

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult an independent professional adviser authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. A prospective investor should carefully consider the section entitled "Risk Factors" in Part III of this document before taking any action.

This document, which comprises an admission document for the purposes of the AIM Rules, has been issued in connection with the proposed admission to trading of the Enlarged Share Capital on AIM. This document does not constitute a prospectus within the meaning of section 85 of the Financial Services and Markets Act 2000, and has not been drawn up in accordance with the Prospectus Rules published by the Financial Services Authority of the United Kingdom ("FSA"), and a copy has not been, and will not be, approved or filed with the FSA.

The Directors and Proposed Directors, whose names appear on page 7, accept responsibility for the information contained in this document (other than information in this document relating to the Members of the Concert Party). To the best of the knowledge and belief of the Directors and Proposed Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Independent Director takes sole responsibility for the recommendation in relation to the Waiver as set out on page 14 of this document.

The members of the Concert Party, whose names and business addresses are set out below in paragraph 5.2 of Part VI of this document, accept responsibility for all information contained in this document relating to themselves. To the best of the knowledge and belief of the members of the Concert Party, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Consideration Shares to be admitted to trading on AIM. It is expected that dealings in the Existing Ordinary Shares will re-commence on AIM on the date of this document and that dealings in the Consideration Shares will commence on AIM on 26 October 2006.

CASTOR INVESTMENTS PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5347651)

Proposed Acquisition of Merchant Securities Holdings Limited Proposed change of name to Merchant Securities plc, share consolidation and adoption of Share Option Schemes Approval of Waiver of Rule 9 of the City Code on Takeovers and Mergers Notice of Extraordinary General Meeting and Admission to Trading on AIM

Nominated Adviser and Broker

ARDEN PARTNERS PLC

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Further, neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange.

Arden Partners plc ("Arden"), which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company (for the purpose of the AIM Rules) and no one else in connection with the proposed Admission and will not be responsible for providing the protections afforded to customers of Arden nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. Arden's responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any Proposed Director or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this document.

A notice convening an Extraordinary General Meeting of the Company to be held at the offices of Lawrence Graham, 190 Strand, London WC2R 1JN at 11.00 am on 25 October 2006 is set out at the end of this document. The enclosed Form of Proxy for use at the Extraordinary General Meeting should be completed and returned to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and to be valid must arrive not less than 48 hours before the time fixed for the Extraordinary General Meeting. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2000, the time by which a person must be entered on the register of members in order to have the right to vote at the meeting is 11.00 am on 23 October 2006 (48 hours before any adjourned meeting). Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.

Copies of this document will be made available to the public during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the offices of Arden Partners plc at Nicholas House, 3 Laurence Pountney Hill, London, EC4R 0EU and shall remain available for at least one month after the date of Admission.

This document should not be copied or distributed by recipients and, in particular, should not be distributed by any means, including electronic transmission, to persons with addresses in Canada, Australia, Japan, the Republic of Ireland, the Republic of South Africa or the United States of America, its possessions or territories or to any citizens thereof, or to any corporation, partnership or other entity created or organised under the laws thereof. Any such distribution could result in a violation of the laws of such countries.

THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ. YOUR ATTENTION IS DRAWN, IN PARTICULAR, TO THE SECTION HEADED "RISK FACTORS" SET OUT IN PART III OF THIS DOCUMENT.

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DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated or unless the context otherwise requires:

“Acquisition”	the proposed acquisition of MSH by the Company as detailed in this document
“Acquisition Agreements”	the conditional agreements dated 2 October 2006 pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of MSH, particulars of which are set out in paragraphs 7.2 and 7.3 of Part VI of this document
“Act”	the Companies Act 1985, as amended
“Acting in concert”	shall bear the meaning ascribed thereto in the City Code
“Admission”	the admission of the Consideration Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules for companies whose securities are traded on AIM and their nominated advisers published by the London Stock Exchange as amended from time to time
“Arden”	Arden Partners plc, which is authorised and regulated in the United Kingdom by the FSA
“Articles”	the articles of association of the Company
“Board”	the board of directors of the Company
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is, not in CREST)
“Capita Registrars”	a trading division of Capita IRG Plc
“City Code”	the City Code on Takeovers and Mergers issued and regulated by the Panel
“Combined Code”	the Principles of Good Governance and Code of Best Practice, issued by the London Stock Exchange
“Company” or “Castor Investments”	Castor Investments plc
“Completion”	completion of the Acquisition being conditional, <i>inter alia</i> , upon certain of the Resolutions being passed at the EGM and Admission
“Concert Party”	Anthony Fabrizi, Steven Whelton, Patrick Claridge, John Green, Charles Price, David Barton, Adrian Messina, Christopher Taylor, Chris Coleman, Graeme Smith, Ruffler Bank Plc, Colura Holdings Limited and Goldings Estate Limited
“Consideration”	£8,350,000 to be satisfied by the issue of the Consideration Shares at the Issue Price
“Consideration Shares”	the 16,700,000 New Ordinary Shares to be issued as consideration for the Acquisition
“Controlling Interest”	means shares representing not less than 30 per cent. of Voting Rights
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CREST Co Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended

“Directors”	the directors of the Company at today’s date whose names are listed as such on page 7 of this document
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the offices of Lawrence Graham at 190 Strand, London WC2R 1JN on 25 October 2006, notice of which is set out at the end of this document
“EMI Scheme”	the enterprise management incentive share option scheme of the Company, details of which are set out in paragraph 6 of Part VI of this document
“Enlarged Group”	Castor Investments and the MSH Group together
“Enlarged Group Board”	the directors of the Company upon and immediately following Admission
“Enlarged Share Capital”	the entire issued share capital of Castor Investments upon Admission as enlarged by the issue of the Consideration Shares
“Existing Directors”	David Barton and Alan Pereira
“Existing Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company as at the date of this document
“FSA”	the Financial Services Authority Limited, the single statutory regulator under FSMA
“FSMA”	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto
“Independent Director”	Alan Pereira
“Issue Price”	50p per share
“London Stock Exchange”	London Stock Exchange plc
“MSH”	Merchant Securities Holdings Limited, a company incorporated in England and Wales with company number 3660054
“MSL”	Merchant Securities Limited, a company incorporated in England and Wales with company number 2146985
“MSH Director”	the director of MSH, being Anthony Fabrizi
“MSH Group”	MSH and its subsidiaries from time to time including MSL
“MSH Scheme”	the MSH enterprise management incentive share option scheme
“New Ordinary Shares”	the ordinary shares of 10p each in the capital of the Company following the Share Consolidation
“Official List”	the official list of the UK Listing Authority
“Options” or “Share Options”	rights to acquire New Ordinary Shares
“Ordinary Shares”	the ordinary shares of 1p each (or, after the Share Consolidation, 10p each) in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers, the regulatory body which regulates the City Code
“Proposals”	the Acquisition, change of name, Share Consolidation, adoption of the Share Option Schemes and approval of the Waiver
“Proposed Directors”	the proposed directors of the Company whose names are listed as such on page 7 of this document whose appointment will be effective on Admission
“Resolutions”	the resolutions to be proposed at the EGM, set out in the notice of EGM at the end of this document and reference to a “Resolution” shall be the relevant resolution set out in the notice of EGM
“Rule 9 Obligation”	the obligation under Rule 9 of the City Code to make a general cash offer to all shareholders of a company to which the Code applies as summarised in Part 1 of this document

“Share Consolidation”	the consolidation of the Existing Ordinary Shares into New Ordinary Shares on the basis of 1 New Ordinary Share for every 10 Existing Ordinary Shares as set out in the fourth Resolution
“Shareholders”	holders of Ordinary Shares
“Share Option Schemes”	the EMI Scheme and the Unapproved Scheme
“Share Scheme Deed”	the deed of release and grant of replacement options relating to the MSH Scheme
“UK Listing Authority”	a division of the FSA acting as a competent authority for the purposes of Part VI of FSMA
“Unapproved Scheme”	the unapproved share option scheme of the Company details of which are set out at paragraph 6 of Part VI of the document
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“Vendors”	the shareholders of MSH at the date of this document
“Voting Rights”	means the right to receive notice of, attend (in person or by proxy or by corporate representative), speak (in person or by corporate representative) and to cast (in person or by proxy or by corporate representative) one vote per share at general meetings of the Company
“Waiver”	the waiver by the Panel of the Rule 9 obligation that would otherwise arise on the members of the Concert Party, collectively and individually, as a result of the Proposals. This obligation would require the Concert Party to make a cash offer for the entire issued share capital of the Company.

ACQUISITION AND ADMISSION STATISTICS

Number of Existing Ordinary Shares in issue as at the date of this document	27,200,000*
Number of Consideration Shares being issued pursuant to the Acquisition and following the Share Consolidation	16,700,000
Number of New Ordinary Shares in issue upon Admission	19,420,000
Percentage of Enlarged Share Capital held by the Concert Party upon Admission	47.10 per cent.
Market capitalisation upon Admission of the Company at the Issue Price	£9.7 million
ISIN	GB00B067NM72

* 2,720,000 New Ordinary Shares following the Share Consolidation

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission Document publication date and Re-Admission of the Existing Ordinary Shares	2 October 2006
Last time and date for receipt of Forms of Proxy	11.00 am on 23 October 2006
Extraordinary General Meeting	11.00 am on 25 October 2006
Completion date of the Acquisition	25 October 2006
Record date for the Share Consolidation	5.00 pm on 25 October 2006
Admission of the Consideration Shares	26 October 2006
Expected date for CREST accounts to be credited (in respect of New Ordinary Shares)	26 October 2006
Expected date for posting of the share certificates for the New Ordinary Shares (where applicable)	by 3 November 2006

DIRECTORS, SECRETARY AND ADVISERS

Directors and Proposed Directors

Directors

David Barton (*Non-Executive Chairman*)

Alan Dennis Pereira (*Finance Director*)

both of the registered office

Proposed Directors

John Louis Green *Proposed Non-Executive Chairman*

Francisco Anthony Bodie Fabrizi *Proposed Chief Executive*

Patrick Timothy Claridge *Proposed Executive Director*

Steven John Whelton *Proposed Finance Director*

Charles Beaufort Price *Proposed Non-Executive Director*

all of 34 Southwark Bridge Road, London SE1 9EU

Company secretary

Alan Dennis Pereira

Registered office

190 Strand
London
WC2R 1JN

Nominated Adviser and Broker

Arden Partners plc
Nicholas House
3 Laurence Pountney House
London
EC4R 0EU

Reporting Accountants to the Company

CLB Littlejohn Frazer
1 Park Place
Canary Wharf
London
E14 4HJ

Auditors to the Company

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

Solicitors to the Company

Faegre & Benson LLP
7 Pilgrim Street
London
EC4V 6LB

Solicitors to MSH

Lawrence Graham LLP
190 Strand
London
WC2R 1JN

Registrars

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

PART I

LETTER FROM THE CHAIRMAN OF CASTOR INVESTMENTS PLC

CASTOR INVESTMENTS PLC

(incorporated in England & Wales under the Companies Act 1985 with registered number 5347651)

Registered Office:

190 Strand
London
WC2 1JN

Directors:

David Barton
Alan Dennis Pereira

2 October 2006

Dear Shareholder,

Introduction

I am pleased to report that the Board announced today that the Company has conditionally agreed to acquire the entire issued, and to be issued, share capital of MSH for £8.35 million to be satisfied by the issue of 16,700,000 New Ordinary Shares at the Issue Price. Trading on AIM of the Company's Existing Ordinary Shares was suspended on 3 April 2006. At that time, the closing mid market price of an Existing Ordinary Share was 4.875p valuing Castor at £1.33 million. Following the Share Consolidation, the equivalent mid market price would be 48.75p.

The MSH Group's business consists of the provision to clients in both the private client and institutional stockbroking markets of corporate finance, private client investment management services (both advisory and discretionary) and institutional sales trading.

Detailed information on the MSH Group is set out in Parts II and IV of this document and as regards certain specific disclosures in Part VI.

The Consideration Shares will represent 86 per cent. of the Enlarged Share Capital. In view of the size of MSH relative to the Company, the Acquisition will constitute a reverse takeover of Castor Investments under the AIM Rules and therefore requires the prior approval of Shareholders at an EGM, a notice of which is set out at the end of this document. In conjunction with the Acquisition, Castor Investments proposes to change its name to Merchant Securities plc and to make certain changes to its capital, all of which are summarised in this Part I and for which enabling resolutions are set out in the notice of EGM set out at the end of this document.

