30 million)

* Underlying profits are before amortisation and non-recurring items



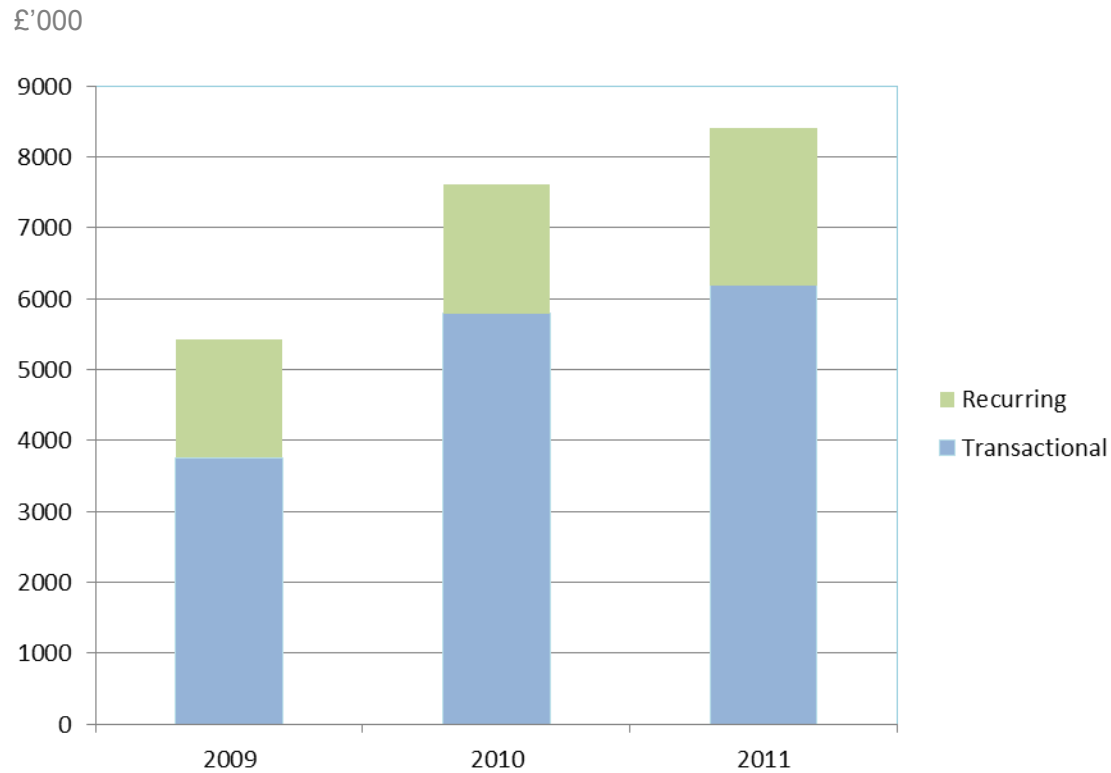
Income Statement *year to 31 March 2011*

	Audited	Unaudited	Unaudited	Audited
	2011	H2 2011	H1 2011	2010
	£'000s	£'000s	£'000s	£'000s
Private client investment management	4,398	2,297	2,101	4,048
Investment banking	4,003	2,268	1,735	3,563
Revenue	8,401	4,565	3,836	7,611
Cost of sales	(908)	(369)	(539)	(1,281)
Gross profit	7,493	4,196	3,297	6,330
Net interest and other income	39	22	17	17
General administration expenses	(6,417)	(3,445)	(2,972)	(5,513)
Underlying profit before tax	1,115	773	342	834
Amortisation of intangibles	(243)	(130)	(113)	(194)
Non-recurring items	(601)	(130)	(471)	-
Profit / (loss) before tax	271	513	(242)	640
Underlying EPS (basic)	1.83p	1.10p	0.73p	1.50p
EPS (basic)	0.27p	0.79p	(0.52)p	1.09p
Average shares in issue (millions)	47.510	46.897	46.897	46.897

Non-recurring items represent the costs of moving, surrender of 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.



