



News release

21 August 2008

Merchant Securities plc

Final results for the year ended 31 March 2008

Merchant Securities plc (“the Group”), the financial services group specialising in institutional and private client stockbroking, corporate finance, corporate broking and private equity, announces its final results for the year ended 31 March 2008.

Financial and operational highlights:

- Significant progress made by the Group in achieving its strategy of building a diversified financial services company;
- Turnover up 30% to £5,337,254;
- Underlying operating loss before tax of £153,165 (excluding £625,318 of non recurring expenses, amortisation of intangible assets and impairment of investments held for sale);
- Strengthened balance sheet, with net cash balances of £1.8 million at the balance sheet date augmented by an additional £1.5 million net of expenses raised by a share placing in June 2008;
- Dom Maklerski IDM Spolka Akcyjna, (“IDMSA”) a large stockbroker based in Poland, subscribed in placing and now holds 17.06% of the increased share capital;
- John East & Partners Limited acquired in October 2007;
- Richard Crossley, No 1 rated Extel analyst, and his team joined the Group in July 2008; and
- The new contracts for differences business is performing well.

John Green, Chairman, Merchant Securities plc, says:

“We expect market conditions to remain difficult, but believe that the diversity of our business activities, namely institutional and private client stockbroking including dealing in contracts for differences for clients, corporate finance and corporate broking, together with a reduced cost base, will assist the Company as we strive to deliver the best possible result for shareholders.”

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CHAIRMAN'S STATEMENT

Introduction

I am pleased to present our results for the year ended 31 March 2008, which has seen significant progress made by the Company in achieving its strategy of building a diversified financial services group. Much progress has been made in highly challenging market conditions.

The financial performance reflects the investment made in restructuring the Company which, together with market conditions, contributed to a loss before taxation of £778,000 for the year ended 31 March 2008.

Strategic Development

During the year the Company made real progress in developing its core activities and strengthening the infrastructure of the business. We have furthered our aspirations in the corporate finance arena with the acquisition of John East & Partners Limited ("JEP") in October last year. JEP, which has been established some 20 years, is a broadly based corporate finance and corporate broking business. It is a member of the London Stock Exchange, an authorised nominated adviser to companies quoted on AIM and has 40 retained corporate clients, 37 of which are quoted on AIM. It traded profitably in the financial year in the period since its acquisition. JEP's executive chairman, John East, joined the board of the Company following completion of the acquisition.

In February, Merchant Securities Group Limited ("MSGL") introduced a new, upgraded private client investment management system and settlement and clearing functions were transferred to Pershing Securities Limited, a leading international clearing house.

Since the year end our institutional offering has been strengthened with the recruitment of Richard Crossley, John Coulson and Richard Bayley. Richard Crossley has been ranked in the Thomson Extel Survey since its inception and was voted No 1 technical and strategic analyst for 2004 – 2007. John Coulson has over 30 years' experience of institutional sales in the City, with such firms as Laurence Prust & Co, James Capel and WestLB Panmure, now Panmure Gordon & Co, where he was head of sales. Richard Bayley has a Ph.D in pure mathematics from Queen Mary College, University of London and works with Richard Crossley, bringing a systematic approach to the technical analysis behind the daily publication, "Mercantalyst", an insightful and highly regarded technical review of trends in markets.

The contract for differences ("CFD") activity is a growing and successful part of MSGL's business and has been further strengthened by the recruitment of a specialist team headed by John Readings.

In July 2008 we raised £1.58 million by way of a placing which was supported by management, Gartmore and Dom Maklerski IDM Spółka Akcyjna ("IDMSA"). IDMSA is a Polish independent, non-bank brokerage house with 18 offices throughout Poland and is a member of and listed on the Warsaw Stock Exchange with a market capitalisation of approximately £75 million. In 2007 IDMSA concluded fund raising transactions with a total value of approximately £500 million. We welcome the involvement of IDMSA, which now holds 8 million shares in the Company, equivalent to 17.1 per cent. of our share capital, and hope for a strategic and collaborative relationship.

Operational and financial review

In a trading update issued on 1 May, we estimated the post tax loss for the year under review to be in the region of £600,000, after taking into account non-recurring items of approximately £400,000.

In the event, the loss before taxation was £778,000 including non-recurring items of £400,000. A tax credit reduced the loss after taxation to £736,000. Included in the loss for the year were non cash items of £226,000, being amortisation of the intangible asset and goodwill created following the acquisition of JEP, a revaluation of investments held for sale and the impairment of an investment written off against reserves in last years' accounts. Under IFRS, the impairment is now considered permanent and has had to be taken through the profit and loss account, although, because the loss was recognised through reserves last year, there is no impact on the net assets of the group.

The proceeds of the placing referred to above, have increased net assets of the Group to £9.8 million and our cash balances at the end of July 2008 were £2.9 million. The Group has no debt, with the exception of very modest equipment leases.

In June 2008, Merchant Securities Group Limited ("MSGL") entered into an agreement with the Financial Services Authority ("FSA") to settle an investigation by the FSA of the firm's systems and controls for the protection of customer information. The settlement resulted in MSGL being fined £77,000, although the FSA found no evidence of any theft or compromise of customer information. We took heed of the FSA's concerns and immediately undertook a thorough review of all systems and controls for the protection of customer data to ensure that they were robust and we are confident that any shortcomings in systems and controls identified by the FSA have been fully resolved.

Board Changes

During the year under review and after the year end there have been a number of board changes. John East joined the board in October last year and Steve Whelton, our former finance director left the Company in March to be replaced by Christopher Hyde who joined the board at the end of March. Following the reorganisation referred to below, Tony Fabrizi stepped down from the board to concentrate on corporate finance. Tony was instrumental in the creation of the group and thanks are due to him for his contribution. Patrick Claridge, formerly chief operating officer replaced him as acting chief executive and the Company today announces that he has been confirmed in that position. More recently, Christopher Hyde left the Company by mutual consent and we have appointed an experienced interim group financial controller, with a view to making a permanent appointment as soon as possible.

Outlook

Whilst all activities of the Company were adversely affected by the deterioration in markets, the board believes that its strategy of developing a diversified financial services group remains the correct approach. We will seek to enhance our institutional and private client activities and maintain our involvement in the private equity arena, where we believe that a funding gap exists for unquoted companies with a value of less than £5 million.

The board recently instigated a plan to reorganise and streamline operations and reduce overheads. To this end substantial progress has been made in the first quarter of the current financial year. The CFD business continues to grow, benefiting from the current volatility in markets and is now making a positive contribution. JEP's income has diminished as the flotation market has contracted, but its general broadly based corporate finance activities and contracted retainer income, together with one large IPO, has enabled it to generate a small profit in the first quarter of the current financial year. Overall the Group as a whole has continued to trade at a loss in the current financial year. To mitigate this, costs

have been taken out of the business and all costs are under detailed scrutiny. Costs have also been incurred prior to the generation of revenue by the new institutional equity team.

We expect market conditions to remain difficult, but believe that the diversity of our business activities, namely institutional and private client broking, trading CFDs and corporate finance and corporate broking, combined with a reduced cost base, will assist the Group as we strive to deliver the best possible result for shareholders.

Finally, I would like to thank our shareholders for their support and also express my thanks to all members of staff who have worked so hard in a difficult year.

John Green
Chairman
21 August 2008

Financial statements for the year ended 31 March 2008

CONSOLIDATED INCOME STATEMENT

	NOTES	Year ended 31 March 2008		Year ended 31 March 2007	
		£	£	£	£
Revenue	1		5,337,254		4,090,737
Cost of sales	1		(1,481,062)		(352,740)
Gross profit	1		3,856,192		3,737,997
Other income	1		43,929		9,135
General administrative expenses		4,345,996		3,471,019	
Impairment of goodwill	2		-	422,041	
Amortisation of intangible assets	2	60,000		-	
Revaluation of investments held for sale	2,7	72,704		95,875	
Impairment of available-for-sale investments	2	93,567		-	
Non-recurring items and AIM admission expenses	2	399,047		385,950	
			(4,971,314)		(4,374,885)
Operating profit / (loss)	4		(1,071,193)		(627,753)
Investment revenues	3		416,423		195,249
Finance costs	3		(120,380)		(83,190)
Loss on disposal of fixed assets			-		(11,733)
(Loss) / Profit on disposal of available-for-sale investments	7		(3,333)		89,418
(Loss) / Profit before taxation			(778,483)		(438,009)
Taxation			42,836		(76,859)
(Loss) / Profit for the year attributable to equity holders of the Company			(735,647)		(514,868)
Earnings per share					
Basic and diluted	6		(2.97p)		(3.23p)