In addition, because the Concert Party will own 9,147,616 New Ordinary Shares representing more than 30 per cent. of the Enlarged Share Capital, the Company is seeking the Waiver of Rule 9 of the City Code, which would otherwise require the Concert Party to offer to acquire those Ordinary Shares that they do not own. A proposal seeking Shareholder approval for the Waiver is included in the notice of the EGM set out at the end of this document.

The Acquisition is conditional, *inter alia*, upon the passing of certain of the Resolutions by the Shareholders at the EGM.

The purpose of this document is to explain the background to and reasons for the Proposals and why the Directors believe that the Proposals are in the best interests of Castor Investments and its Shareholders as a whole. In addition, Alan Pereira (the only independent Director) recommends that you vote in favour of all of the Resolutions to be proposed at the EGM, notice of which is set out at the end of this document.

Business and strategy

The Existing Ordinary Shares of Castor Investments were admitted to trading on AIM on 2 March 2005. At that time the Company had cash of approximately £1.0 million and no other significant assets or liabilities. On its admission to AIM, Castor's strategy was the acquisition of one or more related businesses in the healthcare/life sciences or support services sectors with the prospect of substantial and sustained growth. Your board has been unable to identify suitable acquisitions within those sectors; however, it believes that the MSH Group is a business which has the potential for substantial and sustained growth. Further information regarding the MSH Group is set out in Parts II, IV and VI of this document. Since its admission to AIM, the Company's only activity has been a pre-IPO equity investment of £750,000 into Phynova Group plc, which is now an AIM listed company. Based on the closing mid market price at 29 September 2006 of 90p per share, the Company's shareholding in Phynova Group plc is valued at £1.125 million.

Current trading statement

In addition to the shareholding in Phynova Group Plc, the Company had, as at 29 September 2006, a net cash balance of approximately £213,000.

Directors and Proposed Directors

The Board of the Company currently comprises two directors as follows:

David Barton, aged 61, Non-Executive Chairman

David is a qualified Chartered Accountant (FCA). After qualifying in 1969 with Coopers & Lybrand, he decided to leave the profession to pursue a commercial career. He has been actively involved in numerous business sectors, which have included banking and finance, property and construction and media. His current activities include being a non-executive director of All New Video plc and Ruffler Bank Plc.

Alan Pereira, aged 57, Finance Director

Alan is a qualified Chartered Accountant (FCA). He has worked at several multi-national companies, including Dupont UK Holdings Limited and Canon (UK) Limited. He was finance director of the Internet Technology Group plc, Keystone plc, e-capital investments plc and ukbetting plc, where he assisted with the admission of these and other companies to trading on AIM.

Upon completion of the Acquisition and Admission, both David Barton and Alan Pereira will resign from their positions on the Board. Alan Pereira will also resign as company secretary and Rose-Marie Sexton, the current secretary of the MSH Group, will be appointed Company Secretary.

Details of Proposed Directors

In addition, upon completion of the Acquisition, the following Proposed Directors will join the Enlarged Group Board:

John Green, aged 61, Non-executive Chairman

John is a graduate of Oriel College, Oxford and a chartered accountant. After qualifying as a chartered accountant with Price Waterhouse in 1969 he joined Kleinwort Benson Investment Management as a trainee analyst. After a year he left to become an analyst in a medium sized firm of brokers, McAnally Montgomery & Co, eventually to become head of investment research. In 1979 he joined James Capel (later HSBC Investment Bank) as a salesman in the institutional department. He was later made head of sales, a partner of the firm and appointed to the executive board. His subsequent appointments included head of UK syndication, head of corporate broking, head of equity capital markets and managing director of HSBC James Capel UK. He retired from the Group as chief executive of James Capel Investment Management in 1998.

He has subsequently held a number of non-executive positions. These include the chairmanship of AIM quoted Inventive Leisure plc from its flotation in 2000 until its MBO in 2006. He has recently been appointed a non-executive director of MSL. He is also chairman of AIM quoted Internet Business Group plc and is chairman of Principal Investment Management Holdings Limited and Huntress Holdings Limited.

Anthony (Tony) Fabrizi, aged 45, Proposed Chief Executive

Tony is the CEO and head of Corporate Finance of MSL. Tony qualified as a chartered accountant with KPMG in 1986 and joined James Capel (later HSBC Investment Bank) in 1987. He worked in

corporate finance and spent eight years undertaking UK transactions, becoming a director in 1993. During his last three years at HSBC he was responsible for the other financial and fund management activities within corporate broking. He joined RP&C, a US Investment Bank, in 1998 to help develop its UK business. In 2002 he established Ghaliston Limited as a corporate finance advisory business. In May 2006, Ghaliston Limited acquired MSL and changed its name to Merchant Securities Holdings Limited. Tony is the sole director of MSH.

Patrick Claridge, aged 42, Proposed Executive Director

Patrick is head of Institutional Equities at MSL. Patrick began his career in the City at Scott Goff Hancock & Company and then worked as an equity dealer at a number of city institutions, including UBS, before joining and establishing the London office of TIR Securities (UK) Limited in 1990 where he was promoted to the position of Co-Head of the Companies Global Institutional Business. At its peak, TIR generated in excess of US\$120 million of revenues. E*TRADE Securities acquired TIR Securities (UK) Limited in 1999 and Patrick was appointed CEO of the London operations of E*TRADE Securities (UK) Limited in 2001.

Steven Whelton, aged 45, Proposed Finance Director

Steve is the Finance Director of MSL. Steve qualified as a Chartered Accountant with Casson Beckman in 1990. After spending seven years in the travel industry, he joined Matrix-Securities Limited as Group Financial Controller, departing in 2001 to join Invicta Capital Limited (a company specialising in tax-based film finance products) as Finance Director. He joined MSL in December 2003 and was appointed Finance Director in October 2004.

Charles Price, aged 60, Proposed Non-Executive Director

Charles is a qualified banker of nearly 40 years' experience, both in the UK and internationally. He commenced his career at National Westminster Bank and subsequently joined the Investment Bank, N.M. Rothschild & Sons. Over a period of 25 years he worked in various capacities in the UK and Far East. He subsequently joined Singer & Friedlander as head of Banking and during the eight years under his control grew the operation to become the largest segment of the group. On 1 July 2006, Charles was appointed as a non-executive director of MSL.

Particulars of all service contracts between the Company and the Directors and the Company and the Proposed Directors are set out in paragraph 5.3 of Part VI of this document.

Apart from the Directors, the Company does not have any employees.

Corporate Governance

The Directors and Proposed Directors intend to comply with the Combined Code in such respects as are appropriate for a company of Castor Investments' size, nature and stage of development. The Enlarged Group Board will, from Admission, include non-executive directors with relevant sector experience to complement the Executive Directors and to provide an independent view to the Board.

The Enlarged Group Board will establish an audit committee and a remuneration committee with formally delegated duties and responsibilities.

The audit committee will be chaired by John Green and Charles Price will be the other member. It will meet at least twice each year and will be responsible for monitoring the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on, meeting with the auditors and reviewing reports from the auditors relating to accounting and internal controls.

The remuneration committee will be chaired by Charles Price and John Green will be the other member. It will review the performance of Executive Directors and set the scale and structure of their remuneration and review the basis of their service agreements with due regard to the interests of the shareholders. Other Board members may be invited to attend meetings. The remuneration committee will also make recommendations to the directors concerning the allocation of Share Options to Directors and employees. No director is permitted to participate in discussions or decisions concerning his own remuneration. The remuneration and terms of appointment of non-executive directors will be set by the Enlarged Group Board.

The Company operates a share dealing code for Directors and key employees which is appropriate for an AIM company and in accordance with Rule 21 of the AIM Rules.

The Enlarged Group Board has not yet formally considered the guidance issued by the Institute of Chartered Accountants in England and Wales (commonly known as the Turnbull Report) concerning

the internal requirements of the Combined Code. The Board intends to regularly review key business and financial risks facing the Enlarged Group in the operation of its business on an informal basis through the monthly Board meetings.

The Enlarged Group Board considers that John Green and Charles Price are independent directors (“Independent Directors”), notwithstanding any Options and any shareholding they hold in the Company and any cross directorships they may have previously held with each other or any other Directors or Proposed Directors.

Suspension of trading of the Existing Ordinary Shares on AIM

In accordance with AIM Rules on investing companies with cash or assets below £3.0 million in aggregate, the Existing Ordinary Shares were suspended from trading on AIM at 7.00 a.m. on 3 April 2006. At that time, the closing mid market price of an Existing Ordinary Share was 4.875p valuing the Company’s entire issued share capital at £1.33 million.

City Code on Takeovers and Mergers

The terms of the Proposals give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protection they afford are given below.

The City Code is issued and administered by the Panel. The City Code is designed principally to ensure fair and equal treatment of all shareholders in relation to takeovers.

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the City Code) in shares which (taken together with shares in which persons acting in concert with them are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required by the Panel to make a general offer in cash to the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company at the highest price paid by that person or any person acting in concert with it in the previous 12 months.

Similarly Rule 9 of the City Code further provides that, *inter alia*, where any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any such person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, such person is normally required by the Panel to make a general offer in cash to holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company at the highest price paid by that person or any person acting in concert with it in the previous 12 months.

Under the City Code, a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. Under the City Code, control means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control.

The Panel has deemed the following vendors of MSH, as a result of their business and personal relationships, to be a concert party: Anthony Fabrizi, Patrick Claridge, Steve Whelton, Charles Price, John Green, Adrian Messina, Graeme Smith, Chris Coleman, Christopher Taylor, David Barton, Colura Holdings Limited, Ruffler Bank Plc and Goldings Estates Limited (“the Concert Party”). Those persons listed are all either directly or indirectly interested in shares in MSH.

Upon Admission, the Concert Party will between them be interested in 9,147,616 New Ordinary Shares representing approximately 47.10 per cent. of the Company’s Enlarged Share Capital attracting Voting Rights.

Pursuant to the Share Option Schemes or stand alone options, certain members of the Concert Party will, following Admission, have been granted Options over an aggregate of 2,474,090 New Ordinary Shares. If all such Options granted to those members of the Concert Party were exercised in full and no other Options were exercised and no other New Ordinary Shares were issued whatsoever, the Concert Party could hold up to approximately 53.06 per cent. of the then enlarged issued ordinary share capital and Voting Rights of the Company.

The relevant holdings of the members of the Concert Party, now and at Admission and as they would be if the maximum amount of Consideration Shares were issued and all Options held by them were exercised, are set out in paragraph 5.2 of Part VI of this document, together with details of the members of the Concert Party.

The Panel has agreed, subject to the passing of Resolution 2 in the notice of EGM by independent Shareholders on a poll, to waive the obligation on the Concert Party or any member thereof to make a general offer in cash for shares in the Company which might otherwise arise under Rule 9 as a result of the Acquisition or the exercise of any Options held by them.

Immediately following Admission, the Concert Party will be interested in shares carrying 30 per cent. or more of the Company's voting share capital but will not be interested in shares carrying more than 50 per cent. of such voting rights and, so long as they continue to be treated as acting in concert, any further increases in their aggregate interests in shares will be subject to the provisions of Rule 9. Shareholders should note however that subject to the passing of Resolution 2, the Concert Party will also be able to increase their aggregate shareholding to 53.06 per cent. of the Enlarged Group without any Rule 9 consequences as a result of the issue to them of further New Ordinary Shares pursuant to the terms of the exercise of the 2,474,090 Options granted to them pursuant to the Share Option Schemes or stand alone options.

Should the members of the Concert Party exercise their Share Options in full (which apart from those granted to David Barton can only occur after 30 June 2008) and no other share issues take place, the members of the Concert Part could, between them, hold more than 50 per cent. of the Company's voting share capital and (for so long as they continue to be treated as acting in concert) may accordingly increase their aggregate interests in shares without incurring any obligations under Rule 9 to make a general offer, although individual members of the Concert Party will not be able to increase their percentage interests in shares through or between a Rule 9 threshold without Panel consent.

Principal Terms of the Acquisition

On 2 October 2006 the Company agreed to purchase the entire issued share capital of MSH for a total consideration of £8.35 million to be satisfied by the issue and allotment of 16,700,000 New Ordinary Shares, conditional upon the passing of the Resolutions and Admission. Tony Fabrizi, who holds 29.7 per cent. of the shares in MSH, has as the main shareholder given certain warranties to the Company including tax warranties relating to the businesses of MSH and MSL.