Analysis of Group Revenue *by type*





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Private Client Wealth Management





Private Client Wealth Management

- Currently c. £487 million funds under influence (2010: £205 million):
 - c. £80 million discretionary
 - 138% increase achieved through acquisition and organic growth
- Acquisition of GT Independent Financial Advisers Limited* in February 2011 added £280 million under management
- Team of 16 advisers
- 15 managed funds (2010: 10 managed funds)
- Clients include:
 - Private individuals / clients
 - Pension funds
 - Charitable trusts
- 7,500+ private clients:
 - Well-established, strong record of referrals, and opportunities to offer additional services and products

* Initial consideration of £2 million, paid in a mix of cash and shares



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Private Client Wealth Management *continued*

- Recent awards & accolades:



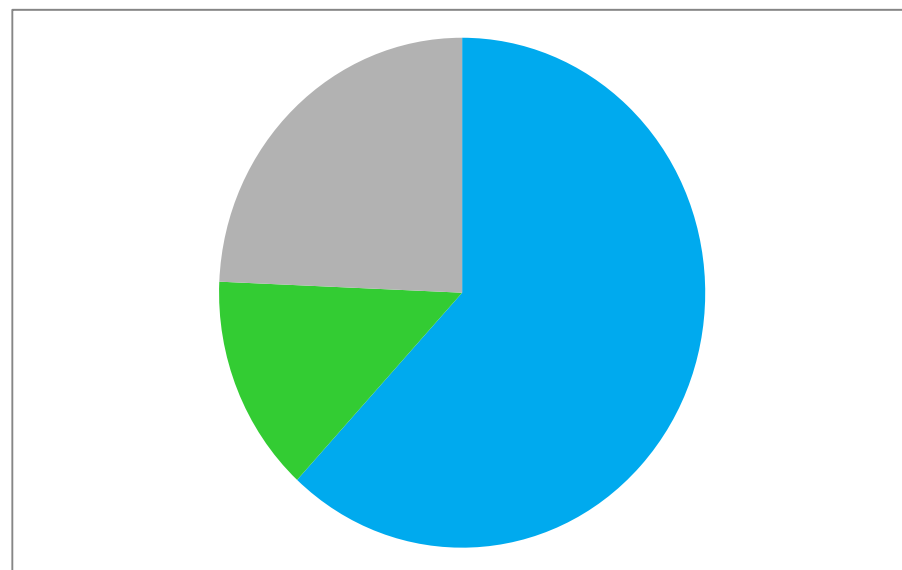
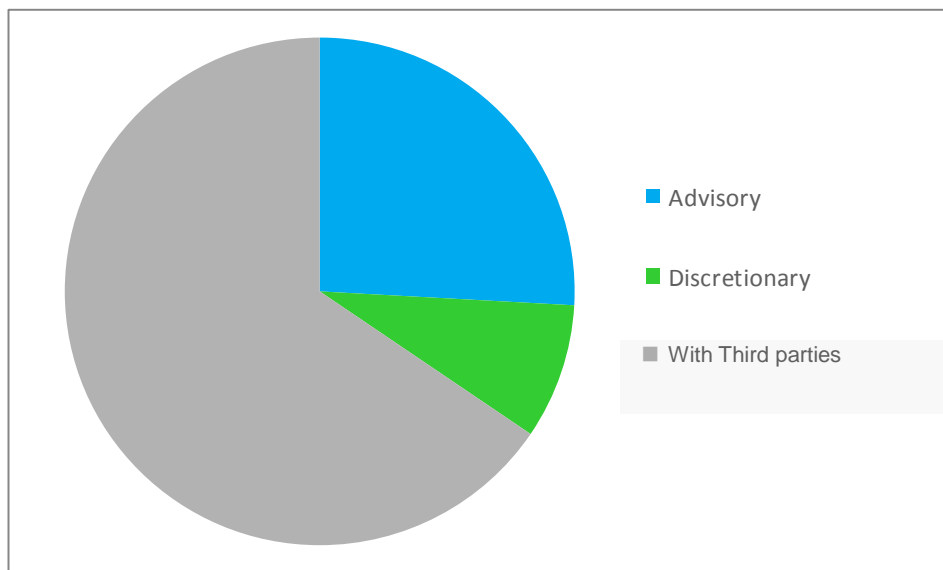


