

*Registered in England and Wales: 05347651*

**CASTOR INVESTMENTS PLC**

**FINANCIAL STATEMENTS FOR THE  
PERIOD 31 JANUARY 2005 TO 31 MARCH 2006**

## Castor Investments Plc

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## Castor Investments Plc

### Chairman's Statement

I have pleasure in presenting the first results for Castor Investments Plc (Castor), for the fourteen months ended 31 March 2006.

In February this year the directors became aware of an investment opportunity, and after due consideration, your company invested £750,000 in Phynova Group Plc (Phynova), a private company engaged in the development of pharmaceuticals derived from Chinese botanical drugs. Your company's holding represents approximately 8.45% of the issued share capital of Phynova, which subsequently listed its shares on AIM on 27 February, 2006.

In addition to the above investment, your company had cash balances of £251,997 at 31 March 2006.

I am pleased to announce that a further potential acquisition has now been identified, and negotiations are at an advanced stage. Subject to there being no unforeseen circumstances, it is anticipated that your board of directors will be presenting their recommendations to shareholders before the end of September. Your Board intends, after the receipt of the appropriate shareholder approval, to apply to the London Stock Exchange for the company's shares to be readmitted to AIM, and the listing for your shares duly restored.

David Barton

## **Castor Investments Plc**

### **Directors' report for the period ended 31 March 2006**

The directors present their report and the audited financial statements for the period ended 31 March 2006.

#### **Principal activity**

The company has been established to identify and invest in companies and businesses engaged within the healthcare sciences and service industry sectors and located within the United Kingdom or Europe. During the period the Company considered numerous trading acquisition targets, including Phynova Group PLC. For practical reasons it was decided not to proceed with a full reversal of Phynova Group PLC into the Company. The Company did take the opportunity to invest in Phynova Group PLC prior to its admission to AIM which took place on 27 February 2006.

#### **Review of business**

On 23 February 2005 your directors announced that the Company had acquired 1,250,000 ordinary shares of 1p each in Phynova Group PLC for a consideration of £750,000 payable in cash. The shares were acquired in a "pre-IPO" placing. On 27 February, 2006 the ordinary shares of Phynova Group PLC were listed on the AIM market. At 31 March 2006 the value of the Company's investment in Phynova Group PLC had grown to £1,250,000, an unrealized gain of £500,000.

Your Board is seeking new investment opportunities.

#### **Future developments**

The Board will monitor closely the progress of Phynova Group PLC with the intention of seeking to maximise the returns on this investment for the benefit of shareholders. The Board has continued to seek suitable candidate companies and businesses for acquisition or investment. As a consequence of this activity the Board are anticipating that an announcement will be made to the Company's shareholders later in the year.

#### **Financial result**

The Company made a loss after taxation of £25,639 for the period. Cash funds of £251,997 were held as at 31 March 2006.

#### **Dividends**

The Directors do not recommend a dividend for the period.

## Castor Investments Plc

### Directors and their interests

The Directors of the Company at 31 March 2006 and their beneficial interests in the ordinary share capital of the Company were as follows:

			Interest in ordinary shares	Percentage of Ordinary shares issued
			Number	%
David Barton	Appointed 31 January 2005	Non-executive chairman	1,450,000	5.3
Alan Pereira	Appointed 31 January 2005	Finance director	-	-

David Barton and Alan Pereira are each interested in options to subscribe for 544,000 further new ordinary shares in the Company at an issue price of 5p per share. The options are exercisable at any time until 2 March, 2007.

### Employees

The Company had no employees during the period.

### Policy and practice on payment of creditors

The Company seeks to obtain credit terms from suppliers that are in the best interests of the Company. Payments to suppliers are made within a reasonable period of the invoice being received and within the terms obtained from that supplier. The Company is not actively trading and accordingly the Board are of the opinion that the calculation of a 'creditor payment days' statistic would have no relevance.