Further information on the Acquisition Agreement is set out in paragraphs 7.2 and 7.3 of Part VI of this document.

Change of Name

The name of the Company will be changed to Merchant Securities plc, conditional upon the passing of Resolution 7 by the Shareholders and completion of the Acquisition.

Consolidation of Share Capital

Subject to the passing of Resolution 4 by the Shareholders the Company's authorised share capital of 300,000,000 Existing Ordinary Shares will be consolidated into 30,000,000 New Ordinary Shares.

The Share Consolidation will take place immediately after the close of the Extraordinary General Meeting and the Existing Ordinary Shares will be consolidated so that Shareholders will receive one New Ordinary Share for every 10 Existing Ordinary Shares they own at 5.00 p.m. on 25 October 2006. A fractional entitlement will arise as a result of the Share Consolidation unless a holding of Existing Ordinary Shares is exactly divisible by 10. For example, a Shareholder having 107 Existing Ordinary Shares before the Share Consolidation would, after the Share Consolidation have 10 shares and a fractional entitlement to 0.7 of a New Ordinary Share.

Any fractional entitlements arising will be consolidated and sold for the benefit of the Company.

The Share Consolidation will not affect the rights currently enjoyed by Shareholders and Shareholders will own the same proportion of the issued share capital of the Company as they did immediately prior to the Share Consolidation, subject to fractional entitlements.

Following the Share Consolidation, all existing share certificates in respect of the Existing Ordinary Shares shall cease to be valid and should be returned to the Company. New share certificates in respect of the New Ordinary Shares arising pursuant to the Share Consolidation will be despatched to Shareholders on or around 3 November 2006.

Increasing the Share Capital

Subject to the passing of Resolution 3 by the Shareholders, the authorised share capital will increase from £2,000,000 to £3,000,000.

Share Option Schemes

The Share Option Schemes will be adopted following the EGM subject to Shareholders' approval.

The main provisions of the Share Option Schemes are set out in paragraph 6 of Part VI of this document.

Lock-in Agreements

The Proposed Directors (who, immediately following Admission will, in aggregate, hold 6,394,786 New Ordinary Shares, representing approximately 32.93 per cent. of the Enlarged Share Capital) have each given undertakings to Arden that they will not dispose of any New Ordinary Shares that they hold on Admission (subject to certain exceptions) for a period of 12 months from Admission ("the Lock-in Period"), and thereafter for a further period of 6 months, that they will not dispose of any interest in such shares other than through Arden.

In addition, certain other members of the MSH Group senior management team (who, immediately following Admission will, in aggregate, hold 478,928 New Ordinary Shares, representing approximately 2.47 per cent. of the Enlarged Share Capital) have given undertakings to Arden that they will not dispose of any New Ordinary Shares that they hold on Admission (subject to certain exceptions) during the Lock-in Period, and thereafter for a further period of 6 months, they will not dispose of any interest in such shares other than through Arden.

Dividend Policy

In the short term it is the Directors' intention to re-invest funds directly into the Company rather than to fund the payment of dividends. Thereafter, the payment of dividends will be subject to the availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient funds to finance the development of the Company's activities.

Extraordinary General Meeting

A notice is set out at the end of this document convening the EGM to be held at 11.00 a.m. on 25 October 2006 at the offices of Lawrence Graham, 190 Strand, London WC2R 1JN. At the EGM, the following Resolutions will be proposed:

Ordinary Resolutions

- 1 To approve the Acquisition.
- 2 To approve the Waiver.
- 3 To increase the share capital by £1,000,000 by the creation of 100,000,000 Existing Ordinary Shares.
- 4 To consolidate the unissued and issued Existing Ordinary Shares by consolidating every 10 Existing Ordinary Shares into 1 New Ordinary Share.
- 5 To authorise the Directors for the purposes of section 80 of the Act, to exercise all powers of the Company to allot the New Ordinary Shares.
- 6 To approve and adopt the Share Option Schemes.

Special Resolutions

- 7 To approve the change of name of the Company to Merchant Securities plc.
- 8 To disapply the statutory pre-emption provisions in respect of the issue of equity securities for cash pursuant to the issue of the New Ordinary Shares, the grant of Options under the Share Option Schemes and to issue New Ordinary Shares representing up to a further 10 per cent. of the Enlarged Share Capital.

Resolutions 1 and 2 are interconditional and therefore if either is not approved by the Shareholders, the Acquisition will not be completed.

Resolutions 3 to 8 are conditional on the approval by Shareholders of Resolutions 1 and 2.

Approval of the Acquisition and Waiver

As the Acquisition constitutes a reverse takeover, the approval of Shareholders, as set out in Resolution 1, is required under the AIM Rules.

In accordance with the requirements of the Panel for granting a waiver of the requirement for the Concert Party to make a general offer under Rule 9 of the City Code, Resolution 2 will be taken on a poll.

David Barton and Ruffler Bank Plc, as members of the Concert Party, are not, in respect of their shareholding of the Company, entitled to partake in the poll on Resolution 2.

Disapplication of pre-emption rights

The provisions of Section 89(1) of the Act, to the extent that they are not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up wholly in cash. Pursuant to Resolution 8, the current general disapplication will be replaced and the provisions of Section 89(1) of the Act will be disapplied in respect of the Share Option Schemes and will be generally disapplied in connection with a rights or other pre-emptive issue and any other issue of equity securities for cash which, when taken together with any other equity securities allotted for cash during the period of the disapplication, do not in aggregate exceed a nominal value of £194,200 (representing approximately 10 per cent. of the Enlarged Share Capital). The authority and disapplication will expire on 25 October 2011.

Action to be taken

A Form of Proxy is enclosed for use at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting you are requested to complete, sign and return the Form of Proxy to Castor Investments' registrars, **Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** no later than 11.00 am on 23 October 2006. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

Further information

Your attention is drawn to the remainder of this document, which provides additional information on the matters discussed above.

Recommendation of the Directors

David Barton through his interests in MSH is a member of the Concert Party and is conflicted from making a recommendation and voting in relation to the Waiver. However, he does intend to vote in favour of the other Resolutions, in respect of which he is interested in 1,450,000 Existing Ordinary Shares, representing approximately 5.3 per cent. of the Existing Ordinary Shares.

The Independent Director, who has been so advised by Arden, considers that the terms of the Proposals are fair and reasonable and in the best interests of the Company and Shareholders as a whole. In providing advice to the Independent Director, Arden has taken into account his commercial assessments.

Arden has no direct or indirect interest in either Castor or MSH. As David Barton is a member of the Concert Party, Alan Pereira (the Independent Director), being the sole director entitled to, recommends Shareholders to vote in favour of the Resolutions.

Yours faithfully

David Barton
(Non-executive Chairman)

PART II

INFORMATION ON THE MSH GROUP

Introduction

MSL, MSH's wholly owned subsidiary, is an FSA registered private client and institutional stockbroking company which commenced trading in 1987. Its business consists of corporate finance, private client investment management services (both advisory and discretionary) and institutional sales trading. In addition, the MSH Group has built a niche in raising private equity and pre-IPO finance for small to medium sized businesses located mainly in the UK.

History and development of the Company

MSL was founded in 1987 by Nicholas Edmonstone and Duncan Troy. In its early years, it focused on providing UK high net worth clients with advisory dealing and execution only services in UK and US traded equities and options. This service was extended during the late 1990's to cover advisory and discretionary investment management and was later widened to include traded equities, collective investments and capital protected structures. In the last three years it has become increasingly active in raising capital for private equity and IPO transactions and raised £50 million in 19 transactions during this time period.

In May 2006, MSL was acquired by MSH (formerly named Ghaliston Limited). MSH raised the cash consideration through a private placement to fund the acquisition. Further information can be found at paragraph 7 of Part VI.

The business of MSH was founded by Tony Fabrizi in May 2002 when he acquired Quantics Limited, an FSA regulated funds advisory business and changed its name to Ghaliston Limited. In June 2002 Ghaliston Limited obtained corporate finance status and in December 2002 its regulatory status was extended to include discretionary fund management. In its four years of operation Ghaliston Limited has concluded 16 transactions of which 9 were AIM IPOs and the remainder were private company transactions.

Following the acquisition of MSL, the business of MSH has been consolidated into MSL.

Products and services

The business is organised into four operating divisions:

Corporate Finance

The MSH Group's corporate finance operation was introduced following the acquisition of MSL by MSH and specialises in advising clients in pre-IPO and private equity transactions. The corporate finance activity focuses on advising small and medium sized companies across a broad range of industry sectors, predominantly in the UK. Although the MSH Group is not currently a qualified nominated adviser on the AIM Market, the Directors are reviewing various routes to obtaining this status.

Private Client Investment Management

The private client investment management division provides advisory dealing, advisory management, discretionary management and execution only services for clients including high net worth private individuals, their businesses, pension funds and trusts. Products offered include traded equities (mainly on the UK, US and European markets), derivatives, collective investments (such as equity, hedge, property and commodity funds) and capital protected structures.

As at 31 August 2006 MSL had over 800 private clients, the majority of whose portfolios are managed on an advisory basis, with aggregate funds under advice of approximately £100 million.

Institutional Equities

The institutional equities business was established in May 2006. The objective is to offer institutional clients a specialist sales trading service in UK small and mid cap securities. The team's execution approach is free from proprietary trading conflicts with a proven record of matching institutional order flow in the small and mid cap markets. In order to minimise overheads, the new institutional trading division has outsourced all settlement, which allows for the execution of large block transactions utilising the balance sheet of a major third party bank.

Private Equity

The private equity division works closely with the corporate finance team in identifying and structuring deals. The main area of focus is UK small companies and the funding gap in the £1m-£5m market segment. This sector is generally unattractive for larger private equity houses and therefore remains relatively uncompetitive. Since March 2004, the private equity division has raised approximately £50 million.

FSA Licences

MSL is regulated by the FSA and has permission to carry out the activities described above.

Strategy

The Proposed Directors intend to continue to develop the MSH Group's business by building upon its existing expertise. The institutional division has been successfully established and is targeting new clients. A corporate finance division has been introduced into the MSH Group's business following the acquisition of MSL and the Proposed Directors are intending to qualify as a nominated adviser on the AIM Market. The private client business is also being developed to attract new clients and to increase revenues through the promotion of MSL's capabilities.

The Directors also believe there are a number of trends in the markets in which the MSH Group operates which should provide a positive background for its development, namely:

- the continuing trend of consolidation amongst smaller stockbroking businesses;
- the increasing number of companies listed on AIM and the continuing popularity of the AIM market as a preferred market for UK and overseas companies seeking a public listing. Since 2003 the number of companies listed on AIM has increased from 552 to 1560; and
- an increasing focus by a number of MSL's competitors on larger transactions, which should leave it well placed to exploit the growing number of opportunities in the market for advising on and completing fundraisings of less than £10 million.

Finally, the Directors and the Proposed Directors believe that MSL's highly experienced management team, with a significant share ownership position in the business, is capable of building and developing a successful business in its chosen markets.

Directors, senior management and employees

MSL has an experienced management team with a track record of senior roles in stock broking and investment banking businesses. The current non-executive directors provide the Company with a range of sector and general business experience.

Directors

The full Board, together with brief biographical details, is set in Part I of this document.

Employees

In addition to the Proposed Directors, MSL currently employs 19 staff of whom 12 are employed in a front office capacity and 7 are employed in settlement and administration.

Reasons for Admission

MSH sees the Acquisition as an opportunity to enhance the MSH Group's visibility and reputation and to provide access to London's equity capital markets. In addition, the Proposed Directors believe that the profile and status of the MSH Group will be enhanced by Admission which will enable the Enlarged Group to attract new clients both in the private client and institutional stockbroking markets.

The Proposed Directors also believe that Admission will enhance opportunities to reward employees for their efforts in developing and growing the business whilst aligning their interests with those of Shareholders through equity based incentive schemes.

Financial information

Detailed financial information for Merchant Securities Holdings Limited, Merchant Securities Limited and Castor Investment plc is set in sections A, B, and C respectively of Part IV of this document.

Current trading and prospects

For the year ended 31 March 2006, MSL reported turnover of £4.1 million which resulted in a profit after tax of £580,000. In the current financial year to date, MSL has carried out six corporate finance and private equity transactions raising a total of approximately £12.0 million and trading in the first half of the current financial year for MSL as a whole was marginally ahead of management's expectations. Accordingly, the Directors and Proposed Directors are confident about the MSH Group's prospects for the current financial year and beyond.