Private Client Wealth Management *continued*

Funds Under Management

2011: £487m

2010: £205m





Private Client Wealth Management *continued*

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Managed Funds: Performance from Inception*

Structure	Launch Date	Structure % return to 22.07.11
Hindsight I	10.07.2008	44.67%
Hindsight II	01.05.2009	22.44%
Income I	25.11.2008	31.46%
Income II	16.01.2009	28.87%
US/Euro Leverage	28.08.2009	13.39%
Lookback I	23.11.2009	4.09%
Lookback II	15.10.2010	-1%
LIBOR	10.01.2011	-1.75%
Euro Value	16.02.2011	-1.5%
Market Neutral	14.06.2010	5.65%
Emerging Markets Protected	15.07.2009	28.13%
Emerging Markets Trend Vol	26.02.2010	22.83%
US Value	14.10.2010	2.12%

* Source: Merchant Securities / Bloomberg



Merchant Securities

Investment Banking





Corporate Finance

- Focused on Small/Mid-cap companies
- Services to both quoted and private companies
- 31 retained quoted clients (2010: 28)
- Nominated Adviser (since inception of AIM in 1995), Broker and Financial Adviser
- Highly-experienced team and extensive transactional experience
- Quoted companies - year to 31 March 2011:
 - 23 transactions completed (2010: 19)
 - 4 AIM admissions / re-admissions
- Private companies - year to 31 March 2011:
 - c. £34 million raised in the last c. 5 years
 - 6 transactions in progress

Short-listed as 'AIM Adviser of the Year' in 6 of the last 9 years
and as 'AIM Broker of the Year'* in 2009*



Institutional Sales & Trading

- A global institutional client base:
 - Pension funds
 - Mutual funds
 - Insurance companies and banks
 - Hedge funds
 - Broker dealers
- Expanded team of 8 Institutional Sales / Trading / Corporate Broking
- Extensive access to UK institutions investing in Small/Mid-cap companies
- Excellent daily deal-flow
- Long track-record in equity fundraisings



Selected Transactions - Public companies



**MUSIC
FESTIVALS
PLC**

Placing and Admission to AIM

£6.5 million

Nominated Adviser & Broker

June 2011



Bidtimes Plc

**Acquisition of PowerHouse Energy,
Inc. and Readmission to AIM**

Introduction
(Market capitalisation: c £50 million)