### Substantial shareholdings

On 5 July 2006 the Board was aware of the following substantial holdings in the ordinary shares of the Company:

Shareholder	Number of shares	%
Ruffer Bank plc	5,600,000	20.6
Barry Muncaster	4,000,000	14.7
Merchant Securities Limited	3,200,000	11.8
Co-opr8 Investments plc	2,050,000	7.5
Barclays Stockbrokers (ND)	1,975,518	7.3
City & Continental Securities	1,350,000	5.0
Joe Muncaster	1,000,000	3.7
Mrs. Immacolata Davis	1,000,000	3.7

### Share issues in the period

On 16 February 2005 two subscriber shares were fully paid up and the Company issued a further 4,999,998 ordinary shares at par and for cash. On 21 February a further 2,500,000 ordinary shares were issued at par for cash. On 22 February 2005 a further 19,700,000 ordinary shares were allotted conditionally upon admission to AIM at 5p per ordinary share. The condition was satisfied on 2 March 2005 with the admission of the Company.

**Risk and sensitivity analysis**

The Company is exposed through its operations to one or more of the following financial risks:

Fair value and cash flow interest rate risk and market price risk. The policy for managing these risks is set by the Board and all such risks are managed at Board level within the organisation. The policies for these risks are described further below:

*Fair value and cash flow interest rate risk*

The Company placed surplus funds on deposit. The funds are placed with reputable institutions in London so as to achieve an adequate return without taking undue risk of loss.

*Market price risk*

The company holds an investment in a listed company. The market price of the investment may vary with changing expectations of the market in respect of these securities. The Directors are responsible for the regular monitoring of the price movements in respect of this investment and for taking such actions that are considered necessary to manage this risk.

**Going concern**

After making enquiries the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the 'going concern' basis in preparing the financial statements.

**Corporate governance**

The Board is aware of the current best practice for Corporate Governance. At the current stage of development of the Company your Board is of the opinion that it would be impractical for additional governance procedures to be introduced at the current time. This matter will be kept under review and at the appropriate time further internal controls will be introduced to ensure reasonable compliance with the recommendations of the Combined Code.

**Auditors**

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

On behalf of the Board

David Barton  
27 July 2006

**Statement of Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## Castor Investments Plc

### Independent Auditors Report to the shareholders of Castor Investments PLC

We have audited the financial statements of Castor Investments PLC for the period ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with those financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Castor Investments Plc**

*Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
London

Date

Castor Investments Plc

**Profit and loss account for the period 31 January 2005 to 31 March 2006**

	<b>Note</b>	<b>2006</b> <b>£</b>
Administrative expenses		<u>(71,719)</u>
<b>Operating loss</b>	<b>2</b>	<u>(71,719)</u>
Interest receivable	<b>4</b>	<u>46,080</u>
<b>Loss on ordinary activities before taxation</b>		(25,639)
Taxation	<b>5</b>	-
<b>Loss for the financial year</b>		<u>(25,639)</u>
<b>Earnings per share from ordinary activities</b>		
Basic and diluted loss per share	<b>6</b>	<u>(0.10p)</u>

All gains and losses have been included in the profit and loss account.

All amounts relate to continuing activities.

The notes on pages 13 to 19 form part of these financial statements.

**Castor Investments Plc**

<b>Balance sheet at 31 March 2006</b>	<b>Note</b>	<b>2006</b>
		<u>£</u>
<b>Current assets</b>		
Investments	<b>7</b>	750,000
Debtors	<b>8</b>	4,057
Cash at bank and in hand	<b>9</b>	251,997
		<u>1,006,054</u>
<b>Creditors: amounts falling due within one year</b>	<b>10</b>	<u>(31,342)</u>
<b>Net current assets</b>		<u>974,712</u>
<b>Net assets</b>		<u>974,712</u>
<b>Capital and reserves</b>		
Called up share capital	<b>12</b>	272,000
Share premium account	<b>14</b>	703,351
Share warrant reserve	<b>15</b>	25,000
Profit and loss account	<b>15</b>	(25,639)
<b>Shareholders' funds</b>	<b>13</b>	<u>974,712</u>

These financial statements were approved and authorised for issue by the Board on 27 July 2006.

David Barton

The notes on pages 13 to 19 form part of these financial statements.

Castor Investments Plc

Cash flow statement for the period 31 January 2005 to 31 March 2006

	<b>Note</b>	<b>2006</b>
		<b>£</b>
<b>Net cash outflow from operating activities</b>		<u>                    </u>
	<b>16</b>	(44,434)
<b>Returns on investments and servicing of finance</b>		<u>                    </u>
Interest received		46,080
<b>Financial investment</b>		<u>                    </u>
Acquisition of current asset investments		(750,000)
<b>Cash outflow before financing</b>		<u>(748,354)</u>
<b>Financing</b>		<u>                    </u>
Proceeds from the issue of share capital		1,060,000
Less costs of raising share capital		(59,649)
Net cash inflow from financing		<u>1,000,351</u>
<b>Increase in cash</b>		<u>251,997</u>

The notes on pages 13 to 19 form part of these financial statements

**Notes forming part of the financial statements**

**1 Accounting policies**

**a. Basis of presentation**

Castor Investments Plc (the “Company”) is a company incorporated in England.

