

ANNUAL REPORT  
AND ACCOUNTS 2010



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## HIGHLIGHTS

The Board's policy is to continue expansion through both organic growth and the addition of complementary teams.

Westhouse has established sectoral expertise in resources, investment funds, UK industrial and environmental technology whilst regionally our clients have significant exposure in Europe, Africa, Central Asia and China. Expansion of our market share in those areas is a key target.

- Revenues increased by 26% to £6.04 million (2009: £4.78 million)
- Total assets increased to £10.66 million (2009: £7.49 million)
- Strong cash position of £3.90 million (2009: £1.75 million)
- Loss after tax of £1.61 million (2009: profit £1.12 million)
- Establishment of successful Market Making Desk
- Important new investor, Bermuda Commercial Bank, subscribed £3.5 million in Perpetual Convertible Loan
- Successful acquisitions of Investment Funds Team and of Smith's Corporate Advisory late in the year
- Strong start to 2011 - £85 million raised in two secondary placings in February



## OUR BUSINESS

Westhouse is a corporate and institutional stockbroking group with particular sectoral expertise in resources, investment funds, UK industrial and environmental technology. Regionally the group's clients have significant exposure in Europe, Africa, Central Asia and China. Through its subsidiary Smith's Corporate Advisory, Westhouse has a strong focus on widening share ownership for quoted companies of all sizes.



Westhouse is based in London and employs 50 people. Westhouse Securities is authorised and regulated by the FSA, is a member of the London Stock Exchange, a NOMAD for AIM listed companies and a Sponsor of Official List companies. Smith's Corporate Advisory is authorised and regulated by the FSA.

**Westhouse Securities** specialises in acting for companies that want to grow, whether in the public arena through flotation, secondary fund raising or M&A activity, or in the private arena through M&A transactions and private equity fund raisings. The sales, trading and research teams specialise in advising institutional and other fund managers and are regularly praised for their sectoral specialisations.

**Smith's Corporate Advisory** is an independent corporate broking and investor relations business. It works across all sectors for companies of all sizes, but has established particular specialities in the mining sector and amongst investment funds.

### WESTHOUSE SECURITIES

#### Corporate Finance

Westhouse Securities is dedicated to helping growing public and private businesses achieve their ambitions. Working in partnership with our clients, we advise on a range of key corporate finance and strategic issues. Westhouse's corporate finance team has expertise in a full range of corporate finance advisory services, ranging from private placings, flotations and subsequent fundraising, to acquisitions and disposals, including public offers and advice on the Takeover Code. Westhouse's corporate finance team acts as adviser to both private and listed companies and as UKLA sponsor for companies on the Official List and nominated adviser to companies quoted on AIM.

Our reach and appetite for transactions are truly global, covering the UK and continental Europe, North America, Asia, Africa, India and the Middle East. We are at ease both in the developed world and in emerging markets, able to take a balanced view of risks and rewards.

We measure our success on our ability to deliver timely, responsive and expert advice to all our clients.

#### Clients and Sectors

Westhouse Securities currently acts as adviser and broker to around 35 companies, with particular focus on oil and gas, mining, investment trusts, industrial and manufacturing companies, renewable energy as well as other sectors.

#### IPOs

The Westhouse team has considerable experience gained across many years in floating companies. As well as our UK focus, our international experience and expertise means that Westhouse welcomes enquires from companies around the world who are considering coming to the London equities market.

#### Fundraising

We act on many secondary fundraisings for quoted companies, via placings, open offers and rights issues. We also conduct selected private placements and pre-IPO fundraisings.

#### Mergers and acquisitions

The Westhouse team has considerable experience of advising on mergers and acquisitions, both public and private.

#### General corporate advice

In addition to IPO, fundraising and merger and acquisitions mandates, Westhouse provides ongoing corporate finance advice, both to its retained clients and others, including a number of private companies.

## CORPORATE BROKING AND SYNDICATION

Our Corporate Broking and Syndication department works alongside our Corporate Finance department to provide services to small and medium-sized publicly traded companies. We act as retained broker to over 30 publicly traded companies.

The service encompasses advice on:

- Current investor attitudes
- Equity marketing strategy
- Transaction structuring advice
- Market positioning and developing appropriate investor themes
- Helping to manage market expectations.

Investor relations services include:

- Road show organisation
- Targeting underweight investors/non-holders
- Investor feedback
- Monthly market reports
- Regular updates on market and sector news/trading volumes
- Shareholder register analysis and monitoring.

With our established placing power, we act on many secondary fundraisings for quoted companies, via placings, open offers and rights issues. We also conduct selected private placements and pre-IPO fundraising.

### Sales and Trading

Our sales and sales trading teams provide research-led broking services in small and mid-cap UK equities to a wide range of UK and Continental European institutional, hedge, private wealth and other fund managers.

We make markets in over 150 stocks covering Equities and Investment Funds, and we are currently increasing this scope. We have extensive contacts with Institutions, private clients and brokers. We offer direct execution in our stocks to retail stockbrokers through our RSP connections. We have the ability to execute orderflow in the UK and Europe, and can provide risk accordingly.

For our corporate clients, we keep an active profile in each of our clients' stocks ensuring that we are the principal call for brokers and institutions in the secondary market, successfully promoting and maintaining liquid markets in our clients' shares.

Westhouse Securities has established an experienced analytical research team to provide comprehensive coverage of our corporate clients with particular expertise in oil & gas, mining and renewables. We publish regular research reports both on individual companies and on a sectoral basis.

### Investment Funds

Westhouse Securities has a well-regarded and experienced team covering the Investment Fund sector. The team combines dedicated research, market making and sales. The team opened for business at the end of 2010 and now has 9 retained corporate broking clients and has already been active in raising equity capital.

The market making desk has been further expanded with two experienced market makers covering more than 100 Investment Funds.

### Smith's

**Smith's Corporate Advisory**  
Smith's Corporate Advisory (Smith's) joined the Westhouse group on 31 December 2010.

Smith's works directly for corporate clients:

- to investigate why investors do and don't buy their shares;
- to enlarge a company's universe of investors in order to increase demand for its shares; and
- to place shares with new investors in primary issues and secondary placements.

Smith's advice is informed by high quality feedback from investors and supported by in depth analysis of the relevant data. Smith's believes there are invariably untapped pools of investor capital that can be targeted to widen a company's shareholder base. Smith's technique can be applied to public companies of large or small capitalisation and across all sectors. In common with Westhouse Securities it has particular experience of the natural resources and investment fund sector. Smith's also has many years experience in acting for companies within emerging markets particularly in sub Saharan Africa and in Central Asia.

### ADVISORY PANEL

Westhouse's City orientation means that it is advantageous to have access to experienced senior individuals who have guided their own, similar, businesses to success. An advisory panel, chaired by Nicholas Bull, meeting as required, has been established comprising: Christopher Holdsworth Hunt, Christopher Munro, and Tim Stephenson.

## CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Westhouse Holdings plc ("Westhouse") made significant progress in the development of its business in 2010. The Accounts presented give evidence of tough trading conditions throughout the year together with restructuring designed to ensure a profitable future.

Christopher Getley became Chief Executive of the Group on 4 January 2011, replacing Bill Staple who has now become Deputy Chairman. Westhouse owes Bill a great debt of gratitude for guiding the Company since its beginning and for expanding both the size and capital base of the Company through what, by any measurement, have been some of the hardest years on record for the smaller companies in this industry. His experience and good humour have enabled the business to grow a culture that enables individuals to thrive in a collegiate environment. The Board believes it to be a powerful platform from which to build.

During 2010 Westhouse has expanded its core corporate finance and broking business in three important areas. A strong market making team was established, an integrated investment funds team was recruited and at the end of the year Smith's Corporate Advisory Limited was purchased. The Board is confident that these are both important and complementary additions to its more established teams.

### Results

Westhouse's balance sheet remains strong with total assets of £10.66 million (2009: £7.49 million), net assets of £4.23 million (2009: £6.85 million) and cash of £3.90 million (2009: £1.75 million). The Board's policy of a gradual liquidation of the investment portfolio has been implemented and the portfolio was valued in December 2010 at £0.87 million (2009: £4.37 million) after realisations of £3.81 million during the year.

Whilst the growth in revenues during the year of 26% to £6.04 million (2009: £4.78 million) was satisfactory, the net loss of £1.61 million was not. The principle component of the increase in expenses was Staff Costs which increased by 94% to £4.80 million (2009: £2.47 million). The key reasons for this were the increase in the average number of employees to 40 from 32, costs involved in the recruitment of the investment funds team and redundancy costs. However, as the Finance Director explains later, the trading result in the second half was considerably better than that in the earlier part of the year.

Revenues from Corporate Finance were up 33% which is encouraging in a difficult year. Important client transactions included a secondary placing of US\$54 million for Petro Matad, a reverse takeover for Horizonte Minerals and a number of Takeover Code assignments.

It was pleasing that several of Westhouse's clients generated exceptional returns for investors through substantial share price appreciation during the year; these included EnCore Oil, GoldStone Resources, Petro Matad and Software Radio Technology.

### Expansion

The establishment of the market making team in April 2010 was a key achievement for Westhouse in that it was a clear statement of our intent to become a more significant force in the stockbroking industry. It was important to make the move in order to provide more comprehensive services to both our corporate and institutional investor clients.

The investment funds team and the acquisition of Smith's bring new revenue streams to Westhouse but also additional resource to the key research and corporate broking aspects of our business. Smith's emphasis on widening share ownership for quoted companies of all sizes adds an extra dimension to our corporate broking model and differentiates Westhouse from its competitors.

The ambition to grow the business was clearly explained in last year's report and it remains the Board's policy to continue the expansion through both organic growth and the addition of complementary teams. Key sectors for Westhouse are in resources, investment funds and environmental technology whilst regionally our clients have significant exposure in Europe, Africa, Central Asia and China. Expansion of our market share in those areas is a key target.

Our industry is facing many challenges with low activity levels particularly in IPO's, continued reduction in commission rates, downward pressure on corporate fees and cost pressures. The Board of Westhouse is confident that the opportunities are good for a firm that is clearly focussed on its revenue opportunities and bears down on unnecessary cost.

### Bermuda Commercial Bank

The introduction of Bermuda Commercial Bank as a key stakeholder through its subscription for £3.5 million of Perpetual Convertible Loan is of great significance for the future of Westhouse. It enabled further expansion of the business through the year under review and will open up substantial commercial opportunity in the future. Additionally it offers Westhouse the type of interested and supportive investor which the Board sees as providing Westhouse with competitive advantage.

### Employees

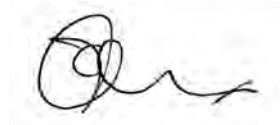
On behalf of the Board we thank all of the Group's employees for their contribution to a significant year of development and achievement for Westhouse. The rapidly changing nature of our business places particular pressure on existing employees and the enthusiasm with which they are embracing that change is encouraging. Recruiting, retaining and developing a high quality team of individuals is of the highest importance to the business.

### Outlook

2011 has already shown itself to be, in similar measure, rewarding, volatile and challenging as far as Westhouse is concerned. The Board is optimistic that the underlying conditions are improving both within and without the confines of Westhouse. The pipeline of corporate business is very encouraging as is the growth in the number of institutions with which the firm is transacting business. All those involved with Westhouse are aware that those opportunities must be brought to book for the rewards to the shareholders to become evident.



Garth Milne  
Chairman  
27 April 2011



Christopher Getley  
Chief Executive  
27 April 2011

## FINANCE DIRECTOR'S REPORT

### Results

Westhouse's revenue improved by 26% to £6.04 million (2009 £4.78 million). As last year, second half revenues at £4.07 million were significantly higher than the first half of £1.97 million.

Of the revenue, market making, which opened for business in April 2010, generated £1.59 million while corporate finance income was up 33% to £2.15 million (2009 £1.61 million). We are pleased that within our risk parameters market making has proved such a beneficial venture for us as well as providing liquidity for our clients' shares. Equity based commissions were weaker at £2.25 million (2009 £3.13 million).

Our balance sheet has been materially strengthened by the issue of the £3.50 million of the Perpetual Convertible Loan ("PCL") to Bermuda Commercial Bank. Not only does the PCL provide us with regulatory capital and therefore an expanded platform on which to undertake our business, but the link with Bermuda Commercial Bank is likely to open commercial opportunities and partnerships which could be hugely beneficial to Westhouse.

### Income Statement

The income statement in the prior year benefited from the £1.24 million Gain on Acquisition arising from the reverse takeover of SovGEM. At the end of the year we acquired Smith's which played a major role in the successful \$80 million equity issue for Chaarat Gold in March 2011. It is already proving to be an important step in Westhouse's development. As the Smith's acquisition took place on 31 December 2010, no revenue for that business is included in these accounts.

Administrative expenses increased from £4.92 million in 2009 to £8.03 million in 2010 as the business expanded throughout the year. The principal reason for this is the decision to undertake business in Investment Funds. The Investment Funds business, where we have 7 people working, tends to be discrete but it closely integrates sales, research, market making and corporate finance. We are pleased by the start the team has made with 8 new clients signed this year and a successful £33 million equity raising undertaken in February 2011.

### Balance Sheet

When measuring its capital base for regulatory purposes, the Company includes within its measure of net assets the Perpetual Convertible Loan. On our Balance Sheet the Perpetual Convertible Loan is shown as a liability although it is not repayable at any time unless at the Company's discretion. It is convertible into ordinary shares at a rate of between 50p and 60p depending on Westhouse's published net assets. In the mean time a coupon of 5% interest is currently payable. Before the issue of the Perpetual Convertible Loan, net assets had fallen from £6.85 million to £4.28 million. The effect of including the loan as capital, which is how it is treated by the FSA, is to increase capital to £7.74 million.

Further sales of the investments, principally those acquired with SovGEM, have taken place in the year. Total proceeds of sale for all investments were £3.81 million with a profit on those sales of £0.99 million. The aggregate value of the investments remaining is £0.87 million and this is after marking them to market and therefore recording a loss in the Income Statement of £0.51 million.