Nominated Adviser and Broker

June 2011



Toluna

**Recommended acquisition by ITWP
Acquisition Limited (Public to
Private)**

£161 million

**Sole Financial Adviser &
Nominated Adviser**

February 2011



DEO PETROLEUM PLC

**Acquisition of North Sea assets,
Placing and Readmission to AIM**

£16 million

Nominated Adviser & Placing Agent

October 2010



motive

**Acquisition, Fundraising and
Readmission to AIM**

£4.75 million

Nominated Adviser

October 2010



**Managed Support
MSS
Services plc**

Secondary Placing

£3.2 million

Joint Broker

September 2010



SURETRACK
COVERT TRACKING

Placing and Admission to AIM

£1.4 million

Nominated Adviser & Broker

August 2010



**Water
Intelligence^{plc}**

**Acquisition of ALD, Inc.
fundraising and Admission to
trading on AIM**

£1.2 million

Nominated Adviser & Broker

July 2010



Selected Transactions - Private companies



Digital Colour X-ray Imaging

Durham University Spin Out
in 2002

Raised £12.4 million across four
rounds to March 2010

Unity Power

Re-Opening of largest Welsh Coal
Mine in 2007

Raised £7.5 million as part of £20
million seed funding

Caithness Petroleum

Oil Exploration Site in 2006

Raised £1.5 million

Oil reserves found
Investors returns ~5x

BlueMango

Mobile Roaming

Raised £3.75 million of
seed capital

Rainbow Rewards

Awards Programme

Raised £1.3 million
development capital in 2006

Plan to list on Australian Stock
Exchange 2012



Established Dairy Products
Business

Raised £3.5 million of debt finance in
two rounds to June 2011



Hotel Booking Technology

Raised £1.5 million of debt finance
to May 2011



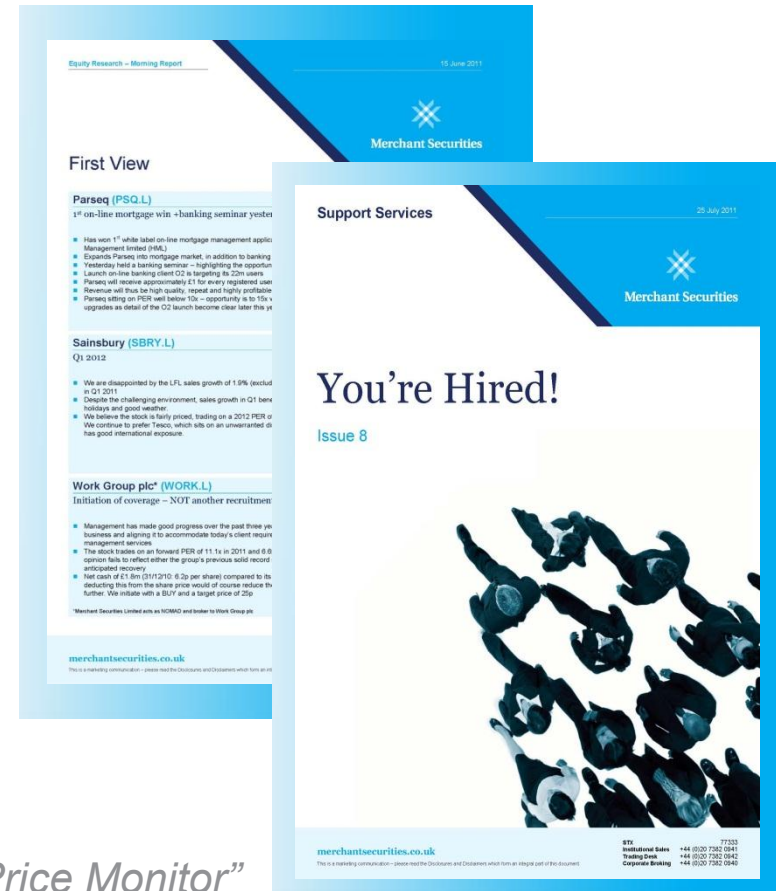
Sterile Baby Bottle

Raised £4.6 million
to December 2010



Analyst Research

- Expanded knowledgeable and experienced team
- Currently specialised expertise in 5 sectors*:
 - Support Services
 - Alternative Energy
 - Technology
 - Oil & Gas
 - Consumer
- Focused on Small/Mid-cap companies
- Extensive output:
 - Stock specific publications
 - Sector publications
 - Daily morning publication: *“First View”*
 - Weekly commodities publication: *“Oil & Gas Price Monitor”*



* Looking to expand sector coverage



Group Summary

- Revenues and Underlying Profits for year to 31 March 2011 significantly ahead of 2010
- Private Client Wealth Management:
 - Acquisition of GT Independent Financial Advisers Limited adding critical mass
 - Funds under influence currently c. £487 million, with excellent opportunities to offer additional services and products to existing substantial client base
- Investment Banking:
 - Total of 23 transactions completed during the period, with 31 retained quoted corporate clients
 - Expansion of Sales team and Equity Research coverage to support future transactions
- Strong start to current financial year:
 - Significant net cash and good cash flows
 - Further expansion planned through both organic growth and potential acquisitions



Merchant Securities

Appendix

- Board of Directors
- Major Shareholders

Board of Directors



Merchant Securities

John Green, Non-Executive Chairman

John is an Oxford graduate and a chartered accountant. His James Capel appointments included head of UK syndication, corporate broking, and equity capital markets. He was CEO of James Capel Investment Management in 1998. His previous chairmanships included Inventive Leisure plc, Principal Investment Management Holdings Limited and Huntress Holdings Limited. John was made Chairman in October 2006.

Patrick Claridge FCSI, Chief Executive Officer

Patrick began his career in the City at Scott Goff Hancock & Company and then worked as an equity dealer at a number of city institutions, including UBS, before joining and establishing the London office of TIR Securities (UK) Limited in 1990 where he was promoted to the position of Co-Head of the company's Global Institutional Business. At its peak, TIR generated in excess of US\$120 million of revenues. E*TRADE Securities acquired TIR Securities (UK) Limited in 1999 and Patrick was appointed CEO of the London operations of E*TRADE Securities (UK) Limited in 2001. Patrick joined Merchant Securities Limited in May 2006 as an executive director and was appointed an executive director of Merchant Securities Group plc in October 2006. He is a Fellow of the Chartered Institute for Securities & Investment.

John East FRSA FCSI, Executive Director

John became a member of the London Stock Exchange in 1974, when he was with Panmure Gordon & Co. He established the stockbroking firm of Kent, East, Newton & Co in 1977 before merging the firm with and becoming senior partner of Margetts and Addenbrooke, one of the oldest firms in the country with a long history of advising smaller public companies. During this period Margetts and Addenbrooke played an active role in the development of the Unlisted Securities Market, the first UK market for young and growing companies. Following the sale of the firm, he joined the predecessor of John East & Partners Limited in 1987 and led its management buyout in 1992. He joined the Board of Merchant Securities Group plc in October 2007 following its acquisition of John East & Partners Limited. He was a founder member of the executive committee of the Quoted Companies Alliance, the City group which champions smaller companies and which was instrumental in pressing for the establishment of AIM. He is a Fellow of the Chartered Institute for Securities & Investment. He is Deputy Chief Executive of Merchant Securities Limited and Chairman of the corporate finance division.

Board of Directors *continued*



Merchant Securities

Charles Price, Non-Executive Director

Charles is a qualified banker of nearly 40 years' experience, both in the UK and internationally. He commenced his career at National Westminster Bank and subsequently joined the investment bank, N.M. Rothschild & Sons. Over a period of 25 years he worked in various capacities in the UK and Far East. He subsequently joined Singer & Friedlander as Head of Banking and during his eight years in control, grew the operation to become the largest segment of the group. Charles was appointed a director of Merchant Securities Group plc in October 2006.

Nigel Gurney, Finance Director (effective 1 August 2011)

Nigel has wide-ranging experience in senior financial roles, working for the last six years in the financial services industry. He was previously 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. He is a Chartered Accountant, having qualified in 1993. Nigel was appointed as Finance Director of Merchant Securities Group plc with effect from August 2011.

John Foster-Powell FCCA, ACIB, AMCT, Executive Director

John has over 25 years' experience in the financial services industry, where he has held various positions in finance with increasing managerial responsibilities. He has also been a consultant in the financial services area for a number of years. John is a fellow of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Bankers and an associate member of the Association of Corporate Treasurers. He has extensive experience in financial services including IFRS and compliance requirements. John was Chief Financial Officer of Merchant Securities Group plc between 2008 and 2011.



Major Shareholders*

Shareholder	No. of shares	Percentage of voting rights
Dom Maklerski Spolka Akcyjna (IDMSA)	8,000,000	15.58%
Henderson Global Investors	5,020,000	9.78%
John East	4,495,000	8.75%
Anthony Fabrizi	4,168,001	8.12%
Tim Wall	4,043,479	7.88%
Patrick Claridge	2,735,528	5.33%
David Worlidge	2,562,857	4.99%

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