These financial statements have been prepared under the historical cost convention and applicable accounting standards and in accordance with the Companies Act 1985.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements.

**b. Classification of current asset investments**

Investments in companies listed on a recognised stock exchange purchased and held for re-sale are stated at the lower of cost and net realisable value.

**c. Trade and other receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are comprised of prepaid expenses.

**d. Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**e. Taxation**

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**f. Share based payment**

Equity settled cash transactions are recognised at the cash value of the services received. The corresponding equity credit is allocated to share capital, share premium or to the share warrant reserve as appropriate.

**Castor Investments Plc**

**2 Operating loss**

**2006  
£**

*This has been stated after charging:*  
Auditors' remuneration

7,000

In addition to the above, fees of £6,000 were charged by the auditors in relation to their role as Reporting Accountants to the Company. This has been offset against the share premium account.

**3 Employees**

The average number of persons employed by the Company (including Directors) during the period, analysed by category, was as follows:

**2006  
Number**

Management

2

The Company employed one executive director and one non-executive director during the period. The Company did not have any employees other than directors in the period.

The aggregate payroll costs of these persons were as follows:

**2006  
£**

Directors remuneration

11,666

The remuneration of the Chairman was £5,833.  
The remuneration of the highest paid director was £5,833.

**4 Interest receivable**

**2006  
£**

Interest receivable

46,080

**5 Taxation on loss on ordinary activities**

There is no tax charge for the period due to the loss arising. Deferred tax assets are only recognised when it is more likely than not that they will be recovered.

## Castor Investments Plc

### 6 Loss per share

The calculation of basic loss per share is based upon the net loss after tax attributable to the ordinary shareholders of £25,639 and a weighted average number of shares in issue, for the period 31 January 2005 to 31 March 2006 of 25,868,471.

	<b>2006</b>
<b>Loss per share</b>	0.10p
<b>Loss attributable to ordinary shareholders</b>	£ (25,639)
<b>Weighted average number of ordinary shares</b>	<b>Number</b>
Issued ordinary shares at 31 January 2005	2
Effect of issue on 16 February 2005	4,811,763
Effect of issue on 21 February 2005	2,376,471
Effect of issue on 22 February 2005	18,680,235
Weighted average number of ordinary shares at 31 March 2006	25,868,471

### Diluted loss per share

The effect of all potential ordinary shares under option is anti-dilutive. Details of the share options issued which could be dilutive in the future are set out in notes 12 and 19.

### Shares held under option

#### *Fixed number of shares*

Directors share options	<b>19</b>	1,088,000
Teather & Greenwood 'first option'	<b>12</b>	816,000
		1,904,000
Exercise price		0.05p

#### *Variable number of shares*

Teather & Greenwood 'second option'	<b>12</b>	
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All options are exercisable by 2 March 2007.

### 7 Investments

	<b>2006</b>
	<b>£</b>
Cost at 31 January 2005	-
Additions at cost	750,000
Cost at 31 March 2006	750,000

This investment comprises 1,250,000 ordinary shares representing approximately 8.45% of the ordinary equity share capital of Phynova Group plc. Phynova Group plc is listed on the AIM market in London. Details of the current value are given in note 11.

**Castor Investments Plc**

<b>8</b>	<b>Debtors</b>	<b>2006</b>
		<b>£</b>
	Other debtors and prepayments	4,057

<b>9</b>	<b>Cash at bank and in hand</b>	<b>2006</b>
		<b>£</b>
	Interest earning bank deposit	251,997

Cash and cash equivalents consist of cash.

<b>10</b>	<b>Creditors: amounts falling due within one year</b>	<b>2006</b>
		<b>£</b>
	Other creditors and accruals	31,342

**11 Financial instruments**

An explanation of the objectives and policies for the holding of financial instruments and the strategies for achieving those objectives is given in the Directors' report.