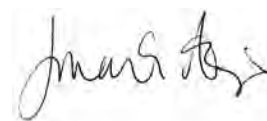
Our classification as an FSA regulated entity was materially changed with the permission to start market making. We continue to monitor our capital adequacy every day and particularly the risks to that capital. For instance, with market making, large adverse movements in stock values could cost the firm significant sums of money. It is recognised that the firm's long term success will depend on the systems and processes in place to minimise operational, credit and market risk.

### Smith's

The acquisition of Smith's took place on 31 December 2010 and therefore its balance sheet has been consolidated within the Group as at that date. The consideration paid for Smith's which is also reflected in the year-end balance sheet, was a total of £734,686. This amount of £734,686 was satisfied by a cash payment of £134,686, the issue and allotment of 696,739 ordinary shares and the transfer of 527,750 ordinary shares which had been held in Treasury. The two principal shareholders of Smith's, Christopher Getley and Jonathan Martin Smith, are shown in the list of Westhouse's Substantial Shareholders in the Directors' Report.

### Outlook

In 2011 we are expecting the increases in operating expenditure to be reflected by increases in revenue. The introduction of the Investment Funds team, market making and of Smith's has brought renewed focus to the business as a whole.



Jonathan Azis  
Finance Director  
27 April 2011

## DIRECTORS' REPORT

The Directors present their annual report and accounts to shareholders for the year ended 31 December 2010.

### Principal activity

The principal activity of Westhouse Holdings plc (the "Company") and its subsidiaries (all together "Westhouse" or "Group") is the provision of corporate finance advice and institutional corporate broking services to companies seeking to have their shares traded on a regulated market or already trading on a regulated market.

### Results, dividends and cash flow

The financial statements, including cash flow, for Westhouse are set out below. The Directors do not recommend the payment of a dividend.

The net cash inflow for the year, which is sufficient for the foreseeable needs of the business, is a consequence of revenue being cash and of the continuing sale of assets acquired with the reverse acquisition of SovGEM. Those assets are being realised over time as most appropriate in accordance with investment considerations, consideration of the relative risk and reward profiles of the form of the investments and cash; and the business's need for cash.

### Directors and their interests

The directors, their biographies and their interests are set out in the Corporate Governance Report.

No director had a material interest in any contract, other than their contract for services, during or at the end of the financial year that was significant to Westhouse's business.

### Business Review and Future Developments

A review of the results and development of the business for the period and of future developments in the business is contained within the Chairman's and Chief Executive's Statements and the Finance Director's report all of which form part of this directors' report by reference.

### Objectives and Strategies

Westhouse's objective is to enhance the value of the interests of its stakeholders. It seeks to do this by successfully conducting its principal activities, as stated above. It measures its performance towards achieving its objective with key performance indicators ("KPIs").

### Key performance indicators

In measuring the performance of the business, the KPIs used by the business are turnover, net profit and capital (as measured for FSA) each of which are considered appropriate given the nature of the business. Each of these is an integral part of the normal financial reporting process.

	2010	2009
Turnover	£6.0m	£4.8m
Net profit/(loss)	(£1.6m)	£1.1m
Capital Adequacy for FSA (solvency ratio)	647%	790%

The directors consider that generally an improvement in revenue, such as has occurred in the year under review, is indicative of an improvement in the business. The movement in net profit should be at least proportionate to revenue. The movement from profit to loss is a movement in the wrong direction and is only acceptable to the directors to the extent that the increase in costs implied is indicative of an even greater increase in revenue within the immediately foreseeable future.

Unless it is registered with FSA the business cannot continue trading. To maintain that registration the business must maintain adequate capital calculated in accordance with FSA rules. The firm's solvency ratio is indicative of how far the business's capital is in excess of the capital that Westhouse is required to hold by FSA. The directors consider any ratio in excess of 250% to be sufficient but in addition monitor it for any trends within the business leading to a continuing reduction of the capital ratio.

The board is concerned to minimise any adverse impact Westhouse may have on its environment (including the community in which it operates) and to ensure that its employees are provided with a safe and fulfilling place to work. It is working to develop meaningful and relevant performance indicators to measure these and to monitor progress towards improvement.

### Key strengths and resources

The key strength and resource of Westhouse is its staff. Westhouse is fortunate in their loyalty and dedication. In order to facilitate the operations of its staff it needs regulatory and working capital.

### Key risks and uncertainties, performance and position

Through the positioning of its operations, a strategic decision of the board, Westhouse is exposed to a number of risks, some of which are substantially outside its control (eg stock market conditions). In assessing its performance and position the board assesses and monitors those risks.

Westhouse's risk management objectives and policies are described in the corporate governance statement. Further information is given in Note 20. Other significant risks monitored by Westhouse include:

- Westhouse's business is highly dependent on stock market conditions and it will be subject to inherent risks arising from general and sector specific economic conditions in the markets in which Westhouse operates.

- Westhouse faces significant competition, both actual and potential, including competition from rivals who may have more capital resources than Westhouse.
- Westhouse has invested and may in the future continue to invest in companies which are or may be established and operating in jurisdictions where legal, administrative or tax certainties, ambiguities, inconsistencies and anomalies might arise which would not necessarily exist in the United Kingdom.
- Westhouse Securities' Market Making desk will have long positions in equities which may not be hedged by short positions. Sudden, large and unexpected adverse market movements could lead to significant loss in value attributable to those positions.
- Westhouse's future success is dependent, amongst other things, on its ability to retain and attract experienced and appropriately skilled employees and the continued services of the executive directors and its senior management who have built strong long-term relationships with clients and other market participants.

### Corporate Responsibility

We recognise that our talented and diverse workforce is a key business asset. Our business success is a reflection of the quality and skill of those who work for us. Westhouse is committed to seeking out, retaining and developing the highest calibre employees to maximise business growth and performance.

We operate an equal opportunities policy and regard this as a commitment to encourage good and productive working relationships within Westhouse.

Our ethics policy incorporates our key principles and standards governing business conduct to all our stakeholders. Understanding and meeting the needs of our clients is fundamental to our success.

### Share Dealings

The Company has adopted, with effect from the date on which its shares were re-admitted to AIM, a code for directors and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM, and is in accordance with rule 21 of the AIM rules.

### Substantial Shareholdings

On 27 April 2011 the following were registered as being interested in 3% or more of the Company's ordinary share capital:

Shareholder	Number of ordinary shares of 0.005p	% held
Standard Bank Jersey	1,235,599	10.16%
William Staple	1,032,741	8.50%
Bermuda Commercial Bank	739,500	6.08%
Sanjiv Pandya	600,278	4.94%
Timothy Feather	556,927	4.58%
Jonathan Martin Smith	505,739	4.16%
Christopher Getley	485,904	4.00%
Tom Price	466,666	3.84%
Hargreave Hale Limited	400,000	3.29%
Hugh de Lusignan	367,390	3.02%

On 4 August 2010, Westhouse entered into the PCL with BCB for the amount of £3.5 million. The PCL has no fixed repayment date and carries a coupon of 5% to 30 September 2015 and 8% thereafter. The Company has the right to defer payment of the interest which is payable quarterly in arrears. The holders of the PCL will have the right to convert the principal amount of the loan outstanding into ordinary shares of Westhouse ("Ordinary Shares"). This conversion right is for a period of five years from 4 August 2010 (the "Conversion Period"). The price per share for the conversion will be the lower of 60 pence per share and a 10% premium to the most recently published interim or final statement of shareholders' funds on a per share basis, subject to a minimum of 50 pence per share. Within the Conversion Period, Westhouse can require exercise of the conversion right, on the conversion terms stated above, if the mean average mid-market price for the Ordinary Shares at the close of business on 90 consecutive trading days exceeds 90 pence per share.

On 9 February 2011, the Company syndicated £688,000 of the £3.5 million PCL provided by BCB with a number of private investors (the "Syndication"). Following the Syndication, BCB's beneficial interest in the Company arising from full conversion of the PCL would constitute between 26% and 29% of Westhouse's enlarged issued share capital. Conversion of the PCL is conditional on any necessary consent being granted by the Financial Services Authority (or any successor authority) pursuant to sections 178 to 191 of the Financial Services and Markets Act 2000 and may not result in BCB holding more than 30 per cent of the voting rights of the Company unless the Takeover Panel has first granted a dispensation from Rule 9 of the Takeover Code.

### Share Capital

The changes in the issued share capital in the year are shown in Note 13.

## DIRECTORS' REPORT

### Articles of Association

The Company's Articles may be amended by a special resolution of the shareholders.

### Appointment and Replacement of Directors

Unless the Company decides otherwise by ordinary resolution, there is no maximum number of Directors but the minimum is two.

The quorum for board meetings may be decided by the Board and until otherwise decided it is two Directors present in person or by alternate Director.

The Company may appoint Directors by ordinary resolution. The Board may appoint a Director but such a Director may hold office only until the dissolution of the next annual general meeting after his appointment unless he is reappointed during that meeting. At each annual general meeting one third of the Directors who are subject to retirement by rotation will retire. If the number of Directors is not divisible by three, the number nearest to but not less than one-third will retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one will retire from office.

### Political and Charitable Donations

There were no political or charitable donations in the year.

### Creditor payment policy

Westhouse's policy is to agree the terms of payment with each supplier when agreeing the terms of the transaction and to ensure that suppliers are aware of these terms and to abide by them. Trade creditor days of the group as at 31 December 2010 were 26 days (2009: 30 days). The Company did not have any significant external trade creditors.

### Auditors

The Directors will place a resolution before the Annual General Meeting to reappoint Grant Thornton UK LLP as auditors for the coming year.

By order of the Board

### John Wade

Company Secretary

27 April 2011

## CORPORATE GOVERNANCE

The directors acknowledge the significance of sound corporate governance. As a company whose shares are traded on the London Stock Exchange (Alternative Investment Market) (AIM), the Company is not obliged to comply with the corporate governance regime as set out in the Combined Code on Corporate Governance, but it does support the principles of the Code. It intends to comply with the Quoted Companies Alliance's Corporate Governance Guidelines for AIM Companies insofar as it is reasonably practicable for a public company of its size and nature. The directors have adopted a code of conduct for dealings by directors and employees which complies with the FSA and AIM Rules and are committed to maintaining the highest standards of corporate governance.

Board of directors	Date of appointment
<b>Appointed</b>	
<b>Garth Milne</b> Chairman, Chairman of, Nominations Committee	
<b>William Staple</b> Deputy Chairman	
<b>Andrew Beeson</b> Non-executive director, Chairman of Audit Committee	
<b>Sir Hayden Phillips</b> Non-executive director, Chairman of Remuneration Committee	
<b>Nicholas Bull</b>	4 January 2011
Non-executive director	
<b>Christopher Getley</b>	4 January 2011
Chief Executive	
<b>Jonathan Azis</b> Finance Director	
<b>Tom Price</b>	4 January 2011
Chief Operating Officer	
<b>John Wade</b> Company Secretary	

### Directors and the Board

The Board directs the Company's activities in an effective manner through regular board meetings and monitors performance through relevant reporting procedures.

The Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee each comprising the non-executive directors (including the chairman of the Company). Each committee will invite other members of the Board and advisers to join meetings where appropriate.

The Audit Committee meets not less than twice each year and is responsible, inter alia, for ensuring that proper financial reporting procedures are maintained, the financial performance of Westhouse is properly measured and reported on and meeting with the auditors and reviewing reports from the auditors relating to accounting and internal controls.

The Remuneration Committee is responsible for reviewing the performance of the executive directors, setting the scale and structure of their remuneration, determining the payment of bonuses and reviewing their service agreements with due regard to the best interests of the Company. The Remuneration Committee determines the allocation of share options to directors and employees of Westhouse. No director is permitted to participate in discussions or decisions concerning his or her own remuneration.

The Nominations Committee meets not less than once a year and is responsible, inter alia, for reviewing the size and composition of the Board and the boards of its subsidiaries, and assessing the suitability of candidates proposed for appointment to any Westhouse board.

### Directors and their Interests

The Directors who served during the period, together with all their beneficial interests in the shares of the Company as at 31 December 2010 are as follows:

Director	At 31 December 2010 Ordinary shares of 0.005p	At 31 December 2009 Ordinary shares of 0.005p
<b>Appointed</b>		
<b>Garth Milne</b> Chairman	240,972	240,972
<b>Andrew Beeson</b>	150,000	100,000
<b>Sir Hayden Phillips</b>	166,900	117,648
<b>Nicholas Bull - 4 January 2011</b>	-	-
<b>Christopher Getley - 4 January 2011</b>	485,904	-
<b>William Staple</b>	1,032,741	1,005,741
<b>Jonathan Azis</b>	117,501	117,501
<b>Tom Price - 4 January 2011</b>	466,666	466,666

On 9 February 2011, the Company syndicated £688,000 of the £3.5 million PCL provided by BCB with a number of private investors (the "Syndication").

As a result of the Syndication, the following directors of Westhouse Holdings plc acquired interests in the PCL:

<b>Garth Milne</b>	Chairman	£250,000
<b>Christopher Getley</b>	Chief Executive	£50,000
<b>Nicholas Bull</b>	Non-executive director	£50,000

Those directors beneficial interest in the Company's issued share capital arising from full conversion will depend upon the price at which the conversion takes place. The directors will make appropriate disclosures as required.

## CORPORATE GOVERNANCE

### Share Options

A share option scheme for the Directors has been put in place but no grants have been made to directors who served in the period. Further information is detailed in note 12 to the accounts.

### Going Concern

The Directors have conducted a review of Westhouse's business, its trading history, its current circumstances and its prospects for the foreseeable future. Included within the review was an assessment of the assets, their value and basis on which they could be realised, the liabilities and how and when they could be discharged and all other available resources, including shareholders. Foreseeable revenues were reviewed in the light of contractual commitments, market conditions and client business forecasts.

During the period under review Westhouse made a loss and there was a £3.8 million net cash outflow from operating activities. The Directors recognised that with the start of a market making desk cash would be used to pay for the trading positions held and that where a trading position is sold settlement may not be immediate. They therefore planned the sale of investments and issued the PCL to generate that cash. The effect was to increase the cash and cash equivalents available to the business by the end of the period under review.

On the basis of the review of all resources available, the Directors have a reasonable expectation that the Group has adequate funding to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial statements.

### Relations with Shareholders

The Company recognises that its shareholders are the ultimate owners of the business and that it is the steward of their investment. The Board seeks to maximise shareholder value, to communicate in a coherent and appropriate manner Westhouse's condition and prospects and to develop and maintain a robust system for corporate governance.

The AGM is used as one way to communicate with all shareholders.

The Company's website, [www.westhousesecurities.com](http://www.westhousesecurities.com), is used as a means of ensuring that up to date information is provided to shareholders and other stakeholders. The Company's annual report and accounts, interim reports and other relevant announcements are maintained on the website.

### Risk management

Executive risk management is the responsibility of the boards of Westhouse Securities Ltd and Smith's Corporate Advisory Ltd. They are responsible to the Company for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by Westhouse. A risk assessment matrix sets out those risks, and identifies their ownership and the controls that are in place. This matrix is reviewed regularly and updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The risk matrix is tested for effectiveness with scenario testing or stress testing on a regular basis. The risk matrices form part of Westhouse Securities' and Smith's' Internal Capital Adequacy Assessment Process ("ICAAP") documents for the FSA.

### Accountability and Audit

The Board considers that the annual report presents a balanced and understandable assessment of Westhouse's performance and prospects.

The Audit Committee reviews the independence and objectivity of the external auditors. The committee reviews the nature and amount of non-audit work undertaken by the auditors to satisfy itself that there is no effect on their independence. The committee is satisfied that Grant Thornton UK LLP is independent.

## WESTHOUSE HOLDINGS PLC BOARD MEMBERS



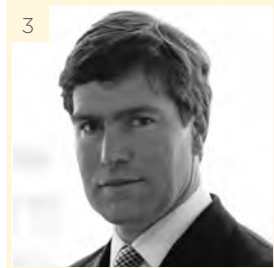
1.  
**Garth Milne**  
**Chairman**

Mr Milne has been involved with investment funds in the City for over 30 years. He was formerly head of the investment funds team at UBS Warburg, having originally set up the team at Laing & Cruickshank. He is currently a non-executive director of Invesco Perpetual UK Smaller Companies Trust plc and, Real Estate Opportunities Limited.



2.  
**William Staple**  
**Deputy Chairman**

Mr Staple joined Cazenove & Co in 1972 after qualifying as a Barrister. In 1981 he joined NM Rothschild & Sons and became a director of the bank in 1986. He was seconded by Rothschild to the Takeover Panel as director general in 1994, returning to Rothschild in 1996. Mr Staple left Rothschild in 1999 to help establish Benfield Advisory, part of the Benfield reinsurance broking group. He joined Brown Shipley in 2001 and became chief executive of Westhouse in 2005 and Executive Deputy Chairman in 2010.



3.  
**Christopher Getley**  
**Chief Executive**

Mr Getley joined Smith's in 2002 having previously been an institutional fund manager. At Morgan Grenfell he built an emerging market business largely for US pension fund clients and then at Cazenove he was the Director of Asian and Emerging Market investments. He became Chief Executive of Westhouse upon the acquisition of Smith's on 31 December 2010.



4.  
**Jonathan Azis**  
**Finance Director**

Mr Azis was previously an adviser to Lord Hanson having been a director, company secretary and tax manager of Hanson PLC. A solicitor, he is on the council of the Royal Albert Hall having been chairman of Molins plc and Isotron plc.



5.  
**Tom Price**  
**Chief Operating Officer**

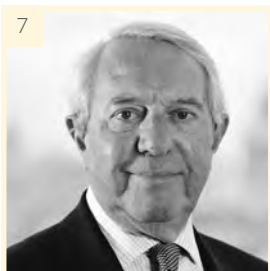
Mr Price has worked in the City of London since 1990 as an equity capital markets corporate financier specialising in small/mid-cap companies with Evolution Securities (formerly Beeson Gregory) and with Westhouse since late 2009. In recent years he has focused both on UK companies, and he also led Evolution's pioneering specialisation in IPO's for Chinese and Indian companies on the UK stock market. He is chairman of the Quoted Companies Alliance's Financial Advisory Committee and is a London arts adviser to the Columbia Foundation.



6.  
**Andrew Beeson**  
**Non-Executive Director**

Mr Beeson was the founder and chief executive officer of the Beeson Gregory Group and subsequently chairman of Evolution Group plc following its merger with Beeson Gregory, before leaving in 2003. He founded the City Group for Smaller Companies in 1992, now known as the QCA (Quoted Company Alliance), and became its first chairman. Between 2001 and 2004 he was a director of IP Group Plc and is currently a non-executive director of Schroders plc and is on the advisory board of Armstrong Bonham Carter and is deputy chairman of DataWind UK plc.

## WESTHOUSE HOLDINGS PLC BOARD MEMBERS



7.  
**Sir Hayden Phillips**  
**Non-Executive Director**

Sir Hayden is the Independent Reviewer of ASA Adjudications, and, amongst other appointments, is an adviser to Englefield Capital, a director of Hanson Family Holdings and Chairman of Marlborough College. He was Chairman of the National Theatre from 2004 to 2010. His previous career was in the Civil Service, where he was Permanent Secretary of the Lord Chancellor's Department (now the Ministry of Justice) from 1998 to 2004, and Permanent Secretary of the Department of Culture, Media and Sport from 1992 to 1998. Before that he held senior positions in the Treasury, the Cabinet Office, the Home Office and in the European Commission.



8.  
**Nicholas Bull**  
**Non-Executive Director**

Mr Bull is chairman of Smith's Corporate Advisory which was acquired by Westhouse in 2010 and chairman of Westhouse's Advisory Panel. Before joining Smith's he spent 30 years as a corporate finance practitioner with Morgan Grenfell (subsequently Deutsche Bank), Société Générale and ABN AMRO working in London, Sydney, Singapore and Hong Kong. He previously qualified as a chartered accountant. He is an independent director of hotels business De Vere Group and of Fidelity China Special Situations PLC and is also a member of Council of the University of Exeter, a Trustee of the Conran Foundation and of the Tallow Chandlers Benevolent Fund.



9.  
**John Wade**  
**Company Secretary**

Mr Wade is a Chartered Secretary who spent the early part of his career in the Listing Department of the London Stock Exchange, latterly in charge of listing policy. He then worked as a director in the corporate broking departments of Warburg Securities and Charterhouse Tilney before joining Brown Shipley Corporate Finance, subsequently Westhouse, in 1999. Mr Wade acts as company secretary and head of operations for Westhouse.

# DIRECTORS' REMUNERATION REPORT

## Remuneration Policy

Consequent on the acquisition of Smith's and the appointment of a new chief executive the Remuneration Committee is conducting a comprehensive review of its policy. The new policy will be structured so as to be readily understandable; to be supportive of overall business objectives and to encourage and reward the right organisational behaviour. It is intended to align all Westhouse's stakeholder interests and is intended to be a powerful tool in attracting, motivating and retaining talent in the firm.

The policy's stated aims will be:

- To build a dynamic and innovative organisation, linking together operating businesses, in a way which ensures that the whole is greater than the sum of the parts, but without imposing undue bureaucracy or constraint to entrepreneurial flair from the centre.
- That staff within each business unit will be encouraged to operate both collaboratively and with a commercial cutting edge. There must be incentive to combine resources, know-how, and information, and disincentives to business activity or behaviour that is at odds with this philosophy.
- To move progressively towards a "total compensation" approach. This means:
  - an emphasis on rewarding performance, effectiveness and results;
  - a focus on the entire reward package, so staff are encouraged to look at the value of the total, rather than the separate components;
  - at a more senior level and in line with the general thrust of the current regulatory environment, deferral of a proportion of annual variable compensation for up to three years.
- To look to be competitive in the chosen businesses in respect of total compensation. However, this does not mean that it shall always be the most competitive in terms of base salary alone.
- To encourage staff not to expect automatic cost-of-living-type increases in base salary but to expect an increasing proportion of any increase in the value of their compensation package to come from bonus. Bonuses however, will need to come from the profits of the business.
- The development of a more performance-oriented culture using processes that bring added rigour to the measurement of performance at company, business unit and individual level.
- To embody the principles established by the FSA as they apply to Westhouse in particular ensuring that the policy is consistent with and promotes effective risk management and contains processes that promote equality and diversity.

The Remuneration Committee reviews the remuneration of executive directors towards the end of each financial year. The Remuneration Committee determines directors', and reviews senior management's, salaries in relation to the duties and experience of each of the directors or senior managers concerned.

## Executive Director Service Agreements

Each of the executive directors has a service agreement with the Company. These agreements can be terminated by either party giving the other written notice at any time, not less than 12 months in the case of William Staple, 9 months in the case of Christopher Getley and not less than six months in the case of Jonathan Azis and Tom Price.

## Non-executive Directors

The Board has appointed four non-executive directors with relevant experience to complement the executive directors and to provide independence to the board.

The fees payable to the Chairman and the non-executive directors are first reviewed by the Remuneration Committee, taking into account market rates, following which it submits recommendations to the Board for approval.

The Chairman and each non-executive director have agreed a letter of appointment which sets out their duties, responsibilities and fees.

## Directors' Remuneration

The total amount of directors' remuneration for those directors who served during the period is set out below:

Director	Salary £	Benefits in kind £	Pensions £	2010 Total £	2009 Total £
Garth Milne, Chairman	30,000	-	-	30,000	16,269
Andrew Beeson	25,000	-	-	25,000	13,558
Sir Hayden Phillips	25,000	-	-	25,000	14,070
William Staple	138,750	2,875	29,167	170,792	84,581
Jonathan Azis	126,458	1,104	21,498	149,060	66,991
	<b>345,208</b>	<b>3,979</b>	<b>50,665</b>	<b>399,852</b>	<b>195,469</b>

The executive directors, in common with other employees of Westhouse, have in the past received the benefit of pension payments, being a set percentage of their salary, paid to an independent third party pension provider. During 2009 they waived the right to such payments.

The executive directors participate in a discretionary bonus scheme, payments from which are of such amounts and at such times as the Company may in its absolute discretion determine. No payments were made during or in respect of the period to 31 December 2010.

None of the directors who served during the period has any share options.

## Share Options

The Remuneration Committee has granted options to employees where they believed that it was in the interests of Westhouse to do so. Where a grant was made the committee intended the grant of options to align the interests of the employees and the shareholders and to retain and motivate those employees.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law in Jersey requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Company and the group for that period. Under that law the directors are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group's financial position and financial performance;
- state that the Company and Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 as amended. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of Information to Auditors

All of the directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by Westhouse's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF WESTHOUSE HOLDINGS PLC

## Independent auditor's report to the members of Westhouse Holdings plc

We have audited the financial statements of Westhouse Holdings plc for the year ended 31 December 2010 which comprise the consolidated income statement, consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

The policy's stated aims are:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the financial statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

## Separate opinion in relation to IFRSs

As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- the proper accounting records have not been kept by the company;
- that proper returns adequate for the audit have not been received from branches not visited by the auditor; or
- that the company's accounts are not in agreement with its accounting records and returns.

## Other matter

We have reported separately on the parent company financial statements of Westhouse Holdings plc for the year ended 31 December 2010.



Andrew Howie  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow  
27 April 2011

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	2010 £	2009 £
<b>Revenue</b>	2	6,038,648	4,779,849
Gains on sale of investments		994,220	142,121
(Losses)/gains on assets held at fair value through profit or loss	12	(246,954)	210,784
(Losses) on available for sale assets - impairments	12	(315,325)	(288,834)
Finance revenue	6	5,239	3,036
<b>Total income</b>		6,475,828	4,846,956
Administration expenses	3, 4	(8,026,960)	(4,917,128)
Finance costs	5	(71,142)	(297)
Gain on acquisition	1	-	1,241,269
<b>(Loss)/profit before tax</b>		(1,622,274)	1,170,800
Tax	14	9,155	(48,923)
<b>Net result for the period</b>		(1,613,119)	1,121,877
<b>Attributable to owners of the parent</b>		(1,613,119)	1,121,877
<b>(Loss)/earnings per share - basic and diluted</b>	7	(0.14)	0.10

All revenue relates to continuing operations.

The accompanying notes and accounting policies form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2010 £	2009 £
(Loss)/profit for the period		(1,613,119)	1,121,877
Other comprehensive income:			
Disposals of available for sale financial instruments	12	(994,220)	(34,375)
Change in value of available for sale financial instruments	12	(49,475)	1,004,377
<b>Total comprehensive (loss)/income for the period attributable to owners of the parent</b>		<b>(2,656,814)</b>	<b>2,091,879</b>

All activities relate to continuing operations.


The accompanying notes and accounting policies form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	2010 £	2009 £
<b>Assets</b>			
<b>Non current assets</b>			
Goodwill	15	545,800	306,750
Intangible assets	16	86,215	-
Property plant and equipment	17	411,873	262,081
		1,043,888	568,831
<b>Current assets</b>			
Available for sale assets	12	377,839	3,564,816
Financial assets held at fair value through profit or loss	12	439,170	803,224
Financial assets held for trading	8	1,990,650	-
Market counterparties	8	1,594,876	-
Trade and other receivables	8	440,787	368,653
Prepaid expenses	8	858,443	431,957
Tax		11,165	-
Cash and cash equivalents		3,902,867	1,751,191
		9,615,797	6,919,841
<b>Total assets</b>		<b>10,659,685</b>	<b>7,488,672</b>
<b>Equity</b>			
Share capital	13	607	572
Share premium account		3,993,744	3,652,377
Merger reserve		2,025,707	2,025,707
Perpetual subordinated loan		-	375,000
Reserve in respect of share based payments		360,094	298,090
Reverse acquisition reserve		(1,686,801)	(1,686,801)
Revaluation reserve	12	75,032	1,118,727
Profit and loss account		(541,493)	1,064,354
<b>Equity attributable to owners of the parent</b>		<b>4,226,890</b>	<b>6,848,026</b>
<b>Current</b>			
Accounts payable and accrued liabilities	9	1,412,369	613,680
Financial liabilities held for trading	9	456,710	-
Market counterparties	9	1,050,844	-
Tax		-	26,966
<b>Total current liabilities</b>		<b>2,919,923</b>	<b>640,646</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Finance lease	10	12,872	-
Perpetual convertible loan	10	2,773,200	-
Embedded derivative	10	726,800	-
<b>Non current liabilities</b>		<b>3,512,872</b>	<b>-</b>
<b>Total liabilities</b>		<b>6,432,795</b>	<b>640,646</b>
<b>Total equity and liabilities</b>		<b>10,659,685</b>	<b>7,488,672</b>

Company number: 88781

Signed on behalf of the board of directors on 27 April 2011



**Garth Milne**  
Chairman



**Christopher Getley**  
Chief Executive

The accompanying notes and accounting policies form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December	Note	2010 £	2009 £
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		(1,622,274)	1,170,800
Adjustments for:			
(Gains)/losses on investments		(994,220)	(142,121)
(Gains)/losses in fair value assets held at fair value		246,954	(210,784)
Losses on available for sale investments - impairments		315,325	288,834
Gain on acquisition		-	(1,241,269)
Finance revenue		(5,239)	(3,036)
Finance costs		71,142	297
Depreciation		155,905	78,568
Shares received in kind		(300,000)	-
Dividends received in kind		-	(15,674)
Share based expense		70,049	27,413
(Increase) in receivables		(3,793,225)	(198,420)
Increase/(decrease) in payables		2,039,055	(285,980)
Tax (paid)/refund in period		(17,810)	92,691
<b>Net cash flows from operating activities</b>		<b>(3,834,338)</b>	<b>(438,681)</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment		(242,002)	(150,946)
Proceeds from sale of investments		3,808,274	1,232,003
Purchase of investments		(568,997)	(186,800)
Interest received		5,239	2,917
Cash acquired from acquisitions		190,522	1,885
<b>Net cash flows from investing activities</b>		<b>3,193,036</b>	<b>899,059</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		-	850,000
Purchase of own shares		(258,597)	-
Issue of shares		-	22,000
Transaction costs in connection with share issue		-	(65,724)
Net repayment of perpetual subordinated loan		(375,000)	(125,000)
Receipt from perpetual convertible loan		3,500,000	-
Capital element of finance lease		(2,283)	-
Interest paid		(71,142)	(297)
<b>Net cash flows from financing activities</b>		<b>2,792,978</b>	<b>680,979</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,151,676</b>	<b>1,141,357</b>
Cash and cash equivalents at beginning of period		1,751,191	609,834
<b>Cash and cash equivalents at end of period</b>	<b>19</b>	<b>3,902,867</b>	<b>1,751,191</b>

The accompanying notes and accounting policies form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £	Other reserves £	Merger reserve £	Perpetual subordinated loan £	Share based payments £	Reverse acquisition reserve £	Revaluation reserve £	Retained earnings £	Total equity attributable to owners of parent £
<b>Balance at 1 January 2010</b>	572	3,652,376	2,025,707	375,000	298,090	(1,686,801)	1,118,727	1,064,355	6,848,026
Buy back of own shares in treasury	(26)	(258,571)	-	-	-	-	-	-	(258,597)
Issued share capital	61	599,939	-	-	-	-	-	-	600,000
Perpetual subordinated loan repayment	-	-	-	(375,000)	-	-	-	-	(375,000)
Share option expense	-	-	-	-	70,049	-	-	-	70,049
Reverse of share option expense	-	-	-	-	(8,045)	-	-	8,045	-
Interest on perpetual subordinated loan	-	-	-	-	-	-	-	(774)	(774)
<b>Transactions with owners</b>	607	3,993,744	2,025,707	-	360,094	(1,686,801)	1,118,727	1,071,626	6,883,704
Loss for the period	-	-	-	-	-	-	-	(1,613,119)	(1,613,119)
<b>Other comprehensive income:</b>									
Disposals of available for sale financial instruments	-	-	-	-	-	-	(994,220)	-	(994,220)
Change in value of available for sale financial instruments	-	-	-	-	-	-	(49,475)	-	(49,475)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	(1,043,695)	(1,613,119)	(2,656,814)
<b>Balance at 31 December 2010</b>	607	3,993,744	2,025,707	-	360,094	(1,686,801)	75,032	(541,493)	4,226,890

	Share capital £	Other reserves £	Merger reserve £	Perpetual subordinated loan £	Share based payments £	Reverse acquisition reserve £	Revaluation reserve £	Retained earnings £	Total equity attributable to owners of parent £
<b>Balance at 1 January 2009</b>	108,602	1,007,272	-	500,000	270,677	-	148,725	(54,746)	1,962,342
Reverse acquisition	(108,602)	(1,007,272)	2,025,707	-	-	(1,686,801)	-	-	(776,968)
Issued share capital	572	3,652,376	-	-	-	-	-	-	3,652,948
Perpetual subordinated loan	-	-	-	(125,000)	-	-	-	-	(125,000)
Share option expense	-	-	-	-	27,413	-	-	-	27,413
Interest on perpetual subordinated loan	-	-	-	-	-	-	-	(2,776)	(2,776)
<b>Transactions with owners</b>	572	3,652,376	2,025,707	375,000	298,090	(1,686,801)	148,725	(57,522)	4,737,959
Profit for the period	-	-	-	-	-	-	-	1,121,877	1,121,877
<b>Other comprehensive income:</b>									
Movements on disposals of available for sale financial instruments	-	-	-	-	-	-	(34,375)	-	(34,375)
Change in value of available for sale financial instruments	-	-	-	-	-	-	1,004,377	-	1,004,377
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	970,002	1,121,877	2,091,879
<b>Balance at 31 December 2009</b>	572	3,652,376	2,025,707	375,000	298,090	(1,686,801)	1,118,727	1,064,355	6,848,026

# NOTES TO THE FINANCIAL STATEMENTS

## 1.1 Basis of Preparation

These financial statements are for the year ended 31 December 2010.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to financial statements for the year ended 31 December 2010 and as applied in accordance with the provisions of the Companies (Jersey) Law 1991. The principal accounting policies adopted by Westhouse are set out in the following notes.

The statutory accounts for the financial year ended 31 December 2009 of Westhouse Holdings plc which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and with those parts of the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS have been delivered to the Registrar of Companies. Copies of the financial statements for 2009 are available from the Company's registered office at 3rd Floor, Windward House, La Route de la Liberation, St Helier, JE2 3BQ, Channel Islands or from the Company's website. The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements have been prepared on a historical cost basis, except available for sale financial assets, financial assets designated as fair value through profit or loss and financial assets held for trading. The financial statements are presented in sterling and all values are rounded to the nearest pound (£) except where otherwise indicated. They are prepared in accordance with the Company's accounting policies as set out in note 1.

The Directors have conducted a review of Westhouse's business, its trading history, its current circumstances and its prospects for the foreseeable future. Included within the review was an assessment of the assets, their value and basis on which they could be realised, the liabilities and how and when they could be discharged and all other available resources, including shareholders. Foreseeable revenues were reviewed in the light of contractual commitments, market conditions and client business forecasts.

During the period under review Westhouse made a loss and there was a £3.8m net cash outflow from operating activities. The Directors recognised that with the start of a market making desk cash would be used to pay for the trading positions held and that where a trading position is sold settlement may not be immediate. They therefore planned the sale of investments and issued the PCL to generate that cash. The effect was to increase the cash and cash equivalents available to the business by the end of the period under review.

On the basis of the review of all resources available, the Directors have a reasonable expectation that the Group has adequate funding to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial statements.

## 1.2 Consolidation

This consolidated financial information includes the accounts of the Company and its subsidiaries, after the elimination of inter-company transactions and balances.

On 31 December 2010 Westhouse Holdings plc acquired the entire issued share capital of Smith's Holdings Limited and its subsidiaries Smith's Corporate Advisory Limited and Smith's EBT Limited. The total consideration was £734,686, satisfied in part by the issue of 1,224,489 ordinary shares in Westhouse Holdings plc at a price of 49p each. The balance of the consideration was paid in cash.

On 15 June 2009 the Company (then called SovGEM Ltd) became the legal parent company of Westhouse Group Ltd (then called Hanson Westhouse Holdings Limited) in a share for share transaction. Due to the relative sizes of the companies, Westhouse Group Limited shareholders became the majority shareholders of the enlarged share capital. Furthermore, the Company's continuing operations and executive management became those of Westhouse Group Limited. Under IFRS 3 this combination has been accounted for as a reverse acquisition. On the same day SovGEM Ltd changed its name to Hanson Westhouse Holdings plc and then on 25 November 2009 to Westhouse Holdings plc.

In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity instruments to the owners of the legal parent (i.e. the acquiree for accounting purposes). Because such consolidated financial statements represent a continuation of the financial statements of the legal subsidiary, the assets and liabilities of the company previously known as Hanson Westhouse Holdings Limited have been recognised and measured in the consolidated financial statements at their pre-combination carrying amounts. The retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the company previously known as Hanson Westhouse Holdings Limited (legal subsidiary) immediately before the business combination. The amount recognised as issued equity instruments in the consolidated financial statements reflects the equity structure of Westhouse Holdings plc which includes the equity instruments issued to effect the combination.

The consolidated financial statements reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent.

# NOTES TO THE FINANCIAL STATEMENTS

## 1.3 Segmental reporting

Business segments are distinguishable operating segments that engage in revenue earning business activities whose operating results are regularly reviewed by the chief operating decision maker and for which there is discrete financial information available. Westhouse operates as one segment and it is not organised on the basis of differences in products and services or differences in geographical areas of operation. Furthermore, all non-current assets are located in the United Kingdom. The information set out in note 2 is the only information available to the chief operating decision maker.

## 1.4 Goodwill

Goodwill is attributable to the Westhouse Securities (cash generating unit). An impairment loss is recognised if the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors reflect the risk profile of the cash-generating unit as assessed by management.

The addition to goodwill of £239,050 arose on the acquisition of Smith's Holdings Limited and its subsidiaries on 31 December 2010. Goodwill was calculated as at 31 December 2010 and therefore an impairment review was not required.

## Business combinations

Business combinations are accounted for using the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss immediately after acquisition after re-measurement of the assets is carried out.

A key feature of the revised IFRS 3 is a requirement for acquisition-related costs to be expensed and not included in the purchase price and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in profit or loss and not as a change to goodwill). The revised standard will not require the restatement of Westhouse's previous business combinations.

## 1.5 Revenue

Revenue represents the fair value of the consideration received or receivable, excluding value added tax, in respect of corporate finance fees, market making, equity commissions, retainer fees, and charges. Westhouse recognises revenue at the point of completing an assignment to the extent that it has obtained the right to consideration through performance of its services to clients. Where the consideration includes non-cash items, revenue is measured at fair value of consideration received using an appropriate valuation method and taken to turnover with a corresponding asset being carried forward in the balance sheet as available for sale financial asset or financial asset at fair value through profit or loss as appropriate. Contingent revenue is not recognised until the contingent events have occurred and Westhouse has a legally enforceable right to claim that revenue.

Revenue from market making comprises all gains and losses from changes in the fair value of financial assets and liabilities held for trading together with any related dividend income on positions held. Costs incurred in the normal course of executing trading transactions are included within administrative expenses.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. Fee income is recognised as earned in line with the delivery of the relevant services.

Gains and losses are measured by reference to the fair value of consideration received or receivable by Westhouse for the sale of financial assets. Gains and losses are recognised upon completion of the transaction.

Gains and losses from the sale of financial assets are recognised when both of the following conditions have been satisfied:

- Sale documentation completed
- Title to the financial asset has been transferred to the purchaser

Dividends received are recognised at the time of their distribution.

## 1.6 Leases

Operating leases for land and buildings are classified as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Finance leases, which transfer to Westhouse substantially all the risks and benefits incidental to ownership of the leased assets are capitalised at the commencement of the lease at the fair value of the leased assets or, if lower, at the present

value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

### 1.7 Foreign currency translation

Westhouse Holdings plc's financial statements are presented in Sterling, denoted by the symbol £.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary balance sheet items at year end exchange rates are recognised in profit or loss and are included in administrative expenses.

The Group holds financial assets held in foreign currencies that are re-measured at fair value at year end. At year end the fair value of these financial assets are translated into the presentational currency using the appropriate closing exchange rate. The Group holds financial assets, including available for sale financial assets, in foreign currencies.

### 1.8 Accounting for financial assets and liabilities

Financial assets are divided into the following categories:

- Available-for-sale financial assets
- Financial assets at fair value through profit or loss
- Financial assets and liabilities held for trading

Financial assets at fair value through profit or loss include warrants and convertible debt where the embedded derivative is not separable from the underlying instrument.

Financial assets at fair value through profit and loss are initially recognised at fair value and are subsequently carried at fair value. Gains and losses arising from the changes in the financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Where investments have a separate embedded derivative, but it is not possible to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, Westhouse shall designate the entire hybrid (combined) investment as a financial asset at fair value through profit or loss.

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently carried at fair value without deduction for transaction costs it may incur on sale or disposal. Gains and losses arising from the changes in the fair value of available for sale financial assets are recognised directly to the revaluation reserve through the statement of comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active fair values are established by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and available financial information.

The principal area of critical judgement is establishing the fair value of the unquoted investments. Where, for any unquoted investments that are held a transaction has occurred or is proceeding, that provides an independent assessment of fair value. Where this is not possible Westhouse uses the directors' valuation, based on recent market information.

Market making is the acquisition of assets and liabilities principally for the purpose of selling short term. Such financial assets and liabilities are classified as held for trading. Purchases and sales of such financial assets and liabilities and investments are recognised on trade date being the date on which the Company commits to purchase or sell the asset.

Fair values for financial assets and liabilities held for trading are determined by reference to the current quoted bid/offer price, with assets held for trading marked to the bid price and liabilities held for trading marked at the offer price.

In conducting market making there will generally be a period of time between the trade date when Westhouse becomes party to a contract for purchase or sale and settlement of the trade. As all counterparties will be members of the London Stock Exchange, trades are booked and revenue is recognised as at the trade date. For the period up to settlement of the trade the other party to the trade is classified as a counterparty with any sum due or payable under the trade recorded at face value. There is therefore no movement in fair value between trade and settlement dates.

The Perpetual Convertible Loan ("PCL") is classed as a financial liability. As the conversion options contained within it lead to a potentially variable number of shares it is accounted for as a debt instrument which contains 3 embedded derivatives, the issuer conversion option, the holder conversion option and the issuer early repayment option. The embedded derivatives are accounted for at fair value through profit or loss and fair valued at each reporting date. All changes in the instrument's fair value are reported in profit or loss and included within financing costs or finance income.

## NOTES TO THE FINANCIAL STATEMENTS

The main purpose of the PCL is to fund the Group's operations and manage working capital.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk.

### 1.9 Impairments

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

### 1.10 Trade receivables

Trade receivables (which include counterparties) are initially measured at fair value and subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that Westhouse will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### 1.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment.

Depreciation has been provided on a straight line basis on the following annually:

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Computer equipment: 33.3%

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Computer servers: 25%

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Fixtures and fittings: 10%

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Leasehold improvements: 14% and 25% (depending on the length of the lease)

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Telephones: 20%

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The carrying value of assets and their useful lives are reviewed at each reporting date and if an indication of impairment exists, the assets will be written down to their recoverable amount and the impairment charged to the income statement in the period in which it arises.

### 1.12 Income taxes

Although the Company is registered in Jersey, and was managed and controlled in Jersey up to 15 June 2009, it has been managed and controlled in the UK and therefore resident in the UK for tax purposes since 16 June 2009 and is no longer outside the scope of UK taxation. The Company's subsidiaries, including Westhouse Securities Limited, have been resident in the UK for tax purposes since their incorporation.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of

these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. For management's assessment of the probability of future taxable income to utilise against deferred tax assets, see note 14.3.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as revaluation of available for sale financial assets) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

### 1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to insignificant risk of change in value.

### 1.14 Share based payments

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "reserve in respect of share based payments".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Where the Group identifies new share based payments to have been granted as replacement share based payments replacing cancelled share based payments, these replacement share based payments are accounted for in the same way as if they were a modification of the original, cancelled, share based payments.

Where the terms of share based payments are modified, or treated as modified, the minimum expense recognised is the expense as if the terms had not been modified. If the modification increases the total fair value of the share based payment arrangement (calculated by comparing the fair value immediately before modification with the fair value after modification) or is otherwise beneficial to the employee as measured at the date of modification, the incremental fair value is recognised as an additional expense.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and, where appropriate, share premium.

### 1.15 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when Westhouse becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities (which include counterparties) are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

### 1.16 Defined contribution pension scheme

Westhouse operates a defined contribution scheme for its employees and executive directors. The contributions are paid to a life assurance company or SIPP provider to secure the benefits accruing to members. Contributions are charged against profits as they fall due. The funds of the scheme are held separately to those of Westhouse.

# NOTES TO THE FINANCIAL STATEMENTS

## 1.17 Reserves

The company has the following reserves:

- Share capital
- Reserve in respect of share based payments
- Share premium account
- Revaluation reserve
- Reverse acquisition reserve
- Merger reserve
- Profit and loss account.

Share capital is determined using the nominal value of shares that have been issued.

Equity settled share-based employee remuneration is also credited to reserves in respect of share options until the related stock options are exercised.

The share premium account holds the excess amount over the nominal value of shares issued and price paid for shares, net of listing expenses.

Revaluation reserve includes gains and losses arising on the revaluation of available for sale financial assets.

The reverse acquisition reserve arises as a result of the method of accounting for the acquisition of Westhouse Group Ltd by the Company on 15 June 2009. As a result of applying reverse acquisition accounting, the consolidated IFRS financial information of Westhouse Holdings plc (the company previously called SovGEM Ltd) is a continuation of the financial information of Westhouse Group Ltd and its subsidiaries. The reserves shown as at 1 January 2009 are those for Westhouse Group Ltd and its subsidiaries and a reverse acquisition reserve has been created.

The merger reserve arose as a result of the reverse acquisition. It is the difference between the fair value of the consideration shares issued on the reverse acquisition and their nominal value.

The profit and loss account includes all current and prior period results as disclosed in the income statement.

## 1.18 Areas of critical judgement

The preparation of financial statements in conformity with adopted IFRSs requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### Valuation of unquoted investments

The principal area of critical judgement is establishing the fair value of the unquoted portfolio. However, in the case of some of the unquoted investments that are held a transaction has occurred, or is proceeding, and thus provides an independent assessment of fair value. Where this is not possible Westhouse uses the directors' valuation, which is based on recent market information.

### Impairments

Available-for-sale assets are reviewed for impairment by reference to current market prices and the latest financial information. The directors monitor Westhouse's portfolio on a daily basis. If a financial asset falls significantly in value the directors will review the available financial information on the financial assets in order to determine whether the asset is impaired.

An assessment for impairment is undertaken at least at each balance sheet date.

### Financial assets at fair value through profit or loss

The directors will consider whether the embedded derivative in a financial instrument can be separately valued. Where the Directors are unable to separately value the embedded derivative, the financial assets will be designated at fair value through profit or loss.

### Share-based payments

Westhouse measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments depending on the terms and conditions of the grant. During the year Westhouse used a Black-Scholes option pricing model for the options. Management are required to use certain assumptions in determining the most appropriate inputs to the valuation model, including expected life of the option, volatility, risk free rate and dividend yield. The assumptions and models used are fully disclosed in Note 13.

### Intangible assets

In this case Intangible assets comprise the fair value of customer lists which are not included on the balance sheets of the acquired companies. A fair value calculation was carried out based on evaluating the net recurring income streams from the intangible asset. Intangibles are initially recognised at fair value, and subsequently carried at fair value, less accumulated amortisation and impairment. The intangible asset is to be amortised over a period of 5 years.

The areas of critical judgement in calculating the intangible asset are evaluating the net recurring income streams, using an appropriate discount rate and the level of client retention.

### Market making

In conducting market making there will generally be a period of time between the trade date when Westhouse becomes party to a contract for purchase or sale and settlement of the trade. As all counterparties will be members of the London Stock Exchange, trades are booked and revenue is recognised as at the trade date. For the period up to settlement of the trade the other party to the trade is classified as a counterparty with any sum due or payable under the trade recorded at face value. There is therefore no movement in fair value between trade and settlement dates.

### Perpetual Convertible Loan

The Perpetual Convertible Loan ("PCL") is classed as a financial liability being a debt instrument which contains 3 embedded derivatives, the issuer conversion option, the holder conversion option and the issuer early repayment option.

The key areas of critical judgments in accounting for the option valuations are the volatility of the share price, the risk free rate, the conversion price and the early exit multiple. In making valuations Westhouse makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, Westhouse uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. In valuing the embedded derivatives in relation to the PCL Westhouse employed professional valuers.

### 1.19 New standards and interpretations not yet applied

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date after the date of these financial statements:

	Effective for accounting periods commencing on or after:
<b>International Accounting Standards (IAS/IFRS)</b>	
IFRS 9 Financial Instruments	1 January 2013
Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14	1 January 2011
Improvements to IFRS issued May 2010	1 July 2010 and 1 January 2011
Disclosures – Transfers of Financial Assets – Amendments to IFRS 7	1 July 2011
Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes	1 January 2012
<b>International Financial Reporting Interpretations Committee (IFRIC)</b>	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
<b>IAS and IFRIC:</b>	
Amendment to IAS 32 Classification of Rights Issues	1 February 2010
IAS 24 (Revised 2009) Related Party Disclosures	1 January 2011

The directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on Westhouse's financial statements in the period of initial application.

## 2 SEGMENTAL REPORTING

Revenue is wholly attributable to the principal activity of Westhouse and arises solely within the UK. Prior to the acquisition of Smith's Holdings Ltd on 31 December 2010 the business was regarded as one operating segment due to the nature of services provided, the methods used to provide those services and the clients to which they are provided, the nature of management and decision making and the way that financial information is analysed and reported to management. Because Smith's Holdings was acquired at close of business on the last day of the reporting period it has not been treated as a segment to report.

	2010 £	2009 £
<b>Revenue</b>		
Equity based commissions	2,250,255	3,132,080
Corporate finance	2,148,957	1,609,831
Market making	1,588,908	-
Investment income	50,528	37,938
<b>Total revenue</b>	<b>6,038,648</b>	<b>4,779,849</b>

## NOTES TO THE FINANCIAL STATEMENTS

During the year, transactions from two (2009: three) external clients generated revenue of ten per cent or more each of the Group's total revenue. The total amount of revenue from each client is shown below:

	2009 £
Client 1	1,369,166
Client 2	623,279
Client 3	508,758
<b>Total</b>	<b>2,501,203</b>

	2010 £
Client 4	822,485
Client 3	655,577
<b>Total</b>	<b>1,478,062</b>

### 3 (LOSS)/PROFIT BEFORE TAXATION

	2010 £	2009 £
(Loss)/profit for the year has been arrived at after charging:		
Staff costs	4,769,476	2,473,272
Depreciation of property plant and equipment	155,905	78,568
Operating lease payments - land and buildings	239,510	224,451
Impact of exchange differences	20,972	1,101
Audit of the parent company	21,150	27,196
Audit of subsidiary	17,000	17,000
Fees payable to the Company's auditor and its associates for other services:		
All other services	-	16,226

### 4 EMPLOYEES' COMPENSATION AND BENEFITS

	2010 £	2009 £
Wages and salaries	3,861,396	2,131,830
Social security costs	454,902	241,763
Equity settled share-based payments	70,050	27,413
Pension costs	383,128	72,266
	<b>4,769,476</b>	<b>2,473,272</b>

The average number of employees (including executive directors) was as follows:

	2010 Number	2009 Number
Management and administration	40	32

#### 4.1 Directors' remuneration

The remuneration of the directors, who are key management personnel of Westhouse, is analysed below.

Director	Salary £	Benefits in kind £	Pensions £	2010 Total £	2009 Total £
Garth Milne, Chairman	30,000	-	-	30,000	16,269
Andrew Beeson	25,000	-	-	25,000	13,558
Sir Hayden Phillips	25,000	-	-	25,000	14,070
William Staple	138,750	2,875	29,167	170,792	84,581
Jonathan Azis	126,458	1,104	21,498	149,060	66,991
	<b>345,208</b>	<b>3,979</b>	<b>50,665</b>	<b>399,852</b>	<b>195,469</b>

The executive directors participate in a discretionary bonus scheme, membership of which includes most employees, payments from which are of such amounts and at such times as the Company may in its absolute discretion determine. No payments were made during or in respect of the period to 31 December 2010 (2009: £ nil).

The executive directors participate in the Company's share option schemes but no options were issued to them.

Westhouse operates a defined contribution scheme for its employees and executive directors. The contributions are paid to a life assurance company or SIPP provider to secure the benefits accruing to members. Contributions are charged against profits as they fall due. The funds of the scheme are held separately to those of Westhouse.

Westhouse operated a discretionary bonus scheme, membership of which includes most employees, which provides that the timing or amount of any bonus payments is entirely within the discretion of the board of the Company.

## 5 FINANCE COSTS

	2010 £	2009 £
Bank interest	343	10
Finance charges payable	70,799	287
	<b>71,142</b>	<b>297</b>

## 6 FINANCE REVENUE

	2010 £	2009 £
Bank interest	5,239	3,036

## 7 EARNINGS PER SHARE

	2010 £	2009 £
Net result for the period	(1,613,119)	1,121,877
Weighted average number of ordinary shares		
Basic weighted average number of shares	11,459,196	10,811,629
Effect of options	260,500	114,592
Diluted weighted average number of shares	11,719,696	10,926,221
Basic (loss)/earnings per share	(0.14)	0.10
Diluted (loss)/earnings per share	(0.14)	0.10

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shares by the weighted average number of ordinary shares during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares.

Westhouse has only one category of dilutive potential ordinary shares, share options granted to employees under the EMI Share Option Scheme and the Unapproved Share Option Scheme, where the exercise price is less than the average price of the Company's ordinary shares during the year.

When a loss was incurred, since the conversion of potential ordinary shares to ordinary shares would have decreased net loss per share, options were not dilutive and therefore diluted and basic losses per share are the same.

## 8 TRADE AND OTHER RECEIVABLES

	2010 £	2009 £
Trade receivables	440,787	368,653
Investments held for trading	1,990,650	-
Counterparties	1,594,876	-
Prepayments	300,283	204,398
Other receivables	558,160	227,559
Taxation	11,165	-
	<b>4,895,921</b>	<b>800,610</b>

## NOTES TO THE FINANCIAL STATEMENTS

Due to the short term maturity of trade receivables, the directors consider the carrying amounts to approximate their fair value. All receivables are non-interest bearing and unsecured. No impairment provision is considered necessary by reference to past default experience. Investments held for trading and counterparties are valued at fair value.

### 9 TRADE AND OTHER PAYABLES

	2010 £	2009 £
Trade payables	244,457	115,636
Amounts owing to related parties	16,457	15,681
Finance lease	3,516	-
Investments held for trading	456,710	-
Counterparties	1,050,844	-
Accruals	626,247	354,349
Taxation and social security	387,006	154,980
Other Creditors	134,686	-
	<b>2,919,923</b>	<b>640,646</b>

Due to the short term maturity of trade payables, the directors consider the carrying amounts to approximate their fair value. All payables are non-interest bearing and unsecured. Trade payables are normally settled within terms. Investments held for trading and counterparties are valued at fair value.

### 10 NON-CURRENT LIABILITY

	2010 £	2009 £
Finance lease	12,872	-
Perpetual convertible loan	2,773,200	-
Embedded derivatives	726,800	-
	<b>3,512,872</b>	<b>-</b>

On 4 August 2010, Westhouse entered into the PCL with BCB for the amount of £3.5 million. The PCL has no fixed repayment date and carries a coupon of 5% to 30 September 2015 and 8% thereafter. The Company has the right to defer payment of the interest which is payable quarterly in arrears. The holders of the PCL will have the right to convert the principal amount of the loan outstanding into ordinary shares of Westhouse ("Ordinary Shares"). This conversion right is for a period of five years from 4 August 2010 (the "Conversion Period"). The price per share for the conversion will be the lower of 60 pence per share and a 10% premium to the most recently published interim or final statement of shareholders' funds on a per share basis, subject to a minimum of 50 pence per share. Within the Conversion Period, Westhouse can require exercise of the conversion right, on the conversion terms stated above, if the mean average mid-market price for the Ordinary Shares at the close of business on 90 consecutive trading days exceeds 90 pence per share.

As the conversion options contained within it lead to a potentially variable number of shares it is accounted for as a debt instrument which contains 3 embedded derivatives, the issuer conversion option, the holder conversion option and the issuer early repayment option. The embedded derivatives are accounted for at fair value through profit or loss and fair valued at each reporting date. All changes in the instrument's fair value are reported in profit or loss and included within financing costs or finance income.

Key assumptions made in arriving at the fair value include a risk free rate of 2.5% and historic volatility of 46%. It is also calculated on the basis that Westhouse will always enforce its conversion option if the share price reaches the stated level.

### 11 OPERATING LEASE COMMITMENTS

Westhouse and Smith's have entered into three leases for their offices in London and Leeds:

	2010 £	2009 £
<b>Future payments due</b>		
Within 1 year	441,512	228,893
2 - 5 years	669,736	877,603

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

## 12 FINANCIAL ASSETS AND LIABILITIES

### 12.1 Available for sale financial assets

	2010 £	2009 £
Listed equity securities	211,462	3,075,499
Unlisted financial assets	166,377	489,317
	<b>377,839</b>	<b>3,564,816</b>

The listed financial assets have been stated at fair value. Fair value is determined by valuing the financial assets at the appropriate closing bid price on 31 December 2010.

The unlisted financial assets have been stated at fair value. Fair value is determined by using recent arm's length transactions and valuation models where a recent arm's length transaction does not exist. Where this is not possible Westhouse uses the directors' valuation.

All the listed equity securities have been issued by publicly traded companies.

### 12.2 Financial assets at fair value through profit or loss

	2010 £	2009 £
Convertible debt	352,768	413,547
Stock warrants and options	86,402	389,677
Investments held for trading	1,990,650	-
Counterparties	1,594,876	-
	<b>4,024,696</b>	<b>803,224</b>

Convertible debt has been designated at fair value through profit or loss where it has not been possible to separately value the embedded derivative.

Stock warrants and options are held for trade and have been valued using an appropriate Black-Scholes option pricing model at the time of acquisition and as at 31 December 2010.

Investments held at trading and counterparties are valued at bid price.

### 12.3 Financial assets and liabilities

	Available for sale		Held at fair value £	Total £
	Listed £	Unlisted £		
<b>Assets</b>				
Opening fair value 1 January 2010	3,075,499	489,317	803,224	4,368,040
Transfer of assets between categories	92,968	24,133	(117,101)	-
Additions	868,997	-	3,573,607	4,442,604
Disposals in period at cost	(2,814,055)	-	-	(2,814,055)
	<b>1,223,407</b>	<b>513,450</b>	<b>4,259,730</b>	<b>5,996,589</b>
Fair value movements recognised in equity (Impairment)/gain recognised in income statement	(964,456)	(79,239)	-	(1,043,695)
	(47,491)	(267,834)	(235,034)	(550,359)
Total	211,462	166,377	4,024,696	4,402,535
<b>Liabilities</b>				
Additions	-	-	(2,229,382)	(2,229,382)
	-	-	(2,229,382)	(2,229,382)
(Impairment) recognised in income statement	-	-	(4,972)	(4,972)
Total	-	-	(2,234,354)	(2,234,354)
<b>Closing fair value 31 December 2010</b>	<b>211,462</b>	<b>166,377</b>	<b>1,790,344</b>	<b>2,168,181</b>
<b>Closing cost 31 December 2010</b>				
	<b>213,432</b>	<b>404,699</b>	<b>2,030,350</b>	<b>2,648,481</b>
(Loss)/gain in period	(1,970)	(238,322)	(240,006)	(480,300)
<b>Closing fair value 31 December 2010</b>	<b>211,462</b>	<b>166,377</b>	<b>1,790,344</b>	<b>2,168,181</b>

## NOTES TO THE FINANCIAL STATEMENTS

A transfer of assets between categories will occur when the characteristics of an asset change, for example on the IPO of an unlisted equity, the exercise of an option or the conversion of a convertible.

	Listed £	Unlisted £	Held at fair value £	Total £
Opening fair value 1 January 2009	343,445	172,020	86,868	602,333
Purchases at cost or as acquired as part of reverse acquisition	2,885,245	572,817	505,575	3,963,637
Disposals in period at cost	(1,093,734)	(30,520)	(3)	(1,124,257)
	<b>2,134,956</b>	<b>714,317</b>	<b>592,440</b>	<b>3,441,713</b>
Fair value movements recognised in equity	996,044	8,333	-	1,004,377
(Impairment)/gain recognised in income statement	(55,501)	(233,333)	210,784	(78,050)
<b>Closing fair value 31 December 2009</b>	<b>3,075,499</b>	<b>489,317</b>	<b>803,224</b>	<b>4,368,040</b>
<b>Closing cost 31 December 2009</b>	<b>2,134,956</b>	<b>714,317</b>	<b>592,440</b>	<b>3,441,713</b>
(Loss)/gain in period	940,543	(225,000)	210,784	926,327
<b>Closing fair value 31 December 2009</b>	<b>3,075,499</b>	<b>489,317</b>	<b>803,224</b>	<b>4,368,040</b>

### 12.4 Revaluation reserve

	Listed £	Unlisted £	Total £
Opening reserve 1 January 2010	1,001,644	117,083	1,118,727
Transfer of assets between categories	8,333	(8,333)	-
Fair value movements recognised in equity	(964,456)	(79,239)	(1,043,695)
<b>Closing reserve 31 December 2010</b>	<b>45,521</b>	<b>29,511</b>	<b>75,032</b>
Opening reserve 1 January 2009	39,975	108,750	148,725
Movements on disposals	(34,375)	-	(34,375)
Fair value movements recognised in equity	996,044	8,333	1,004,377
<b>Closing reserve 31 December 2009</b>	<b>1,001,644</b>	<b>117,083</b>	<b>1,118,727</b>

A movement of 20% in the value of the listed and unlisted investments would result in a movement of £114,872 (2009: £712,963) in equity.

### 12.5 Financial hierarchy

The tables below set out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policies note 1.

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
<b>Available for sale</b>				
Equities	270,420	85,769	21,650	377,839
<b>Financial assets at fair value through profit and loss</b>				
Warrants and options	-	-	86,402	86,402
Convertible debt	-	-	352,768	352,768
Investments held for trading	1,990,650	-	-	1,990,650
Counterparties	1,594,876	-	-	1,594,876
<b>Total</b>	<b>3,855,946</b>	<b>85,769</b>	<b>460,820</b>	<b>4,402,535</b>

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Liabilities</b>				
Investment held for trading	(456,710)	-	-	(456,710)
Counterparties	(1,050,844)	-	-	(1,050,854)
Embedded derivative	-	-	(726,800)	(726,800)
<b>Total</b>	<b>(1,507,554)</b>	<b>-</b>	<b>(726,800)</b>	<b>(2,234,354)</b>
<b>Net fair value at 31 December 2010</b>	<b>2,348,392</b>	<b>85,769</b>	<b>(265,980)</b>	<b>2,168,181</b>

### Financial assets and liabilities at fair value

#### Level 3

	Equities £	Options and warrants £	Convertible debt £	Embedded derivative £	Total £
At 1 January 2010	289,484	364,677	438,547	-	1,092,708
Additions	-	-	-	(726,800)	(726,800)
Disposals	-	(34,634)	-	-	(34,634)
Gains/(losses) on assets held at end of year	(267,834)	(243,641)	(3,313)	-	(514,788)
Transfer to level 2	-	-	(82,466)	-	(82,466)
<b>At 31 December 2010</b>	<b>21,650</b>	<b>86,402</b>	<b>352,768</b>	<b>(726,800)</b>	<b>(265,980)</b>

The transfer to Level 2 relates to two investments which were classified under Level 3 as convertible instruments and which are now classified as equity investments and their values being determined using observable market data.

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
<b>Available for sale</b>				
Equities	3,133,832	141,500	289,484	3,564,816
<b>Financial assets at fair value through profit and loss</b>				
Warrants and options	-	-	364,677	364,677
Convertible debt	-	-	438,547	438,547
<b>At 31 December 2009</b>	<b>3,133,832</b>	<b>141,500</b>	<b>1,092,708</b>	<b>4,368,040</b>

### Financial assets at fair value

#### Level 3

	Equities £	Options and warrants £	Convertible debt £	Total £
At 1 January 2009	172,020	86,868	-	258,888
Purchases	-	-	25,000	25,000
Expiry of option period	-	(3)	-	(3)
Acquisition on reverse acquisition	289,484	290,365	413,547	993,396
Gains/(losses) on assets held at end of year	(30,520)	(12,553)	-	(43,073)
Transfer to level 2	(141,500)	-	-	(141,500)
<b>At 31 December 2009</b>	<b>289,484</b>	<b>364,677</b>	<b>438,547</b>	<b>1,092,708</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 13 SHARE CAPITAL

### 13.1 Share capital

#### Ordinary shares of 0.005p

	31 December 2010 Number	31 December 2010 £	31 December 2009 Number	31 December 2009 £
At start of the period	11,459,196	572	1,086,020	108,602
Issued prior to share for share exchange	-	-	4,555,000	227
Share for share exchange relating to reverse acquisition	-	-	(1,086,020)	(108,602)
Issued in the period	696,739	35	6,904,196	345
<b>At end of the period</b>	<b>12,155,935</b>	<b>607</b>	<b>11,459,196</b>	<b>572</b>

In October 2010 Westhouse became aware that a number of its shares had become available for purchase at a price it regarded as advantageous. Having made the purchase the Company held the shares in Treasury. In December 2010 the Company entered into a contract to purchase Smith's Holdings Ltd which required the issue or transfer of its own shares and it considered that the transfer of the shares in Treasury would be in the best interest of the shareholders.

The Company has one class of ordinary shares. All shares carry equal voting rights, equal rights to income and distribution of assets on liquidation or otherwise, and no right to fixed income.

The Company's authorised share capital at 31 December 2010 and 31 December 2009 was £900 divided into 18,000,000 shares of 0.005p.

### 13.2 Share Options

Subsequent to the reverse acquisition, Westhouse operated two share option schemes, an EMI scheme, approved by HMRC, and an unapproved scheme.

For the EMI scheme, the terms of which have been approved by HMRC, grants may be made only to employees who devote at least 25 hours per week to the Company. The board of the Company (or its Remuneration Committee) will have the discretion to grant and determine such vesting and exercise provisions as may apply to any grants made under the terms of the EMI scheme. Options may not be exercised after the tenth anniversary of the date of grant. The unapproved scheme has the same rules, but does not have a limit imposed by the scheme upon the value of the options held by an individual employee.

In general 12 month's employment from the date of grant is the vesting condition on the option. However, it is within the Board's discretion to set the vesting conditions for each grant. All transactions will be equity-settled.

EMI Scheme	Options	Exercise Price P	Grant date	Exercise Period From	To
EMI Scheme Grant 1	114,592	59.50	15 June 2009	16 June 2009	16 June 2012
EMI Scheme Grant 2	152,500	67.50	1 November 2009	1 November 2009	31 October 2012
EMI Scheme Grant 3	302,500	67.50	1 November 2009	1 November 2010	31 October 2013
Unapproved Scheme Grant 1	167,500	67.50	1 November 2009	1 November 2010	31 October 2013

#### Outstanding at 31 December 2009 over ordinary shares of 0.005p in the Company

**737,092**

EMI Scheme	Options	Exercise Price P	Grant date	Exercise Period From	To
EMI Scheme Grant 4	80,000	67.50	1 February 2010	1 November 2010	31 October 2013
EMI Scheme Grant 5	237,000	67.50	1 May 2010	1 May 2011	30 April 2014
Unapproved Scheme Grant 2	112,500	67.50	1 May 2010	1 May 2011	30 April 2014
Lapsed in the period	(169,000)				

#### Outstanding at 31 December 2010 over ordinary shares of 0.005p in the Company

**997,592**

Both EMI Scheme Grants 1 and 2 were identified as replacement options for cancelled options and were therefore accounted for in the same way as a modification of the original grant of the options. There was no incremental fair value for either EMI Scheme Grants 1 or 2.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual lives of the options, which are as stated above, and the expectations of early exercise, are incorporated into this model.

In the model the expected volatility is based on historical volatility of the share price of the Company and of quoted comparable companies over the most recent period at the date of grant that is commensurate with the average expected life of the option.

	EMI Scheme Grants 4 and 5	Unapproved Scheme
Fair value at measurement date	0.10	0.10
Share price at grant	61.00	61.00
Exercise price	67.50	67.50
Expected volatility	23%	23%
Expected dividends	-	-
Option life (years)	3	4
Risk free interest rate	0.9%	0.9%

	EMI Scheme			Unapproved Scheme
	Grant 1	Grant 2	Grant 3	
Fair value at measurement date	0.21	0.11	0.13	0.13
Share price at grant	59.50	67.50	67.50	67.50
Exercise price	59.50	67.50	67.50	67.50
Expected volatility	23%	23%	23%	23%
Expected dividends	-	-	-	-
Option life (years)	3	3	4	4
Risk free interest rate	1.2%	1.2%	1.2%	1.2%

The weighted average exercise price of the total number of options granted and not exercised at 31 December 2010 was 66.58p (2009: 66.26p) and the weighted average contractual life of the options was 1,371 days (2009: 1,328 days). The weighted average exercise price for the lapsed options was 67.50p (2009: nil)

## 14 INCOME TAXATION

### 14.1 Current taxation charge

The current taxation charge for the year is different from the effective rate of corporation tax in the UK at 28% (2009: 28%). The differences are explained below:

	2010 £	2009 £
(Loss)/profit on ordinary activities before taxation	(1,622,274)	1,170,803
Theoretical tax at UK Corporation tax rate at 28% (2009: 28%)	(454,237)	327,825
Effects of:		
Depreciation in excess of capital allowances	14,264	4,028
Gain on acquisition	-	(347,555)
Other expenditure which is disallowable	439,973	42,668
<b>Actual current tax charge</b>	<b>-</b>	<b>26,966</b>

### 14.2 Income statement

The taxation shown in the Income statement:

	2010 £	2009 £
Current year taxation (credit)/charge	(9,155)	26,966
Prior year taxation charge	-	21,957
	<b>(9,155)</b>	<b>48,923</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 14.3 Deferred Tax

The deferred tax asset of £450,291 (2009: £221,707) has not been recognised as at 31 December 2010 due to uncertainty in assessing the level of future taxable gains within the next 12 month period against which the deferred tax could be utilised.

The deferred taxation arising during the year is explained below:

	2010 £	2009 £
Depreciation in excess of capital allowances	14,264	4,028
Equity settled share-based payments	19,614	7,676
Losses carried forward	37,267	8,546
Unrealised losses on available for sale investments	88,291	80,874
Unrealised losses on financial assets carried at fair value	69,148	(59,019)
	<b>228,584</b>	<b>42,103</b>

### 15 GOODWILL

The goodwill arose from the acquisition of the business in 2007 and Smith's Holdings Limited on 31 December 2010.

	2010 £	2009 £
<b>Gross carrying amount at 1 January</b>	306,750	306,750
Acquisition of Smith's	239,050	-
<b>Gross carrying amount at 31 December</b>	<b>545,800</b>	<b>306,750</b>

The goodwill arising on the acquisition of Smith's reflect the value to Westhouse of revenue synergies generated by combing the two sets of employees, areas of expertise and client relationship together with the removal of duplicate costs.

Assessments of any impairment of the goodwill are carried out annually. The lowest level at which there are largely independent cash inflows is Westhouse Securities Limited which is the cash-generating unit. The recoverable amount of the cash-generating unit was determined based on value-in-use calculations.

The data used for the impairment testing procedure are linked to Westhouse's latest approved 3 year budget followed by an extrapolation of expected cash flows. Discount factors reflect the risk profile assessed by management. The key assumptions underlying the latest budget relate to the maintenance of Westhouse's ability to retain Nomad clients, the continuing need for those clients and others coming to AIM to raise equity capital from investors and the continuing interest of investors in AIM quoted shares. Management's approach to these key assumptions is based on past experience adjusted for future changes in conditions. The growth rate and discount rate used was 3% and 4% respectively, each regarded by the Directors as appropriate in the light of bank lending rates.

### 16 INTANGIBLE ASSETS

	2010 £	2009 £
<b>Cost</b>		
1 January	-	-
Acquisitions	86,215	-
31 December	-	-
<b>Net book value</b>		
1 January	-	-
31 December	86,215	-

These intangible assets relate to Smith's customer lists which have a finite useful life and are amortised over their useful life of 5 years. A period of 5 years remains for amortisation as the acquisition took place on 31 December 2010. The customer list is assessed for impairment by measuring the actual post-acquisition cash flows of individual customers purchased from the date of acquisition and projecting these cash flows forward over time. The calculation at 31 December 2010 showed that the acquired customer list will continue to generate positive cash flows in excess of their net carrying value at the year-end.

## 17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
1 January 2010	252,563	251,104	503,667
Additions	22,634	237,639	260,273
Additions by acquisition	163,542	140,366	303,908
<b>31 December 2010</b>	<b>438,739</b>	<b>629,109</b>	<b>1,067,848</b>

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<b>Depreciation</b>			
11 January 2010	126,563	115,023	241,586
Charge for year	48,653	107,252	155,905
Additions by acquisition	122,396	136,088	258,484
<b>31 December 2010</b>	<b>297,612</b>	<b>358,363</b>	<b>655,975</b>

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<b>Net book value</b>			
31 December 2009	126,000	136,081	262,081
31 December 2010	141,127	270,746	411,873

Included within the net book value of fixture, fittings and equipment is £13,700 (2009: nil) relating to an asset held under a finance lease. The depreciation charged to the financial statements in the year in respect of this asset amounted to £4,567.

## 18 FINANCE LEASE

Westhouse entered into a finance lease agreement for the purchase of photocopiers/printers. The asset is included under fixture, fittings and equipment in note 17. The asset was recorded at fair value.

Future minimum rentals payable under the finance lease agreement are as follows:

	2010 £	2009 £
Not later than one year	3,728	-
In two to five years	13,668	-
	17,396	-

## 19 CASH AND CASH EQUIVALENTS

	2010 £	Cash Inflow £	2009 £
Cash at bank and on hand	3,902,867	2,151,676	1,751,191

Cash balances are held with Barclays Bank Plc, National Westminster Bank Plc and Barclays Private Clients International Ltd and earn interest at either floating rates based on daily bank deposit rates or fixed rates for longer term deposits.

## 20 FINANCIAL RISK MANAGEMENT

Westhouse's financial instruments comprises of investments (available for sale financial assets, financial assets at fair value through profit or loss and financial assets held for trading), cash and various items such as trade and other receivables, and trade and other payables, all of which arise directly from its normal operations.

The carrying values of all of Westhouse's financial instruments approximate their fair values at 31 December 2010 and 31 December 2009. The Accounting Policies described in note 1 outline how the financial instruments are measured.

## NOTES TO THE FINANCIAL STATEMENTS

An analysis of the balance sheet sums, relevant to an analysis of risk management, is as follows:

	Available for sale financial assets £	Financial assets at fair value through profit or loss £	Financial assets held for trading £	Loan and receivables £	Non-financial assets £	Total £
<b>2010</b>						
Investments	377,839	439,170	-	-	-	817,009
Held for trading	-	-	1,990,650	-	-	1,990,650
Trade and other receivables	-	-	1,594,876	1,010,105	300,290	2,905,271
Cash and cash equivalents	-	-	-	3,902,867	-	3,902,867
	<b>377,839</b>	<b>439,170</b>	<b>3,585,526</b>	<b>4,912,972</b>	<b>300,290</b>	<b>9,615,797</b>
<b>2009</b>						
Investments	3,564,815	803,225	-	-	-	4,368,040
Trade and other receivables	-	-	-	596,212	204,398	800,610
Cash and cash equivalents	-	-	-	1,751,191	-	1,751,191
	<b>3,564,815</b>	<b>803,225</b>	<b>-</b>	<b>2,347,403</b>	<b>204,398</b>	<b>6,919,841</b>
			Other financial liabilities at amortised cost £	Liabilities not within the scope of IAS 39 £	Financial liabilities held at fair value	Total £
<b>2010</b>						
Perpetual convertible loan			2,773,200	-	726,800	3,500,000
Held for trading			-	-	456,710	456,710
Counterparties			-	-	1,050,844	1,050,844
Trade and other payables			1,038,235	387,006	-	1,425,241
			<b>3,811,435</b>	<b>387,006</b>	<b>2,234,354</b>	<b>6,432,795</b>
<b>2009</b>						
Trade and other payables			485,666	154,980	-	640,646
			<b>485,666</b>	<b>154,980</b>	<b>-</b>	<b>640,646</b>

### 20.1 Credit risk

Credit risk is the risk that a counterparty will cause financial loss to the Group by failing to discharge an obligation. For market making this is principally the risk that a counterparty fails to settle an equity trade thereby forcing the Group to close out the trade at a possible loss. It is important to note that the potential loss is not the value of the trade, but the difference between the prices at which the trade was executed and the current price. The size and duration of any outstanding from a counterparty is limited, monitored and reported.

Credit risks also arise from the possibility that customers may not be able to settle their obligations as agreed. All invoices are payable immediately on presentation. To manage this risk Westhouse periodically assesses the financial reliability of customers, taking into account the financial position, past experience and other factors. All debtors are deemed to be recoverable.

For further information on trade and other receivables, see note 8.

As credit risk also applies to Westhouse's assets deposited with other institutions, eg bank deposits, Westhouse's cash deposits are held within a number of accounts at Barclays Bank Plc, NatWest Bank Plc and Barclays Private Clients International Ltd. As part of Westhouse's risk management the board reviews the concentration of risk that this gives rise to, assessing inter alia the standing of that bank and the commercial costs or benefits of diversifying that risk.

	Neither past due nor impaired £	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
<b>2010</b>					
Counterparties	1,594,876	-	-	-	1,594,876
Trade receivables		420,355	20,432	-	440,787
Other receivables	869,608	-	-	-	869,608
	<b>2,464,484</b>	<b>420,355</b>	<b>20,432</b>	<b>-</b>	<b>2,905,271</b>
<b>2009</b>					
Trade receivables	-	233,287	46,066	81,056	360,409
Other receivables	440,201	-	-	-	440,201
	<b>440,201</b>	<b>233,287</b>	<b>46,066</b>	<b>81,056</b>	<b>800,610</b>

## 20.2 Liquidity risk

Liquidity risk is defined as the risk that Westhouse would not be able to settle or meet its obligations on time or at a reasonable price. Liquidity and funding risks, related processes and policies are overseen by management and are managed on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through various sources of finance in order to maintain flexibility. Management monitors Westhouse's net liquidity position through rolling forecasts on the basis of expected cash flows. Westhouse's cash and cash equivalents are held with major regulated financial institutions.

The size of any individual market making position is strictly limited before it is contracted and the total position is also strictly limited, both being constantly monitored.

Westhouse had the following contracted liabilities

	2010 £	2009 £
Payable within 1 year	1,836,966	131,318
Accruals	626,247	354,349
	<b>2,463,213</b>	<b>485,667</b>

Westhouse believes that the cash resources together with anticipated sales mean that Westhouse can meet its contracted liabilities as they fall due.

The Perpetual Convertible Loan is repayable only at the discretion of the Company. The maturity profile of Westhouse's financial liabilities is as follows:

	On demand £	Less than 3 months £	3 to 12 months £	More than 1 year £	Total £
<b>2010</b>					
Trade payables	-	215,646	22,610	6,201	244,457
Other payables	1,864,122	-	-	-	1,864,122
	<b>1,864,122</b>	<b>215,646</b>	<b>22,610</b>	<b>6,201</b>	<b>2,108,579</b>
<b>2009</b>					
Trade payables	-	115,171	465	-	115,636
Other payables	370,030	-	-	-	370,030
	<b>370,030</b>	<b>115,171</b>	<b>465</b>	<b>-</b>	<b>485,666</b>

## 20.3 Market risk

Westhouse has limited exposure to market risks, primarily related to interest rates, foreign currency exchange movements and the market value of the investments, and these are actively monitored. The market value of the investments has been subject to variations of up to 50% and while such variations could recur they will not be material to Westhouse's business.

## 20.4 Equity price risk

The Group is exposed to equity price risk due to fluctuations in the prices of equity positions held. There is therefore a risk that the Group will suffer a loss in the event of a significant adverse market movement.

The Group seeks to identify, control and report to the Board the potential loss in value of its assets arising from changes in equity prices. Positions held are subject to limits in both size and duration that are independently and continuously

## NOTES TO THE FINANCIAL STATEMENTS

monitored. It is important for senior management to be aware of the possible capital implications of an adverse movement in prices and therefore stress tests are conducted to show what would occur in relatively extreme conditions.

The Group also has market making positions. Individually these are held for short periods and are subject to strict rules relating to the circumstances, size and duration of any holding.

### 20.5 Interest rate risk

It is Westhouse's policy and practice to minimise interest rate cash flow exposures on long-term financing. It does this by relying on the ability to cease the payment of interest on the Perpetual Convertible Loan.

The interest rate profile for Westhouse's financial instruments is as follows:

	Fixed rate	Variable rate	Interest free	Total
<b>Financial assets</b>				
<b>2010</b>				
Investments	-	-	817,009	817,009
Held for trading	-	-	1,990,650	1,990,650
Trade and other receivables	-	164,674	2,740,597	2,905,271
Cash and cash equivalents	2,900,000	1,002,867	-	3,902,867
	<b>2,900,000</b>	<b>1,167,541</b>	<b>5,548,296</b>	<b>9,615,797</b>
<b>2009</b>				
Investments	-	-	4,368,040	4,368,040
Trade and other receivables	-	152,559	648,051	800,610
Cash and cash equivalents	1,001,566	749,625	-	1,751,191
	<b>1,001,566</b>	<b>902,184</b>	<b>5,016,091</b>	<b>6,919,841</b>
<b>Financial liabilities</b>				
<b>2010</b>				
Trade and other payables	3,500,000	-	2,932,795	6,432,795
	<b>3,500,000</b>	<b>-</b>	<b>2,932,795</b>	<b>6,432,795</b>
<b>2009</b>				
Trade and other payables	-	-	640,646	640,646
	<b>-</b>	<b>-</b>	<b>640,646</b>	<b>640,646</b>

### 20.6 Foreign currency exchange risk

The directors have reviewed Westhouse's foreign currency exchange risk and deems there to be an insignificant risk associated with exchange movements on foreign currencies.

## 21 CAPITAL MANAGEMENT

Westhouse's objective is to provide sustainable capital growth for the shareholders whilst giving due weight to the interests of the other stakeholders in the business. The board of Westhouse Securities, and each of the other companies in Westhouse, reviews the broad structure of Westhouse's capital on a regular basis taking into account their assessment of future income and costs and regulatory requirements.

Westhouse Securities and Smith's Corporate Advisory are regulated by the FSA and as such are required to maintain financial resources, both capital and liquidity resources, that are adequate as to both amount and quality to ensure that there is no significant risk that their liabilities cannot be met as they fall due. For this purpose the FSA specifies both the method of calculation of the capital resources and the capital resource requirements. Additionally, the FSA sets a reporting regime to monitor and assess capital adequacy with which Westhouse ensures compliance at all times.

For managing and assessing the measurement of the capital resources, the boards of Westhouse Securities and Smith's Corporate Advisory use the same definitions used by the FSA, the Perpetual Convertible Loan being drafted in accordance with definitions used by the FSA for upper tier two capital. Westhouse Securities and Smith's Corporate Advisory measure their capital against the limits imposed by the FSA on a daily basis, reporting the measurement to the Board on a monthly basis and as required to the FSA. As at 31 December 2010 Westhouse Securities was a BIPRU 750k full scope BIPRU investment firm.

All FSA requirements were complied with during the year.

The capital monitored by Westhouse Securities is as follows:

	2010 £	2009 £
Called up share capital	607	572
Share premium	3,993,744	3,652,377
Revaluation reserve	75,032	1,118,727
Retained earnings	(541,493)	1,064,354
	<b>3,527,890</b>	<b>5,836,030</b>
Perpetual convertible loan	2,773,200	-
Embedded derivative	726,800	-
	<b>7,027,890</b>	<b>5,836,030</b>

## 22 BUSINESS COMBINATIONS

On 31 December 2010 Westhouse Holdings plc acquired the entire issued share capital of Smith's Holdings Limited and its subsidiaries Smith's Corporate Advisory Limited and Smith's EBT Limited. The total consideration was £734,686, satisfied in part by the issue of 1,224,489 ordinary shares in Westhouse Holdings plc at a price of 49p each and in part by a cash payment of £134,686.

With the exception of goodwill and intangible asset no adjustments have been made to the book values of the assets and liabilities at acquisition. The book value of intangible assets in Smith's Holdings Limited and its subsidiaries at acquisition was nil. The consolidated statement of financial position of the three companies can be analysed as follows:

	Book and Fair value
<b>Non-current assets</b>	
Property, plant and equipment	45,424
<b>Current assets</b>	
Trade and other receivables	228,397
Prepaid expenses	62,797
Cash and cash equivalents	190,522
Total current assets	481,716
<b>Total assets</b>	<b>527,140</b>
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	117,719
Net assets	409,421
Consideration- cash and shares	734,686
Goodwill	239,050
Intangible asset	86,215
	<b>325,265</b>

Pre-acquisition turnover and operating losses for the period 1 April 2010 to 31 December 2010 were £460,920 and £15,312 respectively and are not included in Westhouse's consolidated financial statements. Had the acquisition taken place at the start of the period, the consolidated income for the period would have been £7,113,118 and the loss for the period would have been £1,645,134.

During the year, prior to the acquisition, Westhouse Securities paid £37,763 in commission fees to Smith's Corporate Advisory in relation to equity raising for a client.

## 23 RELATED PARTY TRANSACTIONS

Andrew Beeson is a director of DataWind UK plc in which Westhouse invested £25,000 for convertible debt which is included within the available for sale financial assets.

Both, Christopher Getley, now Chief Executive of Westhouse Holdings plc, and Jonathan Martin Smith, Managing Director of Smith's Corporate Advisory Limited, were shareholders of Smith's Holdings Limited a company which was bought by the Company on 31 December 2010. As part of that transaction Mr Getley received 485,904 shares in the Company and £53,918 in cash and Mr Martin Smith received 505,739 shares in the Company and £55,702 in cash.

## 24 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTHOUSE HOLDINGS PLC

## **Independent auditor's report to the members of Westhouse Holdings plc**

We have audited the parent company financial statements of Westhouse Holdings plc for the year ended 31 December 2010 which comprise the parent company balance sheet, the parent company reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

## **Opinion on other matter prescribed by the Companies (Jersey) Law 1991**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- the proper accounting records have not been kept by the company;
- that proper returns adequate for the audit have not been received from branches not visited by the auditor; or
- that the company's accounts are not in agreement with its accounting records and returns.

## **Other matter**

We have reported separately on the group financial statements of Westhouse Holdings plc for the year ended 31 December 2010.



## **Andrew Howie**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Glasgow

27 April 2011

# COMPANY BALANCE SHEET

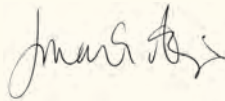
As at 31 December	Note	2010 £	2009 £
<b>Fixed Assets</b>			
Investments in subsidiaries	8	6,877,917	6,143,231
<b>Current assets</b>			
Debtors	5	3,587,822	459,459
Cash and cash equivalents		6,341	3,301
<b>Creditors: amounts falling due within one year</b>	6	3,594,163 (570,635)	462,760 (123,419)
<b>Net current assets</b>		3,023,528	339,341
<b>Total assets less current liabilities</b>		9,901,445	6,482,572
<b>Creditors: amounts falling due after more than one year</b>		(3,500,000)	-
<b>Net assets</b>		<b>6,401,445</b>	<b>6,482,572</b>
<b>Equity</b>			
Share capital	7	607	572
Share premium account	11	6,019,451	5,678,084
Perpetual subordinated loan	11	-	375,000
Profit and loss account	11	381,387	428,916
<b>Shareholders' funds</b>		<b>6,401,445</b>	<b>6,482,572</b>

Company number: 88781

Signed on behalf of the board of directors on 27 April 2010



**Christopher Getley**  
Chief Executive



**Jonathan Azis**  
Finance Director

The accompanying notes and accounting policies form an integral part of these financial statements.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

### 1.1 Basis of Accounting

The Company's accounts have been prepared on the historical cost convention except for the revaluation of investments and in accordance with applicable United Kingdom accounting standards.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below:

### 1.2 Foreign currency translation

The Company's financial statements are presented in Sterling, denoted by the symbol "£", which is the Company's functional and presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary balance sheet items at year-end exchange rates are recognised in the income statement and are included in administrative expenses. Foreign exchange gains and losses resulting from the translation of non-monetary items are included within the fair value measurement in the available-for-sale reserve in equity.

The Company holds financial assets held in foreign currencies that are re-measured at fair value at year end. At year end the fair value of these financial assets are translated into the functional currency using the appropriate closing exchange rate.

### 1.3 Investments in subsidiaries

Investments in subsidiaries are stated at the lower of cost and net realisable value.

### 1.4 Accounting for long term investments

Investments are divided into the following categories:

- Investments at fair value through profit or loss;
- Available-for-sale investments.

Investments accounted for at fair value through profit or loss includes warrants held for trade and convertible debt where the embedded derivative is not separable from the underlying instrument.

Investments at fair value through profit or loss are initially recognised at fair value and are subsequently carried at fair value excluding transaction costs. Gains and losses arising from the changes in the fair value of financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Where investments have a separate embedded derivative, but it is not possible to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, the company shall designate the entire hybrid (combined) investment as at fair value through profit or loss.

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale investments are initially recognised at fair value and are subsequently carried at fair value net of transaction costs. Gains and losses arising from the changes in the fair value of available for sale investments are recognised directly in the revaluation reserve through the statement of total recognised income and expense, until the investment is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for an investment is not active (and for unlisted securities) fair values are established by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and available financial information.

The principal area of critical judgement is establishing the fair value of the unquoted portfolio. However, in almost every unquoted investment that is held a transaction has occurred, or is proceeding that provides an independent assessment of fair value. Where this is not possible the Company uses the Directors' valuation, based on recent market information.

### Impairments

Available-for-sale investments are reviewed for impairment by reference to current market prices and the latest financial information and where, in the directors' judgement, the impairment is considered significant or prolonged the investment is treated as impaired. In the case of impairment of available-for-sale investments, any loss previously recognised in equity is transferred to the profit and loss. Impairment losses recognised in the profit and loss on equity instruments are not reversed through the profit and loss. Impairment losses recognised previously on debt securities are reversed through the profit and loss when the increase can be related objectively to an event occurring after the impairment loss was recognised in the profit and loss. An assessment for impairment is undertaken at least at each balance sheet date.

### 1.5 Income taxes

The Company is registered in Jersey but is within the scope of UK taxation.

### 1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to insignificant risk of change in value.

### 1.7 Share based payments

Westhouse provides share-based payments in the form of share options issued under an EMI Scheme and an unapproved scheme. The fair values of the share-based payments are determined indirectly by reference to the fair value of the related instrument at the grant date. Westhouse uses a Black-Scholes valuation model and the resulting values are amortised through the Profit and Loss account over the vesting period of the share-based payments.

Estimates are subsequently revised if there is any indication that the number of awards expected to vest differs from previous estimates.

### 1.8 Reserves

The company has the following reserves:

- Share capital;
- Share premium account;
- Share based payments;
- Revaluation reserve;
- Perpetual subordinated loan;
- Profit and loss account.

Share capital is determined using the nominal value of shares that have been issued.

### 1.9 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 2 (LOSS)/PROFIT OF PARENT COMPANY

	2010 £	2009 £
The (loss) / profit of the company only	(47,529)	467,000

As permitted by Companies Law (Jersey) 1991, the profit and loss account of the parent company is not presented as part of these financial statements.

## 3 DIRECTORS' REMUNERATION

The remuneration of the directors is analysed below.

Director	Salary £	Benefits in kind £	Pension £	2010 Total £	2009 Total £
Garth Milne, Chairman	30,000	-	-	30,000	16,269
Andrew Beeson	25,000	-	-	25,000	13,558
Sir Hayden Phillips	25,000	-	-	25,000	14,070
William Staple	138,750	2,875	29,167	170,792	84,581
Jonathan Azis	126,458	1,104	21,498	149,060	66,991
Hugh de Lusignan	-	-	-		45,897
Douglas Kearney	-	-	-		45,897
Peter St George	-	-	-		3,309
Allan Moloney	-	-	-		3,309
Howard Bilton	-	-	-		3,500
Christopher Labrow	-	-	-		3,213
	<b>345,208</b>	<b>3,979</b>	<b>50,665</b>	<b>399,852</b>	<b>300,504</b>

The executive directors participate in the Company's share option schemes but no options were issued to them.

## 4 LONG TERM AVAILABLE-FOR-SALE INVESTMENTS

	2010 Total £	2009 Total £
Opening fair value as at 1 January	-	3,001,364
Disposals in the year	-	(36,200)
Gains/ (Losses) in changes in fair value	-	701,244
Transfer to subsidiary in exchange for shares (see note 8)	-	(3,666,408)
<b>Closing fair value as at 31 December</b>	<b>-</b>	<b>-</b>
Closing cost as at 31 December	-	-
(Loss)/Gain as at 31 December	-	-
	<b>-</b>	<b>-</b>

## 5 DEBTORS

	2010 £	2009 £
Amounts owing by subsidiary undertakings	3,582,380	457,380
Prepayments	5,442	2,079
	<b>3,587,822</b>	<b>459,459</b>

### 5.1 Share based payment

Employees of the subsidiary company, Westhouse Securities Ltd, have been granted options in the parent company and the charge to profit and loss is recognised in Westhouse Securities Ltd's accounts.

## 6 CREDITORS

	2010 £	2009 £
Trade creditors	1,867	10,552
Amounts owing to subsidiary	431,078	110,392
Accruals	3,004	2,475
Other	134,686	-
	<b>570,635</b>	<b>123,419</b>

## 7 SHARE CAPITAL

The share capital of the Company consisted at 31 December 2008 only of ordinary shares with a par value of 0.001 pence. These were consolidated on 15 June 2009 to ordinary shares with a par value of 0.005p. at the same time the authorised capital was increased to £900 divided into 18,000,000 ordinary shares of 0.005p. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Company.

	2010 No	2009 No
Shares of 0.005p in issue at 1 January	11,459,196	4,555,000
Shares of 0.005p issued in period	696,739	6,904,196
<b>Shares issued and fully paid at 31 December</b>	<b>12,155,935</b>	<b>11,459,196</b>

	2010 £	2009 £
<b>Authorised</b>		
18,000,000 ordinary shares of 0.005 pence each	900	900
<b>Issued</b>		
Ordinary shares of 0.005 pence each	607	572

## 8 SUBSIDIARY COMPANIES

The Company's investment in subsidiaries:

	2010 £	2009 £
Opening balance as at 1 January	6,143,231	-
Acquisition of Smith's Holdings Limited	734,686	
Acquisition of Westhouse Group Ltd	-	2,025,981
Transfer of investments to subsidiary in exchange for shares)	-	3,666,408
Other assets transferred to subsidiary in exchange for shares	-	450,842
<b>Closing balance as at 31 December</b>	<b>6,877,917</b>	<b>6,143,231</b>

Investment	% of Ownership	Class of shareholding	Country of Incorporation	Nature of Business
Westhouse Asset Management Ltd	100%	Ordinary	UK	Dormant
Westhouse Securities Ltd	100%	Ordinary	UK	Corporate finance and broking
Westhouse Corporate Finance Ltd	100%	Ordinary	UK	Dormant
Smith's Corporate Advisory Ltd	100%	Ordinary	UK	Corporate finance and broking
Smith's EBT Ltd	100%	Ordinary	UK	Dormant

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 9 RELATED PARTY TRANSACTIONS

The Perpetual Subordinated Loan, repaid during the year, was made to the Company by The Hon Robert Hanson.

## 10 CONTINGENT ASSET AND OTHER CONTINGENT LIABILITIES

There were no contingent assets or other contingent liabilities as at 31 December 2010 (2009: Nil).

## 11 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Share capital £	Share premium £	Revaluation reserve £	Reserve in respect of share options £	Perpetual subordinated loan £	Retained earnings £	Total equity £
<b>Balance at 1 January 2009</b>	228	2,868,171	562,246	54,435	-	(92,519)	3,392,561
Release	-	-	-	(54,435)	-	54,435	-
Share for share exchange	273	1,959,985	-	-	-	-	1,960,258
Issued ordinary share capital	71	849,928	-	-	-	-	849,999
Perpetual subordinated loan	-	-	-	-	375,000	-	375,000
Movement in period	-	-	421,113	-	-	-	419,113
Transfer to subsidiary	-	-	(983,359)	-	-	-	(983,359)
Profit for the period	-	-	-	-	-	467,000	467,000
<b>Balance at 31 December 2009</b>	572	5,678,084	-	-	375,000	428,916	6,482,572
Issued ordinary share capital	35	341,367	-	-	-	-	341,402
Perpetual subordinated loan	-	-	-	-	(375,000)	-	(375,000)
Loss for the period	-	-	-	-	-	(47,529)	(47,529)
<b>Balance at 31 December 2010</b>	<b>607</b>	<b>6,019,451</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>381,387</b>	<b>6,401,445</b>

## 12 AUTHORISATION OF FINANCIAL STATEMENTS

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 27 April 2011 by the Board.

## 13 ULTIMATE CONTROLLING PARTY

The company has no controlling party.

## OFFICES AND PROFESSIONAL ADVISERS

### Head Office

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One Angel Court  
London EC2R 7HJ

+44 (0)20 7601 6100

### Registered Office

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3rd Floor Windward House  
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Jersey JE2 3BQ  
Channel Islands

### Nominated Adviser

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Corporate Finance Limited  
25 Moorgate  
London EC2R 6AY

### Broker

Westhouse Securities Ltd  
One Angel Court  
London EC2R 7HJ

### Registrars

Computershare Investor Services  
(Channel Islands) Limited  
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St Helier  
Jersey JE4 8PW  
Channel Islands

### Website

[www.westhousesecurities.com](http://www.westhousesecurities.com)  
[www.smiths-ca.com](http://www.smiths-ca.com)