The profit / (loss) for the year attributable to equity holders of the Company is as follows:					
(Loss) / profit before tax, goodwill impairment, revaluation of investments and non-recurring items					
			(153,165)		465,857
Impairment of goodwill		-		422,041	
Amortisation of intangible assets		60,000		-	
Revaluation of investments held for sale		72,704		95,875	
Impairment of available-for-sale investments		93,567		-	
Non-recurring items and AIM admission expenses		399,047		385,950	
	2		(625,318)		(903,866)
			(778,483)		(438,009)
Taxation			42,836		(76,859)
			(735,647)		(514,868)

No dividends were paid during the year (2007: £Nil).

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

	NOTES	Year ended 31 March 2008	Year ended 31 March 2007
		£	£
Loss on revaluation of available-for-sale shares, options and warrants taken to equity	7	(25,191)	(58,907)
Deferred tax on losses on available-for-sale shares, options and warrants		<u>8,549</u>	<u>17,672</u>
Net expenses recognised directly in equity		(16,642)	(41,235)
Permanent diminution in value of investments		93,567	-
Released from equity on disposal of assets		-	(110,684)
Gain/(loss) for the year		(735,647)	(514,868)
Total recognised income and expense for the year		<u><u>(658,722)</u></u>	<u><u>(666,787)</u></u>

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

		2008		2007	
NOTES		£	£	£	£
Non-current assets					
Goodwill			5,127,860		2,708,015
Intangible assets			1,329,000		-
Property, plant and equipment			385,762		76,489
Available-for-sale investments	7		49,569		74,760
Trade and other receivables	8		150,000		-
			<u>7,042,191</u>		<u>2,859,264</u>
Current assets					
Trade and other receivables	8	3,085,655		3,022,949	
Trading investments	7	346,636		390,000	
Cash and cash equivalents	9	1,793,344		2,113,638	
Deferred tax asset		-		35,654	
			<u>5,225,635</u>		<u>5,562,241</u>
Current liabilities					
Trade and other payables	10	3,367,473		2,999,528	
Current tax liabilities		45,678		113,607	
			<u>(3,413,151)</u>		<u>(3,113,135)</u>
Net current assets					
			<u>1,812,484</u>		<u>2,449,106</u>
Non-current liabilities					
Deferred tax liabilities			<u>(34,579)</u>		<u>(22,428)</u>
Total assets less liabilities					
			<u>8,820,096</u>		<u>5,285,942</u>
Equity					
Share capital	11		3,114,727		1,942,000
Share premium account			10,340,169		7,408,351
Other reserves			(3,845,350)		(3,845,350)
Retained earnings			(977,537)		(241,890)
Revaluation reserve / (deficit)			35,690		(41,235)
Share-based payment reserve	12		152,397		64,066
Equity attributable to equity holders of the Company					
			<u>8,820,096</u>		<u>5,285,942</u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	NOTES	2008 £	2007 £
Cash flows from operating activities			
Cash generated from / (used in) operations	14	(826,384)	1,103,544
Interest received	3	416,423	195,249
Interest paid	3	(120,380)	(83,190)
Tax paid		(101,238)	(9,993)
		<hr/>	<hr/>
Net cash generated from / (used in) operating activities		(631,579)	1,205,610
Cash flows from investing activities			
Acquisition of subsidiary business	13	(1,064,080)	(3,534,858)
Reverse acquisition of MSPLC		-	43,486
Purchase of property, plant and equipment		(139,180)	(42,877)
Proceeds from / (cost of) disposal of tangible fixed assets		-	(96)
Proceeds from disposal of available-for-sale investments		10,000	273,918
		<hr/>	<hr/>
Net cash generated from / (used in) investing activities		(1,193,260)	(3,260,427)
Cash flows from financing activities			
Proceeds from issue of shares		1,504,545	4,055,000
		<hr/>	<hr/>
Net cash generated from / (used in) financing activities		1,504,545	4,055,000
Net increase / (decrease) in cash and cash equivalents			
		(320,294)	2,000,183
Cash and cash equivalents at beginning of year		2,113,638	113,455
		<hr/>	<hr/>
Cash and cash equivalents at end of year		1,793,344	2,113,638
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1. REVENUE AND GROSS PROFIT BY SEGMENT

The Group's results for the year ended 31 March 2008, all of which were generated within the United Kingdom, can be analysed by product as follows:

	Private client and institutional broking £	Corporate finance and private equity £	Unallocated £	TOTAL 2008 £
Revenue	3,027,287	2,309,967	-	5,337,254
Cost of sales	(890,393)	(590,669)	-	(1,481,062)
Gross profit	2,136,894	1,719,298	-	3,856,192
Other income	20,000	23,929	-	43,929
	<u>2,156,894</u>	<u>1,743,227</u>	-	<u>3,900,121</u>
Administrative expenses	(2,116,181)	(1,367,463)	(862,352)	(4,345,996)
Impairment of goodwill	-	(60,000)	-	(60,000)
Revaluation of investments held for sale	-	(72,704)	-	(72,704)
Impairment of available-for-sale investments	-	-	(93,567)	(93,567)
Non-recurring costs	-	-	(399,047)	(399,047)
Operating (loss) / profit	40,713	243,060	(1,354,966)	(1,071,193)
Investment revenues	-	-	416,423	416,423
Finance costs	-	-	(120,380)	(120,380)
Loss on disposal of fixed assets	-	-	-	-
Loss on disposal of available-for-sale investments	-	-	(3,333)	(3,333)
(Loss) / profit before taxation	40,713	243,060	(1,062,256)	(778,483)
Taxation	-	-	42,836	42,836
(Loss) / profit after taxation	40,713	243,060	(1,019,420)	(735,647)
Other information				
Capital additions (including those resulting from acquisition)	134,256	261,848	4,924	401,028
Share based payments	-	-	117,397	117,397
Depreciation	11,842	37,201	40,580	89,623
Balance sheet				
Assets	2,949,891	3,687,213	5,475,755	12,112,859
Liabilities	<u>2,187,302</u>	<u>556,378</u>	<u>707,203</u>	<u>3,450,883</u>

The intra-departmental adjustments relate to private equity deals sold by the private client and institutional broking department at values agreed by the heads of the departments.

The Group's results for the year ended 31 March 2007, all of which were generated within the United Kingdom, can be analysed by product as follows:

	Private client and institutional broking £	Corporate finance and private equity £	Unallocated £	TOTAL 2007 £
Revenue	2,577,231	1,513,506	-	4,090,737
Cost of sales	(352,740)	-	-	(352,740)
Gross profit	<u>2,224,491</u>	<u>1,513,506</u>	-	<u>3,737,997</u>
Other income	9,135	-	-	9,135
Intra-departmental adjustments	674,229	(674,229)	-	-
	<u>2,907,855</u>	<u>839,277</u>	-	<u>3,747,132</u>
Administrative expenses	(2,027,365)	(514,606)	(929,048)	(3,471,019)
Impairment of goodwill	-	-	(422,041)	(422,041)
Revaluation of investments held for sale	-	-	(95,875)	(95,875)
AIM admission expenses	-	-	(225,950)	(225,950)
Other non-recurring costs	(160,000)	-	-	(160,000)
Operating (loss) / profit	<u>720,490</u>	<u>324,671</u>	<u>(1,672,914)</u>	<u>(627,753)</u>
Investment revenues	-	-	195,249	195,249
Finance costs	-	-	(83,190)	(83,190)
Loss on disposal of fixed assets	-	-	(11,733)	(11,733)
Profit on disposal of available-for-sale investments	-	-	89,418	89,418
(Loss) / profit before taxation	<u>720,490</u>	<u>324,671</u>	<u>(1,483,170)</u>	<u>(438,009)</u>
Taxation	-	-	(76,859)	(76,859)
(Loss) / profit after taxation	<u>720,490</u>	<u>324,671</u>	<u>(1,560,029)</u>	<u>(514,868)</u>
Other information				
Capital additions (including those resulting from acquisition)	26,588	2,116	331,811	360,515
Share based payments	-	-	35,000	35,000
Depreciation	<u>8,863</u>	<u>960</u>	<u>31,850</u>	<u>41,673</u>
Balance sheet				
Assets	4,593,407	154,179	3,673,919	8,421,505
Liabilities	<u>(2,585,621)</u>	<u>(154,575)</u>	<u>(395,367)</u>	<u>(3,135,563)</u>

The intra-departmental adjustments relate to private equity deals sold by the private client and institutional broking department at values agreed by the heads of the departments.

2. PARTICULAR ADMINISTRATIVE EXPENSES

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

	Notes	2008 £	2007 £
Write-off of goodwill		-	422,041
Amortisation of intangibles		60,000	-
Revaluation of investments held for sale		72,704	95,875
FSA breach and one-off professional costs		253,000	-
Severance payments		95,233	-
Recruitment costs		50,814	-
AIM admission expenses		-	225,950
Fund closure expenses		-	160,000
Impairment of available-for-sale investments		93,567	-
		<u>625,318</u>	<u>903,866</u>

During 2007 the Group incurred costs of £106,829 and £33,761 relating to severance payments and recruitment costs respectively.

3. INVESTMENT REVENUE AND FINANCE COSTS

Investment revenues comprise:

	2008 £	2007 £
Interest receivable in respect of client bank accounts	332,858	132,319
Interest receivable in respect of Group company bank accounts	52,777	55,632
Other interest receivable	30,788	7,298
	<u>416,423</u>	<u>195,249</u>

Finance costs comprise:

	2008 £	2007 £
Interest payable to clients	120,067	60,705
Interest on bank overdrafts	3	20,862
Other interest	310	1,623
	<u>120,380</u>	<u>83,190</u>

4. LOSS FOR THE YEAR

The loss for the year is stated after charging:

	2008 £	2007 £
Auditors' remuneration – audit services	81,500	34,848
Auditors' remuneration – tax advice	9,185	12,530
Auditors' remuneration – Other	21,502	2,581
Operating leases – land and buildings	165,208	89,226
Operating leases – machinery	19,718	19,696
Depreciation of property, plant and equipment	89,164	41,673
Impairment of goodwill	-	422,041
Amortisation of intangible assets	60,000	-
Share-based payments	117,397	35,000

5. STAFF COSTS

Directors' remuneration	2008	2007
	£	£
Aggregate emoluments (excluding pension contributions)	<u>599,844</u>	<u>820,994</u>
Highest paid director (included within the above)	<u>191,600</u>	<u>236,245</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2007: 1). During the year £12,894 (2007 £17,965) was paid into such schemes by the Group in respect of the director.

The following non-salary expenses were incurred in respect of directors:

Compensation	2008	2007
	£	£
Short-term benefits (health care, dental care and subsidised gym membership)	6,877	18,263
Long-term benefits (life assurance, critical illness cover and income protection)	-	10,499
Share based payments	<u>13,932</u>	<u>10,095</u>
	<u>20,809</u>	<u>38,857</u>

All key management personnel remuneration is included above. Note that short-term benefits are included in the amounts shown above for directors' remuneration.

Staff costs (including directors' remuneration)	2008	2007
	£	£
Wages and salaries (including commission and bonuses)	2,531,385	2,093,789
Social security costs	359,742	250,054
Termination payments – directors	70,100	75,587
Termination payments – other	<u>20,000</u>	<u>30,000</u>
	<u>2,981,227</u>	<u>2,449,430</u>

Staff numbers	2008	2007
	Number	Number
Executive directors	5	5
Others	<u>33</u>	<u>17</u>
The average number of employees (including directors) during the year was:	<u>38</u>	<u>22</u>

Pension contributions

During the year an expense of £57,432 (2007 £17,965) was recorded in the Consolidated Income Statement in respect of retirement benefits for staff (including directors) accruing under money purchase pension schemes.

6. EARNINGS PER SHARE

Basic earnings per share are based on the post-tax loss for the year of £735,647 (2007: loss of £514,868) and on 24,757,165 ordinary 10p shares (2007: 15,932,619) being the weighted average number of shares in issue during the year.

The effect of all potential ordinary shares under option is anti-dilutive. Details of the share options issued which could be dilutive in the future are set out in note 12.

Calculations are as follows:

	2008 £	2007 £
Earnings for the purpose of basic and diluted earnings per share		
Net (loss) / profit attributable to equity holders of MSPLC	(735,647)	(514,868)
Amortisation of intangible assets / Impairment of goodwill	60,000	422,041
Revaluation of investments held-for-sale	72,704	95,875
Impairment of available-for-sale investments	93,567	-
Non-recurring costs	399,047	385,950
Expenses added back	<u>625,318</u>	903,866
	(110,329)	388,998
Notional tax relief of 26.6% in respect of fund closure expenses	-	42,560
Notional net profit after adding back above expenses	<u>(110,329)</u>	<u>431,558</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>24,757,165</u>	15,932,619
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>29,230,411</u>	18,056,542
Earnings per share (EPS)		
Basic and diluted EPS based on profit/(loss) attributable to equity holders	(2.97p)	(3.23p)
Basic EPS after adding back above expenses	(0.45p)	2.71p
Diluted EPS after adding back above expenses	<u>(0.38p)</u>	<u>2.39p</u>

7. INVESTMENTS

	2008 £	2007 £
Non-current investments		
Investments available for sale at start of year at cost	133,667	184,500
IFRS revaluation adjustment brought forward	(58,907)	158,120
Investments available for sale at start of year at fair value	<u>74,760</u>	342,620
Disposal of investments	-	(342,620)
Investments acquired at fair value on acquisition of subsidiary	-	133,667
Revaluation at year end	(25,191)	(58,907)
At 31 March 2008	<u><u>49,569</u></u>	<u><u>74,760</u></u>

The Group holds a number of warrants and options over shares in various companies, some unlisted, and others listed on AIM. The reduction of £67,864 in the fair value of these options during the year has been posted to the revaluation reserve, as it is felt that the fall in market value is temporary. 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.

Trading investments (also known as "held for sale" investments or assets) represent investments in listed equities which present the Group with the opportunity to receive dividend income and make trading gains.

	2008 £	2007 £
Current investments		
Investments held for sale at start of year at fair value	390,000	-
Disposal of investments	(13,333)	-
Investments acquired at fair value on acquisition of subsidiary	42,673	485,875
Revaluation of investments at year end	(72,704)	(95,875)
Fair value of investments held for sale at end of year	<u>346,636</u>	<u>390,000</u>

The movement in fair value has been included in the Consolidated Income Statement.

8. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2008	2007
	£	£
Receivable from clients	1,806,819	1,987,195
Less provision for impairment of receivables from clients	(20,000)	(6,638)
Receivable from counterparties	521,951	604,851
Less provision for impairment of receivables from counterparties	(121,872)	-
Other receivables	24,058	180,228
Prepayments and accrued income	874,699	257,313
	<u>3,085,655</u>	<u>3,022,949</u>

Amounts falling due after more than one year	2008	2007
	£	£
Other receivables	150,000	-
	<u>150,000</u>	<u>-</u>

The directors consider that the above amounts are stated at their fair value.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank only. MSGL holds money on behalf of clients in trust in sterling and in various foreign currencies, in accordance with the client money regulations of the FSA. As these balances, as well as the associated market risk, belong to MSGL's clients, the balances have been excluded from the Consolidated Balance Sheet.

As at the balance sheet date, the following client money balances were held:

	Currency balance	Exchange rate	2008	2007
			£	£
Sterling	4,934,857-		4,934,857	1,671,884
US dollars	696,3201.9875		350,350	525,496
Euros	141,5191.2543		112,827	90,429
Swiss francs	12,1601.9658		6,186	5,078
Canadian Dollars	25,3112.0393		12,412	22,513
			<u>5,416,632</u>	<u>2,315,400</u>

10. TRADE AND OTHER PAYABLES

	2008	2007
	£	£
Amounts owed to clients and other counterparties	2,142,289	2,315,545
Other taxes and social security	210,385	65,407
Accruals and deferred income	880,085	518,317
Other payables	134,714	100,259
	<u>3,367,473</u>	<u>2,999,528</u>

The directors consider that the above amounts are stated at their fair value.

All trade and other payables are unsecured and repayable on demand/at short notice.

The group has a policy of paying creditors as they fall due in accordance with the credit terms of its suppliers.

11. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
50,000,000 10p Ordinary shares (2007 – 30,000,000)	5,000,000	3,000,000
	<u>5,000,000</u>	<u>3,000,000</u>
Called up, allotted and fully paid		
19,420,000 10p Ordinary shares	1,942,000	1,942,000
Issued during the year	1,172,727	-
	<u>3,114,727</u>	<u>1,942,000</u>

The authorised share capital of MSPLC at 1 April 2007 was 30,000,000 shares of 10 pence each (£3,000,000), of which 19,420,000 (£1,942,000) were in issue. On 28 March 2008, the Company increased its authorised share capital to £5,000,000 by the creation of 20,000,000 ordinary shares of 10 pence each.

On 31 October 2007, the Company issued 11,727,271 ordinary shares of 10 pence each as part of the consideration payable on the acquisition of John East & Partners and a related share placing to fund the cash element of the transaction at 35 pence per share.

12. 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 total expenses of £117,000 (£35,000) related to equity-settled share based payment transactions. The corresponding equity credit has been allocated to the share-based payment reserve. In addition, a deferred tax charge of £6,588 (2007: deferred tax credit £6,588) has been recognised as deferred tax expenditure in the Consolidated Income Statement.

At 31 March 2008 the following options have been granted and remain outstanding in respect of ordinary shares of 10p in the Company under the Company’s EMI scheme.

Dates of grant	24 August 2007 – 25 March 2008	30 June 2006 – 30 October 2006
Exercisable two years following date of grant	24 August 2009 – 24 March 2018	30 June 2008 – 29 October 2016
Number of shares	2,142,719	2,246,160
Exercise price per share	25.00p-36.50p	29.94p
Expected fair value per share	7.51p-8.41p	0.5p-23.56p

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

Share price at date of grant	27.39p-36.50p	14.97p-50.00p
Expected life	2.5 years	2.18 – 2.5 years
Expected volatility	29.9%	29.9%
Risk free rate	4.08% - 4.57%	4.68%
Expected dividend yield	-	-

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

EMI Share option scheme	2008 Number shares	of	Weighted average exercise price	2007 Number shares	of	Weighted average exercise price
1 April	2,246,160		29.94p	-		-
Granted	2,142,719		32.79p	2,246,160		29.94p
Exercised	-		-	-		-
Forfeited	(285,406)		31.89p	-		-
31 March	4,103,473		31.33p	2,246,160		29.94p
Exercisable	-		-	-		-

At 31 March 2008 the following options have been granted and remain outstanding in respect of ordinary shares of 10p in the Company under the Company's EXSOS scheme.

Dates of grant	24 August 2007 – 9 October 2007	30 June 2006
Exercisable two years following date of grant	24 August 2009 – 8 October 2017	30 June 2008 – 29 June 2016
Number of shares	688,276	668,063
Exercise price per share	35.00p-36.50p	29.94p
Expected fair value per share	7.51p-8.41p	0.5p

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

Share price at date of grant	27.39p-36.50p	14.97p
Expected life	2.5 years	2.5 years
Expected volatility	29.9%	29.9%
Risk free rate	4.08% - 4.57%	4.68%
Expected dividend yield	-	-

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

EXSOS Share option scheme	2008 Number shares	of	Weighted average exercise price	2007 Number shares	of	Weighted average exercise price
1 April	668,063		29.94p	-		-
Granted	688,276		36.13p	668,063		29.94p
Exercised	-		-	-		-
Forfeited	-		-	-		-
31 March	1,356,339		33.08p	668,063		29.94p
Exercisable	-		-	-		-

13. ACQUISITIONS

October 2007

On 8 October 2007, MSPLC acquired the entire issued share capital of EWH, the holding company of John East & Partners, for a cash and shares consideration of £5,364,080. The transaction has been accounted for by the acquisition method of accounting.

Net assets acquired	Book value £	Adjustment £	Fair value £
Property, plant and equipment	264,605	-	264,605
Trade and other receivables	153,594	-	153,594
Trading investments	42,673	-	42,673
Cash and cash equivalents	1,700,000	-	1,700,000
Trade and other payables	(494,689)	-	(494,689)
Taxation liability	(91,748)	-	(91,748)
Deferred tax liability	(19,200)	-	(19,200)
Goodwill	-	2,419,845	2,419,845
Trademarks	-	523,000	523,000
Customer relationships	-	828,000	828,000
Non-compete agreement	-	38,000	38,000
	<u>1,555,235</u>	<u>3,808,845</u>	<u>5,364,080</u>
Consideration paid:			
- cash			2,670,182
- shares issued (7,428,571 ordinary shares of 10 pence)			2,600,000
Costs of acquisition			93,898
			<u>5,364,080</u>

Net cash outflow arising on acquisition:

Cash consideration paid	(2,670,182)
Cash and cash equivalents acquired	1,700,000
	<u>(970,182)</u>

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:

Trademarks	523,000
Customer relationships	828,000
Non-compete agreement	38,000
	<u>1,389,000</u>

John East & Partners Limited contributed £1,169,000 to revenue and £59,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

14. CASH GENERATED FROM OPERATIONS

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Operating (loss) / profit for the year	(1,071,193)	(627,753)
Adjustments for:		
Depreciation	89,623	41,673
Impairment of goodwill	-	422,041
Amortisation of intangible assets	60,000	-
Revaluation of investments held for sale	72,704	95,875
Impairment of available for sale investments	93,567	-
Share based payment expense	117,397	35,000
Loss on sale of investments	3,333	-
Changes in working capital:		
Increase in debtors	(59,112)	(461,303)
(Decrease) / increase in creditors	(132,703)	1,598,011
Net cash (outflow) / inflow from operating activities	(826,384)	1,103,544

15. RELATED PARTIES

One of the Company's bankers, Ruffler Bank plc ("Ruffler"), own 1,220,591 (3.92%) of the parent company's issued ordinary shares. Charles Price is a director of Ruffler. Anthony Fabrizi was also a director of Ruffler until 30 August 2007. During the year, the Group invoiced £7,500 (2007: £13,000) net of VAT to Ruffler in respect of corporate finance advice.

Anthony Fabrizi is a director of Smart Voucher Limited, a company in which the Company had options over shares (valued at £Nil by the directors at 31 March 2007 and 31 March 2008). During 2008 the company invoiced £28,500 net of VAT to Smart Voucher Limited in respect of corporate finance advice (2007 - £11,000). At the year end there were no outstanding balances (2007: £Nil).

The Group paid £Nil to Caplay plc in respect of rent during the year ended 31 March 2008 (2007: £881). Messrs. Fabrizi and Claridge are both directors of Caplay plc.

Anthony Fabrizi is a director of Virtue Fusion Limited, a company which was invoiced £9,400 net of VAT by the Group during the year (2007: £41,000). The balance owed by Virtue Fusion Limited at the year end was £Nil (2007: £1,175).

Anthony Fabrizi was a director of BioProgress plc, a company which was invoiced £Nil by the Group during the year (2007: £Nil).

Anthony Fabrizi is a director of Sabas Limited. During the year, the Group invoiced £50,000 net of VAT to Sabas Limited in respect of corporate finance advice (2007: £Nil). At the year end there was an amount of £25,000 outstanding (2007: £Nil).

16. POST BALANCE SHEET EVENTS

Since the year end the Group has announced a capital reorganisation and raised an additional £1.58 million via a placing of ordinary shares at a price of 10 pence per share on 22 July 2008. Following this placing the following persons held in excess of 3% of the ordinary share capital of the Company:

Shareholder	Number of shares	Percentage held
Dom Maklerski IDM Spolka Akcyjna "IDMSA"	8,000,000	17.06%
Gartmore Investment Limited	7,499,505	15.99%
Anthony Fabrizi	5,458,001	11.64%
John East	4,495,000	9.58%
David Worlidge	2,562,857	5.46%
Patrick Claridge	2,348,028	5.01%

The company has convened its third Annual General Meeting to be held at John Stow House, 18 Bevis Marks, London EC3A 7JB on 24 September 2008, at 10.00 am.

Financial statements for the year ended 31 March 2008 will be sent to shareholders on 29 August 2008.