**Fair values of financial assets and liabilities**

Set out below is a comparison by category of book values and fair values of the Company's financial assets and liabilities. Where available, market rates have been used to determine current values.

	<b>At 31 March 2006</b>	
	<b>Book value</b>	<b>Current Value</b>
	<b>£</b>	<b>£</b>
Listed investments	750,000	1,250,000
Cash	251,997	251,997

## Castor Investments Plc

12 Share capital	2006 Number	2006 £
<i>Authorised</i>		
Ordinary shares of £0.01 each	200,000,000	2,000,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.01 each	27,200,000	272,000
	Note	2006 Number
<i>Number of ordinary shares</i>		
In issue at 31 January 2005		2
Issued for cash on 16 February 2005 at par		4,999,998
Issued for cash on 21 February 2005 at par		2,500,000
Issued for cash on 2 March 2005 at 5p	1	19,700,000
In issue at 31 March 2006		27,200,000

<sup>1</sup> These shares were allotted conditionally upon the admission of the Company to AIM. On 22 February, 2005 the condition was satisfied and the shares were fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share.

On 22 February 2005 the Company issued two options to Teather & Greenwood the Company's 'Nominated Adviser and Broker' in consideration for services provided in respect of the floatation of the Company. The first option was for 816,000 options at a purchase price of 5 pence per share. The second option is for a total number of shares calculated as 1% of the number of ordinary shares in issue following the completion of the first major acquisition which results in the Company acquiring an investment in a third party company or business and which also results in the relevant class tests under the AIM rules exceeding 50%. The option price is to be calculated as equal to price per share implicit within the acquisition contract. Both options expire on 2 March 2007. The fair value of the services provided has been credited to the share warrant reserve (note 15).

13 Reconciliation of shareholders' funds	2006 £
At beginning of the period	-
Shares issued	272,000
Share premium	788,000
Share issue expenses	(84,649)
Share warrant reserve	25,000
Loss for the period	(25,639)
At 31 March 2006	974,712

**Castor Investments Plc**

14	<b>Share premium account</b>		<b>2006</b> <b>£</b>
	At 31 January 2005		-
	Issued in the period		788,000
	Share issue expenses		(59,649)
	Equity settled share issue expenses	15	(25,000)
	At 31 March 2006		703,351
15	<b>Profit and loss account and share warrant reserves</b>	<b>Share warrant reserve 2006 £</b>	<b>Profit and loss account 2006 £</b>
	At 31 January 2005	-	-
	Value of services received	25,000	
	Loss on ordinary activities after taxation for the period	-	(25,639)
	At 31 March 2006	25,000	(25,639)
16	<b>Net cash flow from operating activities</b>		<b>2006</b> <b>£</b>
	Net operating expenses		(71,719)
	Increase in trade and other receivables		(4,057)
	Increase in trade and other payables		31,342
	Net cash outflow from operating activities		(44,434)
17	<b>Analysis of changes in funds</b>	At beginning of period £	Cash flow £
		£	£
	Cash at bank	-	251,997
			251,997
18	<b>Reconciliation of net cash flow to movement in net funds</b>		At end of period £
	Net cash at beginning of period		-
	Increase in cash in period		251,997
	Net cash at end of period		251,997

**Castor Investments Plc**

<b>19 Directors' share options</b>	<b>2006</b>
	<b>£</b>
Shares held under option	<u>1,088,000</u>
Exercise price	<u>0.05p</u>

The options are exercisable at any time until 2 March 2007.

# Castor Investments Plc

## **DIRECTORS, SECRETARY AND ADVISERS**

### **Directors**

David Barton (Non-executive chairman)  
Alan Dennis Pereira (Finance director)

### **Registered office**

190 Strand  
London  
WC2R 1JN

### **Company secretary**

Alan Dennis Pereira

### **Nominated Broker and Adviser**

Teather & Greenwood Limited  
Beaufort House  
15 St Botolph Street  
London  
EC3A 7QR

### **Financial Adviser to the Company**

Merchant Securities Limited  
34 Southwark Bridge Road  
London  
SE1 9EU

### **Auditors**

BDO Stoy Hayward LLP  
8 Baker Street  
London  
W1U 3LL

### **Solicitors to the Company**

Lawrence Graham LLP  
190 Strand  
London  
WC2R 1JN

### **Bankers**

Ruffler Bank Plc  
20 Hook Road  
Epsom  
Surrey  
KT19 8TR

### **Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU