

**Merchant Securities plc ("the Company")
18th December 2006**

INTERIM REPORT TO SHAREHOLDERS

Chairman's statement

I have pleasure in presenting the interim results for Merchant Securities plc ('the Company') for the six months ended 30th September 2006. During this period, the Company was known as Castor Investments plc. On 25th October 2006, the Company changed its name to Merchant Securities plc following its acquisition of Merchant Securities Holdings Limited ("MSHL") for £8.35 million. The transaction was effected by issuing 16,700,000 new Ordinary Shares of 10p each at a price of 50p per share. On completion of the acquisition, the existing directors, David Barton and Alan Pereira, resigned, and the following directors were appointed: Anthony Fabrizi (Chief Executive), Patrick Claridge (Executive Director), Steven Whelton (Finance Director), John Green (Chairman) and Charles Price (Non-Executive Director).

The Company's original strategy had been to acquire one or more related businesses in the health care and life sciences sectors, but it could not identify suitable acquisitions within those sectors. Trading of the Company's shares on AIM was suspended on 3rd April 2006, and the new shares were re-admitted following the acquisition.

The results reported herein relate to the period before the takeover of MSHL and do not reflect the group's current business activities. The Company suffered a trading loss for the period of £13,000. At 30th September 2006, the Company had a cash balance of £216,000, and an investment of 1.25 million shares in Phynova plc (a company listed on AIM) carried at cost of £750,000. Subsequent to the end of the period, the Company sold 600,000 of its shares in Phynova plc for £448,500, thus realising a gain on disposal of £88,500. At 30th November 2006, the group had net cash balances of approximately £2.65 million.

On 4th December 2006, the Company changed its business address and Registered Office to **John Stow House, 18 Bevis Marks, London, EC3A 7BJ.**

John Green
Chairman

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About Merchant Securities plc

Merchant Securities plc provides a range of financial services to private clients, institutions and small businesses. The Company's main operating subsidiary, Merchant Securities Group Limited, is authorised by the Financial Services Authority and provides a variety of services, including asset and advisory management to over 850 high net worth private clients, sales trading to institutional investors, and private equity funding and corporate advice to small UK companies.