PART III

RISK FACTORS

If you are in any doubt about the action you should take, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities in the United Kingdom. In addition to the usual risks associated with an investment in a business at an early stage of its development, the Directors consider that the following risk factors are significant to a potential investor and should be carefully considered together with all other information contained in this document, prior to investing in Ordinary Shares. The risks listed do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority.

General

- Whilst the Company is applying for the admission of the Enlarged Share Capital to trading on AIM, there can be no assurance that an active trading market for the New Ordinary Shares will develop, or if developed, that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges.
- The future success of AIM and liquidity in the market for the New Ordinary Shares cannot be guaranteed. In particular, the market for the New Ordinary Shares may be, or may become, relatively illiquid (particularly given the lock-in arrangements described in this document) and therefore the New Ordinary Shares may be or may become difficult to sell.
- An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an independent financial adviser authorised for the purpose of FSMA who specialises in the acquisition of shares and other securities in the UK before making any decision to invest.

Share Price Volatility and Liquidity

- The market price of the New Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the New Ordinary Shares or other securities related to the industry or in response to various facts and events, including variations in the Enlarged Group's interim or full year operating results and business developments of the Enlarged Group and/or competitors.
- The market price of the New Ordinary Shares may not reflect the underlying value of the Enlarged Group.
- Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.

Loss of Key Personnel

- Loss of key management could have adverse consequences for the Enlarged Group. While the Enlarged Group has entered into service agreements with each of its Executive Directors, the retention of their services cannot be guaranteed.

Reputation

- The ability of the MSH Group to attract new business and to retain its existing clients depends upon the maintenance of its reputation in the market.
- The industry in which the MSH Group operates demands a high level of integrity. Client trust is paramount and it is thus susceptible to adverse market perception. Any fraud, mismanagement or failure to satisfy the Company's responsibilities to its clients, any negative publicity resulting from such activities or the accusation of such actions associated with the MSH Group, could have a material adverse effect on its financial condition, results or operations.

- Furthermore, after the recent downturns in equity markets and the resulting heightened media and consumer interest in the financial services industry, any negative publicity associated with the MSH Group could damage its reputation and could have a material adverse effect on the financial condition, results or its operations.

Regulatory regime

- The regulatory regime applicable to companies such as the MSH Group is under regular review and future changes made by a regulatory body could impose a greater burden on it with consequential additional costs.
- As the MSH Group is a regulated business, it relies on continuing to be authorised by the FSA in order to be able to undertake certain roles and operations.

Employee misconduct

- The MSH Group is exposed to the risk of employee misconduct. This could include binding the MSH Group or its clients to transactions that present unacceptable risks or that exceed authorised limits or hiding unsuccessful or unauthorised activities from the MSH Group. Employees could misuse confidential information, resulting in regulatory sanctions that could seriously damage the MSH Group's reputation. The measures that it takes to prevent and detect employee misconduct may not be effective in all cases. The MSH Group does maintain professional indemnity insurance, but there can be no guarantee that cover thereunder would be sufficient to cover any loss suffered by it.

Stock market conditions

- The MSH Group's business is highly dependent on stock market condition. Adverse market conditions may have a significant negative effect on revenues and profitability.

Third party service providers

- Aspects of MSH Group's business rely upon certain third party service providers. A deterioration or interruption in the performance of these service providers could impair the quality and timing of the MSH Group's services. Furthermore, if contracts with any of these service providers are terminated, MSH Group may not find alternative suppliers on equivalent terms or on a timely basis.

Although the Directors and Proposed Directors will seek to minimise the impact of the risk factors, investment in the Company should only be made by investors able to sustain a total loss of the investment.

PART IV
SECTION A
ACCOUNTANTS' REPORT ON
MERCHANT SECURITIES HOLDINGS LIMITED

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

CLB LITTLEJOHN FRAZER
Chartered Accountants

The Directors
Castor Investments Plc
190 Strand
London WC2R 1JN

The Directors
Arden Partners plc
Arden House
17 Highfield Road
Edgbaston
Birmingham B15 3DU

2 October 2006

Dear Sirs

MERCHANT SECURITIES HOLDINGS LIMITED

Introduction

We report on the financial information set out below relating to Merchant Securities Holdings Limited ("MSH"). This information has been prepared for inclusion in the AIM admission document dated 2 October 2006 (the "Admission Document") relating to the proposed admission to AIM of Castor Investments plc (the "Company") and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose. Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph 'a' of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibility

The Directors and Proposed Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with the financial reporting framework, as applicable for the relevant period.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial

information and whether the accounting policies are appropriate to Merchant Securities Holdings Limited, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 2 October 2006, a true and fair view of the state of affairs of MSH as at 31 December 2005, 2004 and 2003 and of its results, cash flows and recognised gains and losses for the years then ended in accordance with the basis of preparation set out in note 1.

Declaration

For the purposes of Paragraph ‘a’ of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

CLB Littlejohn Frazer
Reporting accountants

Profit and loss account

		<i>Year to</i> <i>31 December</i> <i>2005</i>	<i>Year to</i> <i>31 December</i> <i>2004</i>	<i>Year to</i> <i>31 December</i> <i>2003</i>
	<i>Notes</i>	£	£	£
Turnover		262,350	196,900	303,994
Cost of sales		(10,500)	(92,500)	(30,000)
Gross profit		251,850	104,400	273,994
Administrative expenses		(207,640)	(93,629)	(55,948)
Other operating income		22,035	8,335	664
Operating profit	3	66,245	19,106	218,710
Income from fixed asset investments		—	8,585	—
Interest receivable and similar income	4	3,030	1,644	1,029
Amounts written off investments		—	—	(2,800)
		3,030	10,229	(1,771)
Profit on ordinary activities before taxation		69,275	29,335	216,939
Tax on ordinary activities	5	(13,847)	(2,859)	(41,901)
Profit for the financial year after taxation		55,428	26,476	175,038
Dividends		—	(50,500)	—
Retained profit/(loss) for the year for the company		55,428	(24,024)	175,038

Continuing Operations

None of the company's operations were acquired or discontinued in the years presented in this report.

Total recognised gains and losses

The company has no recognised gains or losses other than profits or losses for the current and previous years.

Balance sheet

		<i>Year to</i> <i>31 December</i> <i>2005</i>	<i>Year to</i> <i>31 December</i> <i>2004</i>	<i>Year to</i> <i>31 December</i> <i>2003</i>
	<i>Notes</i>	£	£	£
Fixed assets				
Tangible assets	7	3,116	—	—
Investments	8	184,500	87,200	237,865
		<u>187,616</u>	<u>87,200</u>	<u>237,865</u>
Current assets				
Debtors	9	64,802	123,429	1,742
Cash at bank and in hand		82,058	172,579	116,755
		<u>146,860</u>	<u>296,008</u>	<u>118,497</u>
Creditors: amounts falling due within one year	10	(43,718)	(147,878)	(92,008)
Net current assets		<u>103,142</u>	<u>148,130</u>	<u>26,489</u>
Total assets less current liabilities		<u>290,758</u>	<u>235,330</u>	<u>264,354</u>
Creditors: amounts falling due after more than one year	11	—	—	(25,000)
Net assets		<u>290,758</u>	<u>235,330</u>	<u>239,354</u>
Capital and reserves				
Called up share capital	13	90,001	90,001	70,001
Profit and loss account	14	200,757	145,329	169,353
Shareholders' funds	16	<u>290,758</u>	<u>235,330</u>	<u>239,354</u>

Cash flow statement

		<i>Year to</i> <i>31 December</i> <i>2005</i> £	<i>Year to</i> <i>31 December</i> <i>2004</i> £	<i>Year to</i> <i>31 December</i> <i>2003</i> £
Net cash inflow/(outflow) from operating activities	17	51,408	(41,163)	288,575
Return on investments and servicing of finance				
Interest received		3,030	1,644	1,029
Dividends received		—	8,585	—
Net cash inflow from returns on investment and servicing of finance		3,030	10,229	1,029
Taxation		(2,822)	(42,615)	714
Capital expenditure				
Purchase of tangible fixed assets		(4,673)	—	—
Purchase of fixed asset investments		(204,500)	(139,203)	(220,665)
Sale of fixed asset investments		128,880	297,743	—
Net cash (outflow)/inflow from capital expenditure		(80,293)	158,540	(220,665)
Equity dividends paid		—	(50,500)	—
Net cash (outflow)/inflow before financing		(28,677)	34,491	69,653
Financing				
Loan repayment		(25,000)	—	—
Amount withdrawn by directors		(36,844)	—	—
Amount introduced by directors		—	1,333	2,853
Share issue		—	20,000	—
Net cash (outflow)/inflow from financing		(61,844)	21,333	2,853
(Decrease)/increase in cash in the period	18	(90,521)	55,824	72,506

Notes to the financial information

1. Accounting policies

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

The financial information in this Part IV does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

Turnover

Turnover is the total amount receivable by the company for services provided, excluding VAT. The company receives both cash and share-based fees in consideration or services provided.

In 2003 the company received an option to acquire ordinary shares in a company for which it provided corporate finance advice services. No amount was included in the accounts in respect of the option arrangement.

Tangible fixed assets

Depreciation is provided at the following annual rate to write off the cost of the asset over its estimated useful life:

Computer equipment – 33% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Fixed asset investments

Fixed asset investments are included at cost less amounts written off. Profits and losses arising from disposals of fixed asset investments are treated as part of the results from operating activities.

2. Staff costs

	<i>Year to 31 December 2005</i>	<i>Year to 31 December 2004</i>	<i>Year to 31 December 2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Wages and salaries	147,060	48,487	11,000
Social security costs	18,093	5,548	767
	<u>165,153</u>	<u>54,035</u>	<u>11,767</u>

The average monthly number of employees (including directors) during the year was as follows:

	<i>Year to 31 December 2005</i>	<i>Year to 31 December 2004</i>	<i>Year to 31 December 2003</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Management and administration	<u>2</u>	<u>2</u>	<u>2</u>

3. Operating profit

	<i>Year to 31 December 2005 £</i>	<i>Year to 31 December 2004 £</i>	<i>Year to 31 December 2003 £</i>
The operating profit is stated after charging/(crediting):			
Depreciation - owned assets	1,557	—	—
Profit on disposal of fixed assets	(21,680)	(7,875)	—
Auditors' remuneration	4,134	5,434	5,950
	<u>102,256</u>	<u>42,403</u>	<u>5,500</u>
Directors' emoluments	<u>102,256</u>	<u>42,403</u>	<u>5,500</u>

4. Interest receivable

	<i>Year to 31 December 2005 £</i>	<i>Year to 31 December 2004 £</i>	<i>Year to 31 December 2003 £</i>
Bank interest	2,979	1,551	1,015
Other interest receivable	51	93	14
	<u>3,030</u>	<u>1,644</u>	<u>1,029</u>
	<u>3,030</u>	<u>1,644</u>	<u>1,029</u>

5. Taxation

Analysis of tax (credit)/charge

The tax /charge on the profit on ordinary activities for the year was as follows:

	<i>Year to 31 December 2005 £</i>	<i>Year to 31 December 2004 £</i>	<i>Year to 31 December 2003 £</i>
<i>a) Charge</i>			
Current tax:			
UK corporation tax	13,847	2,859	42,615
UK corporation tax (prior year)	—	—	(714)
Tax on profit on ordinary activities	<u>13,847</u>	<u>2,859</u>	<u>41,901</u>
	<u>13,847</u>	<u>2,859</u>	<u>41,901</u>
<i>b) Factors affecting the tax charge for the period</i>			
Profit on ordinary activities before tax	69,275	29,335	216,939
Profit on ordinary activities multiplied by the small companies rate of UK corporation tax of 19%	<u>13,162</u>	<u>5,574</u>	<u>41,218</u>
Effects of:			
Profit on disposal of investments	(319)	—	—
Expenses not deductible for tax purposes	1,147	524	1,545
Capital allowances for period less than depreciation	(143)	(111)	(148)
Income from fixed asset investments	—	(3,128)	—
Prior period charge	—	—	(714)
Total current tax charge	<u>13,847</u>	<u>2,859</u>	<u>41,901</u>
	<u>13,847</u>	<u>2,859</u>	<u>41,901</u>

6. Tangible fixed assets

	<i>31 December</i> 2005 £	<i>31 December</i> 2004 £	<i>31 December</i> 2003 £
<i>Cost</i>			
Balance brought forward	—	—	—
Additions	4,673	—	—
Disposals	—	—	—
Reclassification/transfer	—	—	—
Carried forward	<u>4,673</u>	<u>—</u>	<u>—</u>
<i>Depreciation</i>			
Balance brought forward	—	—	—
Charge	1,557	—	—
Carried forward	<u>1,557</u>	<u>—</u>	<u>—</u>
Net book value	<u><u>3,116</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

7. Fixed asset investments

	<i>31 December</i> 2005 £	<i>31 December</i> 2004 £	<i>31 December</i> 2003 £
<i>Total</i>			
Cost brought forward	90,000	240,665	20,000
Additions	204,500	139,203	220,665
Disposals	(110,000)	(289,868)	—
Carried forward	<u>184,500</u>	<u>90,000</u>	<u>240,665</u>
<i>Provisions</i>			
Balance brought forward	2,800	2,800	—
Charge/(writeback)	(2,800)	—	2,800
Carried forward	<u>—</u>	<u>2,800</u>	<u>2,800</u>
Net book value	<u>184,500</u>	<u>87,200</u>	<u>237,865</u>
Market value of investments	<u>384,195</u>	<u>116,375</u>	<u>363,675</u>
Additions received in consideration for corporate finance advice	<u>24,500</u>	<u>—</u>	<u>103,665</u>
Market value of shares subject to trade restrictions in period following admission to AIM or other regulated establishment	<u><u>384,195</u></u>	<u><u>—</u></u>	<u><u>241,730</u></u>

8. Debtors

	<i>31 December</i> 2005	<i>31 December</i> 2004	<i>31 December</i> 2003
	£	£	£
Trade debtors	9,400	118,558	453
Other debtors	21,277	3,921	—
Directors' current accounts	33,322	—	—
Prepayments and accrued income	803	950	1,289
	<u>64,802</u>	<u>123,429</u>	<u>1,742</u>

9. Creditors: amounts falling due within one year

	<i>31 December</i> 2005	<i>31 December</i> 2004	<i>31 December</i> 2003
	£	£	£
Trade creditors	10,258	162	—
Other loans	—	25,000	—
Corporation tax	13,884	2,859	42,615
Other taxes and social security	4,649	—	37,270
VAT	9,227	18,585	—
Directors' current accounts	—	3,522	2,189
Accruals and deferred income	5,700	97,750	9,934
	<u>43,718</u>	<u>147,878</u>	<u>92,008</u>

10. Creditors: amounts falling due after more than one year

	<i>31 December</i> 2005	<i>31 December</i> 2004	<i>31 December</i> 2003
	£	£	£
Other loans	—	—	25,000
	<u>—</u>	<u>—</u>	<u>25,000</u>

11. Loans

An analysis of the maturity of the loans is given below:

	<i>31 December</i> 2005	<i>31 December</i> 2004	<i>31 December</i> 2003
	£	£	£
<i>Amounts falling due within one year or on demand</i>			
Other loans	—	25,000	—
<i>Amounts falling due between one and two years</i>			
Other loans	—	—	25,000
	<u>—</u>	<u>—</u>	<u>25,000</u>

A subordinated loan was made for £25,000 was made to the company by F A B Fabrizi during 2002. The loan was non-interest bearing and was repaid in 2005.

12. Called up share capital

	<i>31 December</i> 2005 £	<i>31 December</i> 2004 £	<i>31 December</i> 2003 £
Authorised number, class and nominal value:			
A Ordinary shares of £1 each	100,000	100,000	50,000
B Ordinary shares of £1 each	100,000	100,000	50,000
C Ordinary shares of £1 each	—	—	5,000
D Ordinary shares of £1 each	—	—	5,000
E Ordinary shares of £1 each	—	—	5,000
	<hr/> 200,000	<hr/> 200,000	<hr/> 115,000
Allotted, issued and fully paid number, class and nominal value:			
A Ordinary shares of £1 each	70,001	70,001	50,000
B Ordinary shares of £1 each	20,000	20,000	20,001
	<hr/> 90,001	<hr/> 90,001	<hr/> 70,001

Each A and each B Ordinary share carries one vote in the annual general meeting. Any distributable profits attributable to the company's corporate finance business and which are determined by the directors to be distributed by way of a dividend shall be paid *pro rata* to the holders of the A Ordinary shares. Any distributable profits attributable to the company's investment management business and which are determined by the directors to be distributable by way of a dividend shall be paid *pro rata* to the holders of the Ordinary B shares.

On a winding up of the company, holders of A Ordinary shares are entitled to receive any surplus assets attributable to the company's corporate finance business, and the holders of B Ordinary shares are entitled to receive any surplus assets attributable to the company's investment management business.

The holders of the class C, D and E Ordinary shares are not entitled to receive notice of, or attend, or vote at any general meeting of the company and are only entitled to receive dividends declared payable out of revenue.

On winding up of the company, the holders of C, D and E Ordinary shares are entitled only to a sum equal to the amount paid up or credited as paid up on their shares.

On the 6th January 2004, the authorised and issued B Ordinary shares of £1 each in the company were reclassified as A Ordinary shares of £1 each ranking *pari passu* in all respects and forming one class with the existing A Ordinary shares. On the same date the authorised C, D and E Ordinary shares in the company were reclassified as new B Ordinary shares of £1 each and the authorised share capital was increased from £115,000 to £200,000 by the creation of 85,000 B Ordinary shares of £1 each ranking *pari passu* in all aspects with the new B Ordinary shares.

During 2004 the company issued 20,000 new Ordinary B Shares at par for the acquisition of the entire issued share capital of Intrinsic Value Partnership Limited.

13. Reserves

	<i>31 December</i> 2005	<i>31 December</i> 2004	<i>31 December</i> 2003
	£	£	£
<i>Profit and loss account</i>			
Balance brought forward	145,329	169,353	(5,685)
Retained profit/(loss) for the year	55,428	(24,024)	175,038
	<u>200,757</u>	<u>145,329</u>	<u>169,353</u>

14. Transactions with Directors

At the balance sheet date the company owed/(was owed) the following amount to/(from) the directors:

	<i>31 December</i> 2005	<i>31 December</i> 2004	<i>31 December</i> 2003
	£	£	£
F A B Fabrizi			
Balance outstanding at beginning of year	3,522	2,189	664
Balance outstanding at end of year	(33,322)	3,522	2,189
	<u>3,522</u>	<u>2,189</u>	<u>2,189</u>

The maximum balance owed to the Company during the year to 31 December 2005 was £50,002.

The outstanding balance as at 31 December 2005 was repaid on 9 February 2006.

15. Reconciliation of movements in shareholders' funds

	<i>Year to</i> <i>31 December</i> 2005	<i>Year to</i> <i>31 December</i> 2004	<i>Year to</i> <i>31 December</i> 2003
	£	£	£
Profit for the financial year	55,428	26,476	175,038
Dividends	—	(50,500)	—
Issue of share capital	—	20,000	—
	<u>55,428</u>	<u>(4,024)</u>	<u>175,038</u>
Net addition to shareholders' funds			
Opening shareholders' funds	235,330	239,354	64,316
	<u>235,330</u>	<u>239,354</u>	<u>64,316</u>
Closing shareholders' funds	290,758	235,330	239,354
	<u>290,758</u>	<u>235,330</u>	<u>239,354</u>

16. Reconciliation of operating profit to net cash inflows/(outflows) from operating activities

	<i>Year to</i> <i>31 December</i> 2005	<i>Year to</i> <i>31 December</i> 2004	<i>Year to</i> <i>31 December</i> 2003
	£	£	£
Operating profit	66,245	19,106	218,710
Depreciation charges	1,557	—	—
Profit on disposal of fixed assets	(21,680)	(7,875)	—
Decrease/(increase) in debtors	91,949	(121,687)	29,336
(Decrease)/increase in creditors	(86,663)	69,293	40,529
	<u>51,408</u>	<u>(41,163)</u>	<u>288,575</u>
Net cash inflow/(outflow) from operating activities			

17. Reconciliation of net cash to movement in net funds

	<i>Year to 31 December 2005</i>	<i>Year to 31 December 2004</i>	<i>Year to 31 December 2003</i>
	£	£	£
(Decrease)/increase in cash in the period	(90,521)	55,824	72,506
Cash outflow from decrease in debt	25,000	—	—
	<hr/>	<hr/>	<hr/>
Change in net cash resulting from cash flows	(65,521)	55,824	72,506
	<hr/>	<hr/>	<hr/>
Net cash at 1 January	147,579	91,755	19,249
	<hr/>	<hr/>	<hr/>
Net cash at 31 December	<u>82,058</u>	<u>147,579</u>	<u>91,755</u>

18. Analysis of changes in net cash

	<i>At 1 January 2005</i>	<i>Cash flow</i>	<i>At 31 December 2005</i>
	£	£	£
<i>Net cash:</i>			
Cash at bank and in hand	172,579	(90,521)	82,058
	<hr/>	<hr/>	<hr/>
	172,579	(90,521)	82,058
	<hr/>	<hr/>	<hr/>
<i>Debt:</i>			
Debts falling due within one year	(25,000)	25,000	—
	<hr/>	<hr/>	<hr/>
	(25,000)	25,000	—
	<hr/>	<hr/>	<hr/>
Total	<u>147,579</u>	<u>(65,521)</u>	<u>82,058</u>
	<hr/>	<hr/>	<hr/>
	<i>At 1 January 2004</i>	<i>Cash flow</i>	<i>At 31 December 2004</i>
	£	£	£
<i>Net cash:</i>			
Cash at bank and in hand	116,755	55,824	172,579
	<hr/>	<hr/>	<hr/>
	116,755	55,824	172,579
	<hr/>	<hr/>	<hr/>
<i>Debt:</i>			
Debts falling due within one year	—	(25,000)	(25,000)
Debts falling due after one year	(25,000)	25,000	—
	<hr/>	<hr/>	<hr/>
	(25,000)	—	(25,000)
	<hr/>	<hr/>	<hr/>
Total	<u>91,755</u>	<u>55,824</u>	<u>147,579</u>
	<hr/>	<hr/>	<hr/>
	<i>At 1 January 2003</i>	<i>Cash flow</i>	<i>At 31 December 2003</i>
	£	£	£
<i>Net cash:</i>			
Cash at bank and in hand	44,249	72,506	116,755
	<hr/>	<hr/>	<hr/>
	44,249	72,506	116,755
	<hr/>	<hr/>	<hr/>
<i>Debt:</i>			
Debts falling due after one year	(25,000)	—	(25,000)
	<hr/>	<hr/>	<hr/>
	(25,000)	—	(25,000)
	<hr/>	<hr/>	<hr/>
Total	<u>19,249</u>	<u>72,506</u>	<u>91,755</u>

19. Auditors

The financial statements for the years ended 31 December 2005, 2004 and 2003 were audited by Wilkins Kennedy, Bridge House, London Bridge, London SE1 9QR, members of the Institute of Chartered Accountants in England and Wales.

20. Ultimate controlling party

The company's ultimate controlling party is the director, F A B Fabrizi.

21. Related party disclosures

During 2004, the company's director F A B Fabrizi purchased listed investments from the company at market value for a total consideration of £145,500.

During 2005, F A B Fabrizi entered into a contract with the company to provide services for which he received shares with an estimated market value of £10,000.

22. Post balance sheet events

On 24 May 2006 the company acquired the entire share capital of Merchant Securities Limited for £4.05 million in cash and subsequently changed its name to Merchant Securities Holdings Limited. On the same date Merchant Securities Limited integrated the company's operations into its own. The company ceased to be authorised by the FSA on 25 July 2006.

PART IV

SECTION B

ACCOUNTANTS' REPORT ON MERCHANT SECURITIES LIMITED

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:



The Directors
Castor Investments Plc
190 Strand
London WC2R 1JN

The Directors
Arden Partners plc
Arden House
17 Highfield Road
Edgbaston
Birmingham B15 3DU

2 October 2006

Dear Sirs

MERCHANT SECURITIES LIMITED

Introduction

We report on the financial information set out below relating to Merchant Securities Limited ("MSL"). This information has been prepared for inclusion in the AIM admission document dated 2 October 2006 (the "Admission Document") relating to the proposed admission to AIM of Castor Investments plc (the "Company") and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose. Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph 'a' of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibility

The Directors and Proposed Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with the financial reporting framework, as applicable for the relevant period.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Merchant Securities Limited, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 2 October 2006, a true and fair view of the state of affairs of MSL as at 31 March 2006, 2005 and 2004 and of its results, cash flows and recognised gains and losses for the years then ended in accordance with the basis of preparation set out in note 1.

Declaration

For the purposes of Paragraph 'a' of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

CLB Littlejohn Frazer
Reporting accountants

Profit and loss account

		<i>Year to 31 March 2006</i>	<i>Year to 31 March 2005</i>	<i>Year to 31 March 2004</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
Turnover	2	4,139,183	2,574,824	2,336,729
Cost of sales		—	—	—
Gross profit		4,139,183	2,574,824	2,336,729
Administrative expenses		(3,668,943)	(2,633,933)	(2,455,736)
Other operating income		—	—	—
Operating profit/(loss)	4	470,240	(59,109)	(119,007)
Profit/(loss) on disposal of tangible fixed assets		251	(918)	(550,144)
Amounts written off current asset investments		—	—	(8,314)
Interest receivable and similar income	5	200,150	131,593	123,072
Interest payable and similar charges	6	(90,815)	(112,764)	(215,751)
		109,586	17,911	(651,137)
Profit/(loss) on ordinary activities before taxation		579,826	(41,198)	(770,144)
Tax on ordinary activities	7	37	10,992	(141,945)
Profit/(loss) for the financial year after taxation		579,863	(30,206)	(912,089)
Dividends		—	—	—
Retained profit/(loss) for the year for the company		579,863	(30,206)	(912,089)

Continuing Operations

None of the company's operations were acquired or discontinued in the years presented in this report.

Total recognised gains and losses

The company has no recognised gains and losses other than profits for the current and previous years.

Balance sheet

		<i>As at</i> <i>31 March</i> <i>2006</i> £	<i>As at</i> <i>31 March</i> <i>2005</i> £	<i>As at</i> <i>31 March</i> <i>2004</i> £
Fixed assets				
Tangible assets	9	82,738	59,257	61,087
Investments	10	15,596	15,596	15,596
		<u>98,334</u>	<u>74,853</u>	<u>76,683</u>
Current assets				
Debtors	11	2,176,809	3,292,282	2,097,307
Cash at bank and in hand		1,108,375	831,943	920,138
		<u>3,285,184</u>	<u>4,124,225</u>	<u>3,017,445</u>
Creditors: amounts falling due within one year	12	<u>(2,088,891)</u>	<u>(3,334,314)</u>	<u>(2,319,157)</u>
Net current assets		<u>1,196,293</u>	<u>789,911</u>	<u>698,288</u>
Total assets less current liabilities		<u>1,294,627</u>	<u>864,764</u>	<u>774,971</u>
Creditors: amounts falling due after more than one year	13	<u>—</u>	<u>(150,000)</u>	<u>(549,872)</u>
Net assets		<u>1,294,627</u>	<u>714,764</u>	<u>225,099</u>
Capital and reserves				
Called up share capital	15	445,213	445,213	329,686
Share premium account	16	613,284	613,284	208,940
Profit and loss account	16	236,130	(343,733)	(313,527)
Shareholders' funds	20	<u>1,294,627</u>	<u>714,764</u>	<u>225,099</u>

Cash flow statement

		<i>Year to</i> <i>31 March</i> <i>2006</i>	<i>Year to</i> <i>31 March</i> <i>2005</i>	<i>Year to</i> <i>31 March</i> <i>2004</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
Net cash inflow/(outflow) from operating activities	21	222,247	(62,553)	(15,346)
Return on investments and servicing of finance				
Interest received		200,150	131,593	123,072
Interest paid		(90,815)	(112,764)	(215,751)
Net cash inflow/(outflow) from returns on investment and servicing of finance		109,335	18,829	(92,679)
Taxation		10,286	(141,202)	—
Capital expenditure				
Purchase of tangible fixed assets		(65,687)	(23,253)	(6,930)
Net proceeds from disposal of tangible fixed assets		251	(15)	1,783,455
Net cash (outflow)/inflow from capital expenditure		(65,436)	(23,268)	1,776,525
Net cash inflow/(outflow) before financing		276,432	(208,194)	1,668,500
Financing				
Share issue		—	119,999	23
Subordinated loan note issue		—	—	100,000
Repayment of bank loan		—	—	(1,569,900)
Net cash inflow/(outflow) from financing		—	119,999	(1,469,877)
Increase/(decrease) in cash in the period	22	276,432	(88,195)	198,623

Non cash transactions

As described in note 14, in August 2004 subordinated loans totalling £399,872 were repaid out of an issue of new B Ordinary shares. In December 2003 subordinated loans totalling £250,128 were repaid out of an issue of new B Ordinary shares.

Notes to the financial information

1. Accounting policies

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

The financial information in this Part IV does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

Turnover

Turnover represents commissions from clients (recognised at the time investment transactions are executed), commissions from third parties (recognised when the relevant deals have been substantially completed), management fees from clients (including uninvoiced fees accruing to the year end), and foreign exchange commission (recognised at the time foreign exchange transactions are executed).

Depreciation of tangible fixed assets

Tangible fixed assets are depreciated over their estimated useful lives on a straight line basis at the following rates per annum:

Leasehold improvements	Over the remaining length of the lease and 20%
Computer hardware	25% – 33%
Computer software	17% – 33%
Furniture and fittings	10%
Office equipment	25%
Telephone equipment	20%

Leased assets

Rental payments under operating leases are charged to the profit and loss account as they are incurred.

Foreign currencies

The rates of exchange ruling at the end of the year are used for translation into sterling of assets and liabilities denominated in foreign currencies. The difference arising from fluctuations in exchange rates during the year is taken to the profit and loss account where it relates to items of a trading nature.

Investments

Investments in subsidiary undertakings are stated at cost, less provision for any impairment in value.

Current investments in unlisted securities are stated at the lower of cost and the directors' valuation.

Balances with clients and counterparties

Balances with clients, Stock Exchange member firms and overseas counterparties are included in debtors and creditors inclusive of their unsettled bought and sold transactions respectively.

Client' deposits

The company holds money on behalf of clients in accordance with the client money regulations of the Financial Services Authority (FSA). Such monies and corresponding liabilities to clients are not shown on the balance sheet, as the company is not beneficially entitled thereto. The amount held on behalf of clients at the balance sheet date is stated in note 18.

Deferred tax

Full provision is made for deferred taxation at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in respect of timing differences which have arisen but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits or losses, and its results as stated in the financial information. Deferred taxation is measured on a non-discounted basis.

Deferred tax assets are only recognised where they arise from timing differences, and where their recoverability in the short term is regarded as more likely than not.

Pension costs

The company's contributions into money purchase schemes are chargeable to the profit and loss account when the contributions become payable.

2. Turnover

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Commissions and fees	4,139,183	2,574,824	2,188,916
Rental income	—	—	147,813
	<u>4,139,183</u>	<u>2,574,824</u>	<u>2,336,729</u>

3. Staff costs

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Wages and salaries	745,192	660,546	587,973
Staff commissions and sales incentive bonuses	811,247	588,318	442,627
Social security costs	294,191	201,214	142,495
	<u>1,850,630</u>	<u>1,450,078</u>	<u>1,173,095</u>

The average weekly number of employees (including directors) during the year was as follows:

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Management and administration	<u>22</u>	<u>21</u>	<u>21</u>

4. Operating profit

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
The operating profit is stated after charging:			
Auditors' remuneration – audit	23,724	25,440	21,375
Auditors' remuneration – other	2,818	2,581	8,249
Depreciation – tangible fixed assets	42,206	24,180	69,196
Operating leases – land and buildings	73,239	72,309	71,918
Operating leases – machinery	13,197	19,757	15,519
Staff bonuses	666,607	120,154	44,391
Exceptional administrative items	57,000	10,000	15,000
	<hr/>	<hr/>	<hr/>
Aggregate directors' emoluments (excluding pension contributions)	859,213	430,054	256,912
Amount paid into a pension scheme in respect of director	21,016	19,498	19,499
	<hr/>	<hr/>	<hr/>
	880,229	449,552	276,411
Number of directors for whom retirement benefits are accruing under money purchase pension schemes	1	1	1
Highest paid director (included above)	526,648	293,285	143,685
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

5. Interest receivable

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Interest in respect of client bank accounts	176,684	121,029	117,080
Interest in respect of company bank accounts	14,628	10,520	5,992
Other interest receivable	8,838	44	—
	<hr/>	<hr/>	<hr/>
	200,150	131,593	123,072
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6. Interest payable

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Interest paid in respect of client bank accounts	99,169	75,307	80,643
Bank loan interest	—	—	94,742
Subordinated loan interest	(8,759)	35,855	40,366
Other interest payable	405	1,602	—
	<hr/>	<hr/>	<hr/>
	90,815	112,764	215,751
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7. Taxation

Analysis of tax (credit)/charge

The tax (credit)/charge on the profit on ordinary activities for the year was as follows:

a) (Credit)/charge

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Current tax:			
UK corporation tax	—	(10,249)	142,926
UK corporation tax (prior year)	(37)	(743)	(981)
	<u>(37)</u>	<u>(10,992)</u>	<u>141,945</u>
Tax (credit)/charge on profit on ordinary activities	<u>(37)</u>	<u>(10,992)</u>	<u>141,945</u>

b) Factors affecting the tax (credit)/charge for the period

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Profit/(loss) on ordinary activities before tax	579,826	(41,198)	(770,144)
Profit/(loss) on ordinary activities multiplied by the UK corporation tax rate of 30%	<u>173,948</u>	<u>(12,359)</u>	<u>(231,043)</u>
Effects of:			
Expense not deductible for tax purposes	14,175	5,937	183,293
Capital gain	—	—	242,570
Prior period charge	37	(743)	(981)
Utilisation of tax losses brought forward	(188,197)	(2,966)	(26,109)
Marginal relief	—	—	(25,785)
Difference in loss carried back at marginal rates compared to standard rate	—	(861)	—
Total current tax charge	<u>(37)</u>	<u>(10,992)</u>	<u>141,945</u>

The company has estimated tax trading losses carried forward in the UK of £100,000 (2005: £723,333, 2004: £723,333) that are available for offset against future taxable profits of the same trade. Deferred tax assets have not been recognised in respect of these losses on the basis that the likelihood of future economic benefit is not certain.

The following deferred tax asset has not been recognised.

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Depreciation in excess of capital allowances	5,000	6,000	11,000
Trading losses	<u>30,000</u>	<u>217,000</u>	<u>217,000</u>
Total unrecognised deferred tax asset	<u>35,000</u>	<u>223,000</u>	<u>228,000</u>

8. Tangible fixed assets

	<i>31 March</i> 2006 £	<i>31 March</i> 2005 £	<i>31 March</i> 2004 £
<i>Total</i>			
<i>Cost</i>			
Balance brought forward	247,306	232,053	2,725,182
Additions	65,687	23,253	6,930
Disposals	(1,171)	(8,000)	(2,500,059)
Carried forward	<u>311,822</u>	<u>247,306</u>	<u>232,053</u>
<i>Depreciation</i>			
Balance brought forward	188,049	170,966	268,230
Charge	42,206	24,180	69,196
Disposals	(1,171)	(7,097)	(166,460)
Carried forward	<u>229,084</u>	<u>188,049</u>	<u>170,966</u>
Net book value	<u>82,738</u>	<u>59,257</u>	<u>61,087</u>
Leasehold property improvement			
<i>Cost</i>			
Balance brought forward	—	—	2,490,000
Additions	6,679	—	—
Disposals	—	—	(2,490,000)
Carried forward	<u>6,679</u>	<u>—</u>	<u>—</u>
<i>Depreciation</i>			
Balance brought forward	—	—	116,200
Charge	3,164	—	41,500
Disposals	—	—	(157,700)
Carried forward	<u>3,164</u>	<u>—</u>	<u>—</u>
Net book value	<u>3,515</u>	<u>—</u>	<u>—</u>
Computers			
<i>Cost</i>			
Balance brought forward	144,190	129,973	126,611
Additions	58,174	14,217	6,930
Disposals	—	—	(3,568)
Carried forward	<u>202,364</u>	<u>144,190</u>	<u>129,973</u>
<i>Depreciation</i>			
Balance brought forward	110,321	96,005	85,997
Charge	31,565	14,316	13,576
Disposals	—	—	(3,568)
Carried forward	<u>141,886</u>	<u>110,321</u>	<u>96,005</u>
Net book value	<u>60,478</u>	<u>33,869</u>	<u>33,968</u>
Furniture & fittings			
<i>Cost</i>			
Balance brought forward	50,094	54,808	58,810
Additions	834	—	—
Disposals	—	(4,714)	(4,002)
Carried forward	<u>50,928</u>	<u>50,094</u>	<u>54,808</u>

	<i>31 March</i> 2006 £	<i>31 March</i> 2005 £	<i>31 March</i> 2004 £
<i>Total</i>			
<i>Depreciation</i>			
Balance brought forward	33,895	34,117	32,067
Charge	4,120	4,277	4,796
Disposals	—	(4,499)	(2,746)
Carried forward	<u>38,015</u>	<u>33,895</u>	<u>34,117</u>
Net book value	<u>12,913</u>	<u>16,199</u>	<u>20,691</u>
Office equipment			
<i>Cost</i>			
Balance brought forward	22,339	24,294	26,637
Additions	—	—	—
Disposals	(1,171)	(1,955)	(2,343)
Carried forward	<u>21,168</u>	<u>22,339</u>	<u>24,294</u>
<i>Depreciation</i>			
Balance brought forward	21,690	22,540	19,693
Charge	239	861	5,147
Disposals	(1,171)	(1,711)	(2,300)
Carried forward	<u>20,758</u>	<u>21,690</u>	<u>22,540</u>
Net book value	<u>410</u>	<u>649</u>	<u>1,754</u>
Telephone equipment			
<i>Cost</i>			
Balance brought forward	30,683	22,978	23,124
Additions	—	9,036	—
Disposals	—	(1,331)	(146)
Carried forward	<u>30,683</u>	<u>30,683</u>	<u>22,978</u>
<i>Depreciation</i>			
Balance brought forward	22,143	18,304	14,273
Charge	3,118	4,726	4,177
Disposals	—	(887)	(146)
Carried forward	<u>25,261</u>	<u>22,143</u>	<u>18,304</u>
Net book value	<u>5,422</u>	<u>8,540</u>	<u>4,674</u>

9. Fixed asset investments

	<i>31 March</i> 2006	<i>31 March</i> 2005	<i>31 March</i> 2004
	£	£	£
<i>Total</i>			
Cost brought forward	2,000,100	2,000,100	2,000,100
Additions/disposals	—	—	—
Carried forward	<u>2,000,100</u>	<u>2,000,100</u>	<u>2,000,100</u>
<i>Provisions</i>			
Balance brought forward	(1,984,504)	(1,984,504)	(1,984,504)
Charge/(writeback)	—	—	—
Carried forward	<u>(1,984,504)</u>	<u>(1,984,504)</u>	<u>(1,984,504)</u>
Net book value	<u>15,596</u>	<u>15,596</u>	<u>15,596</u>

The company owns 100% of the issued share capital of Merchant Securities (Nominees) Limited, which has been dormant since incorporation. Total capital and reserves amounted to £100 at the end of each of the three years ending 31 March 2006. Merchant Securities (Nominees) Limited acts as a nominee to hold client investments in trust, so that such investments are protected against the affairs or Merchant Securities Limited, and are segregated from its assets.

The company owns 100% of the issued share capital of Meabell Limited which was dormant during the three years ended 31 March 2006, and had capital and reserves of £15,496 at the end of each of the three years ended 31 March 2006.

10. Debtors

	<i>31 March</i> 2006	<i>31 March</i> 2005	<i>31 March</i> 2004
	£	£	£
Client debtors	1,454,069	846,209	1,749,128
Broker debtors	570,048	2,300,614	217,131
Corporation tax	—	10,249	—
Prepayments	67,945	51,267	56,876
Accrued income	41,250	31,255	30,000
Other debtors	43,497	53,688	44,172
	<u>2,176,809</u>	<u>3,292,282</u>	<u>2,097,307</u>

11. Creditors: amounts falling due within one year

	<i>31 March</i> 2006	<i>31 March</i> 2005	<i>31 March</i> 2004
	£	£	£
Subordinated loans	150,000	—	—
Client creditors	212,578	2,206,123	355,548
Broker creditors	1,375,164	822,410	1,477,114
Trade creditors	28,240	27,515	17,270
Amounts owed to group undertakings	15,596	15,596	15,596
Corporation tax	—	—	141,945
Other taxation and social security costs	104,719	85,988	49,572
Accruals and deferred income	70,948	138,094	261,644
Other creditors	131,646	38,588	468
	<u>2,088,891</u>	<u>3,334,314</u>	<u>2,319,157</u>

On 5 June 2006 the subordinated loans detailed above were repaid.

12. Creditors: amounts falling due after more than one year

	<i>31 March</i> 2006 £	<i>31 March</i> 2005 £	<i>31 March</i> 2004 £
Subordinated loans	—	150,000	549,872

The directors who held subordinated loan notes at the end of the year were as follows:

Mr R W Lamb	—	—	175,496
Mrs G M Lamb	—	—	25,496
Mr S A Lamb	—	—	198,880
	—	—	399,872

No security was offered on the subordinated loans.

13. Operating lease commitments

The company has entered into certain operating lease contracts, and the commitments falling due within twelve months of the balance sheet date on those leases are set out below:

	<i>31 March</i> 2006 £	<i>31 March</i> 2005 £	<i>31 March</i> 2004 £
<i>Land and buildings</i>			
Within one year	52,370	10,240	10,240
Between one and two years	—	49,104	—
Between two and five years	—	—	49,104
	52,370	59,344	59,344
<i>Other</i>			
Within one year	—	—	6,805
Between one and two years	—	1,062	1,955
Between two and five years	19,998	9,668	1,062
	19,998	10,730	9,822

14. Called up share capital

	<i>31 March</i> 2006 £	<i>31 March</i> 2005 £	<i>31 March</i> 2004 £
Authorised number, class and nominal value:			
A Ordinary shares of £1 each	2	2	2
B Ordinary shares of £1 each	999,998	999,998	999,998
	1,000,000	1,000,000	1,000,000
Allotted, issued and fully paid number, class and nominal value:			
A Ordinary shares of £1 each	2	2	2
B Ordinary shares of £1 each	445,211	445,211	329,684
	445,213	445,213	329,686

The A and B Ordinary shares rank *pari passu* in all respects except that the holders of A Ordinary shares have the right to veto any decision voted for by the holders of B Ordinary shares.

In August 2004, 115,796 B Ordinary shares were offered to existing shareholders in the same proportions as their existing shareholding for a price of £4.50 per share. Following the offer, 115,527 ordinary £1 B Ordinary shares were issued to existing shareholders, all of whom had made subordinated loans to the company. As a result, their subordinated loans totalling £399,872 were paid off, issued share capital was increased by £115,527 and the share premium account was increased by £404,344.

15. Reserves

	<i>31 March</i> 2006 £	<i>31 March</i> 2005 £	<i>31 March</i> 2004 £
<i>Profit and loss account</i>			
Balance brought forward	(343,733)	(313,527)	598,562
Retained profit/(loss) for the year	579,863	(30,206)	(912,089)
Balance carried forward	<u>236,130</u>	<u>(343,733)</u>	<u>(313,527)</u>
	<i>31 March</i> 2006 £	<i>31 March</i> 2005 £	<i>31 March</i> 2004 £
<i>Share premium account</i>			
Balance brought forward	613,284	208,940	—
Issue of shares	—	404,344	208,940
Balance carried forward	<u>613,284</u>	<u>613,284</u>	<u>208,940</u>

16. Client money balances

	<i>Currency</i> <i>balance</i>	<i>2006</i> <i>exchange</i> <i>rate</i>	£
Sterling	1,722,309	1.0000	1,722,309
US dollars	942,862	1.7346	543,562
Euros	136,298	1.4333	95,094
Swiss Francs	124,186	2.2668	54,785
Canadian Dollars	20,329	2.0235	10,046
			<u>2,425,796</u>
	<i>Currency</i> <i>balance</i>	<i>2005</i> <i>exchange</i> <i>rate</i>	£
Sterling	2,163,464	1.0000	2,163,464
US dollars	920,579	1.8896	487,182
Euros	212,233	1.4540	145,965
Swiss Francs	88,750	2.2523	39,404
			<u>2,836,015</u>

	<i>Currency balance</i>	<i>2004 exchange rate</i>	<i>£</i>
Sterling	1,944,153	1.0000	1,944,153
US dollars	832,505	1.8378	452,990
Euros	135,393	1.4955	90,534
Swiss Francs	83,186	2.3283	35,728
			<u>2,523,405</u>

17. Client assets

The value of clients' assets (other than money) recorded in the company's records are shown below:

	<i>31 March 2006 £</i>	<i>31 March 2005 £</i>	<i>31 March 2004 £</i>
	<u>97,466,451</u>	<u>72,069,829</u>	<u>58,201,451</u>

18. Contingent liabilities

The directors are not aware of any contingent liabilities.

19. Reconciliation of movements in shareholders' funds

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Profit/(loss) for the financial year	579,863	(30,206)	(912,089)
Issue of share capital	—	519,871	250,151
Net addition to shareholders' funds	<u>579,863</u>	<u>489,665</u>	<u>(661,938)</u>
Opening shareholders' funds	<u>714,764</u>	<u>225,099</u>	<u>887,037</u>
Closing shareholders' funds	<u>1,294,627</u>	<u>714,764</u>	<u>225,099</u>

20. Reconciliation of operating profit to net cash inflows/(outflows) from operating activities

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Operating profit/(loss)	470,240	(59,109)	(119,007)
Depreciation charges	42,206	24,180	69,196
Decrease/(increase) in debtors	1,105,224	(1,184,726)	(1,883,825)
(Decrease)/increase in creditors	<u>(1,395,423)</u>	<u>1,157,102</u>	<u>1,918,290</u>
Net cash inflow/(outflow) from operating activities	<u>222,247</u>	<u>(62,553)</u>	<u>(15,346)</u>

21. Reconciliation of net cash to movement in net funds

	<i>Year to 31 March 2006 £</i>	<i>Year to 31 March 2005 £</i>	<i>Year to 31 March 2004 £</i>
Increase/(decrease) in cash in the period	276,432	(88,195)	198,623
Issue of subordinated loan notes	—	—	(100,000)
Repayment of subordinated debt	—	399,872	250,128
Bank loan repayments	—	—	1,569,900
	<u>276,432</u>	<u>311,677</u>	<u>1,918,651</u>
Change in net cash resulting from cash flows			
Net cash at 1 April	<u>681,943</u>	<u>370,266</u>	<u>(1,548,385)</u>
Net cash at 31 March	<u><u>958,375</u></u>	<u><u>681,943</u></u>	<u><u>370,266</u></u>

22. Analysis of changes in net cash

	<i>At 1 April 2005 £</i>	<i>Cash flow £</i>	<i>At 31 March 2006 £</i>
<i>Net cash:</i>			
Cash at bank and in hand	831,943	276,432	1,108,375
Debts falling due within one year	—	(150,000)	(150,000)
Debts falling due after one year	(150,000)	150,000	—
Total	<u><u>681,943</u></u>	<u><u>276,432</u></u>	<u><u>958,375</u></u>

	<i>At 1 April 2004 £</i>	<i>Cash flow £</i>	<i>At 31 March 2005 £</i>
<i>Net cash:</i>			
Cash at bank and in hand	920,138	(88,195)	831,943
Debts falling due after one year	(549,872)	399,872	(150,000)
Total	<u><u>370,266</u></u>	<u><u>311,677</u></u>	<u><u>681,943</u></u>

	<i>At 1 April 2003 £</i>	<i>Cash flow £</i>	<i>At 31 March 2004 £</i>
<i>Net cash:</i>			
Cash at bank and in hand	721,515	198,623	920,138
Debts falling due after one year	(2,269,900)	1,720,028	(549,872)
Total	<u><u>(1,548,385)</u></u>	<u><u>1,918,651</u></u>	<u><u>370,266</u></u>

23. Auditors

The financial statements for the years ended 31 March 2006, 2005 and 2004 were audited by Horwarth Clark Whitehill LLP, St. Bride's House, 10 Salisbury Square, London EC4Y 8EH, members of the Institute of Chartered Accountants in England and Wales.

PART IV

SECTION C

ACCOUNTANTS' REPORT ON CASTOR INVESTMENTS PLC

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:



The Directors
Castor Investments Plc
190 Strand
London WC2R 1JN

The Directors
Arden Partners plc
Arden House
17 Highfield Road
Edgbaston
Birmingham B15 3DU

2 October 2006

Dear Sirs

CASTOR INVESTMENTS PLC

Introduction

We report on the financial information set out below relating to Castor Investments Plc ("Castor" or the "Company"). This information has been prepared for inclusion in the AIM admission document dated 2 October 2006 (the "Admission Document") relating to the proposed readmission to AIM of Castor Investments Plc and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose. Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph 'a' of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibility

The Directors and Proposed Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with the financial reporting framework, as applicable for the relevant period.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to Castor, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 2 October 2006, a true and fair view of the state of affairs of the Company as at 31 March 2006 and of its results, cash flows and recognised gains and losses for the period then ended in accordance with the basis of preparation set out in note 1.

Declaration

For the purposes of Paragraph 'a' of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

CLB Littlejohn Frazer
Reporting accountants

Profit and loss account

		<i>Period</i> <i>31 January</i> <i>2005</i> <i>to</i> <i>31 March</i> <i>2006</i>
	<i>Notes</i>	<i>£</i>
Turnover		—
Cost of sales		—
		<hr/>
Gross profit		—
Administrative expenses		(71,719)
		<hr/>
Operating loss	3	(71,719)
Interest receivable and similar income	4	46,080
		<hr/>
Loss on ordinary activities before taxation		(25,639)
Tax on ordinary activities	5	—
		<hr/>
Loss for the financial period after taxation		(25,639)
Dividends		—
		<hr/>
Retained loss for the period for the Company		(25,639)
		<hr/>
Loss per share (basic)	6	(0.10) pence
Loss per share (diluted)	6	(0.10) pence

Continuing Operations

None of the Company's operations were acquired or discontinued in the period presented in this report.

Total recognised gains and losses

The Company has no recognised gains or losses other than the loss for the current period.

Balance sheet

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

Cash flow statement

		<i>Period to 31 March 2006</i>
	<i>Notes</i>	<i>£</i>
Net cash outflow from operating activities	15	(44,434)
Return on investments and servicing of finance		
Interest received		46,080
Financial Investment		
Acquisition of current asset investments		<u>(750,000)</u>
Net cash outflow before financing		<u>(748,354)</u>
Financing		
Share issue		1,060,000
Share issue expenses		<u>(59,649)</u>
Net cash inflow from financing		<u>1,000,351</u>
Increase in cash in the period	16	<u><u>251,997</u></u>

Notes to the financial information

1. Accounting policies

Basis of preparation

Castor Investments Plc is a company incorporated in England and Wales. The Company was incorporated on 31 January 2005, and the financial information covers the 14 month period from incorporation to 31 March 2006.

This financial information has been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

The financial information in this Part IV does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

Classification of current asset investments

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

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 made up of prepaid expenses only.

Provisions

A provision is recognised in the balance sheet when the Company 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.

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 timing 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 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 the future taxable profits will be available against which the asset can be utilised.

Share based payments

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

2. Staff costs

	<i>Period to</i>
	<i>31 March</i>
	<i>2006</i>
	<i>£</i>
Directors' emoluments	11,666

The average monthly number of employees (including directors) during the period was as follows:

	<i>Period to 31 March 2006 £</i>
Management	2

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

3. Operating loss

	<i>Period to 31 March 2006 £</i>
The operating loss is 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.

Information regarding directors' emoluments is as follows:

	<i>Period to 31 March 2006 £</i>
Remuneration of the Chairman	5,833
Remuneration of the highest paid director	5,833

4. Interest receivable

	<i>Period to 31 March 2006 £</i>
Interest receivable	46,080

5. Taxation

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

6. Loss per share

Basic loss per share is calculated by dividing the net loss after tax attributable to ordinary shareholders of £25,639 by the weighted average number of ordinary shares outstanding during the period of 25,868,471.

The effect of all potential ordinary shares under option is anti-dilutive. Details of the share options issued which could be dilutive in the future are set out in Note 20.

	<i>Earnings/</i> <i>(loss)</i> £	<i>Weighted</i> <i>Average</i> <i>number of</i> <i>shares</i> <i>No.</i>	<i>Per share</i> <i>Pence</i>
Period to 31 March 2006			
Basic loss per share			
Loss attributable to ordinary shareholders	(25,639)	25,868,471	(0.10)
Effect of dilutive securities:			
Options	—	—	n/a
Diluted loss per share			
Adjusted loss	(25,639)	25,868,471	(0.10)

7. Debtors

	<i>31 March</i> <i>2006</i> £
Other debtors and prepayments	4,057

8. Investments

	<i>31 March</i> <i>2006</i> £
<i>Investments</i>	
Additions	750,000
Carried forward	750,000

The 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 market value as at 31 March 2006 are given in Note 11.

9. Cash at bank and in hand

	<i>31 March</i> <i>2006</i> £
Interest earning bank deposit	251,997

Cash and cash equivalents consist of cash only.

10. Creditors: amounts falling due within one year

	<i>31 March</i> <i>2006</i> £
Other creditors and accruals	31,342

11. Financial instruments

The Company was 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. The Company took the opportunity to invest in Phynova prior to its admission to AIM which took place on 27 February 2006.

Fair values of financial assets and liabilities

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

	<i>As at 31 March 2006</i>	
	<i>Book</i>	<i>Market</i>
	<i>Value</i>	<i>Value</i>
	£	£
Listed investments	750,000	1,250,000
Cash	251,997	251,997

12. Called up share capital

	<i>As at 31 March 2006</i>	
	<i>Number</i>	£
Authorised number, class and nominal value: 200,000,000 Ordinary shares	200,000,000	2,000,000
Allotted, issued and fully paid number, class and nominal value: 27,200,000 Ordinary shares	27,200,000	272,000

The following fully paid shares were allotted during the period ending 31 March 2006:

Issued for cash on 16 February 2005 at par (subscriber shares)	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	19,700,000
In issue at 31 March 2006	27,200,000

The shares issued on 2 March 2005 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 flotation 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 investment 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 13).

13. Reserves

	<i>31 March 2006 £</i>
<i>Totals</i>	
Share premium account	703,351
Share warrant account	25,000
Profit and loss account	(25,639)
Carried forward	<u>702,712</u>
<i>Share premium account</i>	
On issue of shares	788,000
Share issue expenses	(59,649)
Equity settled share issue expenses	(25,000)
Balance carried forward	<u>703,351</u>
<i>Share warrant account</i>	
Equity settled share issue expenses	25,000
Balance carried forward	<u>25,000</u>
<i>Profit and loss account</i>	
Retained profit/(loss) for the period	(25,639)
Balance carried forward	<u>(25,639)</u>

14. Reconciliation of movements in shareholders' funds

	<i>31 March 2006 £</i>
Profit/(loss) for the financial period	(25,639)
Shares issued	272,000
Share premium	788,000
Share issue expenses	(84,649)
Share warrant reserve	25,000
Net addition to shareholders' funds	<u>974,712</u>
Opening shareholders' funds	<u>—</u>
Closing shareholders' funds	<u>974,712</u>

15. Reconciliation of operating loss to net cash (outflows)/inflows from operating activities

	<i>31 March 2006 £</i>
Net operating expenses	(71,719)
Increase in debtors	(4,057)
Increase in creditors	31,342
Net cash outflow from operating activities	<u>(44,434)</u>

16. Reconciliation of net cash to movement in net funds

	<i>31 March</i> <i>2006</i> £
Increase in cash in the period	251,997
Change in net cash resulting from cash flows	251,997
Net cash at 31 January 2005	—
	<hr/>
Net cash at 31 March 2006	251,997
	<hr/> <hr/>

17. Analysis of changes in net cash

	<i>At</i> <i>31 January</i> <i>2005</i> £	<i>Cash flow</i> £	<i>At</i> <i>31 March</i> <i>2006</i> £
<i>Net cash:</i>			
Cash at bank and in hand	—	251,997	251,997
	<hr/>	<hr/>	<hr/>
<i>Debt:</i>	—	—	—
	<hr/>	<hr/>	<hr/>
Total	—	251,997	251,997
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18. Acquisition of business

	<i>31 March</i> <i>2006</i> £
Net assets acquired	
Investments	750,000
Debtors	4,057
Cash at bank and in hand	251,997
Creditors due within one year	(31,342)
	<hr/>
	974,712
	<hr/>
Satisfied by	
Cash	1,001,997
Deferred consideration	(27,285)
	<hr/>
	974,712
	<hr/> <hr/>

19. Auditors

The financial statements for 31 March 2006 were audited by BDO Stoy Hayward, 8 Baker Street, London W1U 3LL, members of the Institute of Chartered Accountants in England and Wales.

20. Share options

The Company has 1,088,000 shares under options, granted to directors at an exercise price of 5 pence per share. The options are exercisable at any time until 2 March 2007.

PART V

UNAUDITED PROFORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

CLB LITTLEJOHN FRAZER
Chartered Accountants

The Directors
Castor Investments Plc
190 Strand
London WC2R 1JN

The Directors
Arden Partners plc
Arden House
17 Highfield Road
Edgbaston
Birmingham B15 3DU

2 October 2006

Dear Sirs

Report on the pro-forma net assets statement of Castor Investments plc

We report on the unaudited pro-forma statement of net assets set out in Part V of the Admission Document dated on 2 October 2006, which has been prepared on the basis described in notes 1 to 6, for illustrative purposes only, to provide information about how the Admission and Completion might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors and Proposed Directors of Castor Investments plc to prepare the pro-forma financial information.

It is our responsibility to form an opinion as to the proper compilation of the pro-forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purposes of making this report, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro-forma financial information with the Directors and Proposed Directors of Castor Investments plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that pro-forma financial information has been properly compiled on the basis stated and such basis is consistent with the accounting policies of Castor Investments plc.

Opinion

In our opinion:

- The pro-forma statement of net assets has been properly compiled on the bases set out therein;
- Such bases are consistent with the accounting policies of Castor Investments plc; and
- The adjustments are appropriate for the purposes of the pro-forma financial information as disclosed.

Yours faithfully

CLB Littlejohn Frazer

Set out below is an unaudited *pro forma* consolidated statement of net assets of the Enlarged Group which has been prepared for illustrative purposes only to show the impact of Admission had Admission occurred on 31 March 2006. The *pro forma* statement of net assets has been prepared for illustrative purposes only, and because of its nature, it may not give a true reflection of the Enlarged Group's financial position or results.

	<i>Castor Investments plc net assets as at 31 March 2006 (Note 1) £</i>	<i>Merchant Securities Holdings Ltd net assets as at 31 December 2005 (Note 2) £</i>	<i>Merchant Securities Limited net assets as at 31 March 2006 (Note 3) £</i>	<i>Effects of the acquisition (Note 4) £</i>	<i>Unaudited pro forma adjusted net assets of the Enlarged Group on admission to AIM £</i>
Fixed assets					
Tangible assets	—	3,116	82,738	—	85,854
Investments	—	184,500	15,596	—	200,096
Intangible assets	—	—	—	6,764,615	6,764,615
	—	187,616	98,334	6,764,615	7,050,565
Current assets					
Debtors	4,057	64,802	2,176,809	—	2,245,668
Investments	750,000	—	—	—	750,000
Cash at bank and in hand	251,997	82,058	1,108,375	(345,000)	1,097,430
	1,006,054	146,860	3,285,184	(345,000)	4,093,098
Creditors					
Amounts falling due within one year	(31,342)	(43,718)	(2,088,891)	—	(2,163,951)
Net current assets	974,712	103,142	1,196,293	(345,000)	1,929,147
Net assets	974,712	290,758	1,294,627	6,419,615	8,979,712

Notes

The *pro forma* statement of net assets has been prepared on the following basis:

1. The net assets of Castor Investments as at 31 March 2006 have been extracted without adjustment from the audited Financial Information included in Part IV of this document.
2. The net assets of Merchant Securities Holdings Limited as at 31 December 2005 have been extracted without adjustment from the unaudited Financial Information included in Part IV of this document.
3. The net assets of Merchant Securities Limited as at 31 March 2006 have been extracted without adjustment from the unaudited Financial Information included in Part IV of this document.
4. An adjustment has been made to reflect the estimated goodwill arising on acquisition of Merchant Securities Holdings Limited. This is an approximation only and may differ from the goodwill in the consolidated financial statements of the Enlarged Group. A further adjustment has been made to reflect the estimated costs in connection with the Admission of £345,000 (net of VAT).
5. No adjustments have been made to reflect the trading or other transactions of the Castor Investments plc since 31 March 2006 or Merchant Securities Holdings Limited since 31 December 2005 and Merchant Securities Limited since 31 March 2006.
6. The *pro forma* statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

PART VI

ADDITIONAL INFORMATION

1.1 Responsibility

- 1.1.1 The Directors and Proposed Directors, whose names appear on page 7, accept responsibility for the information contained in this document (other than information in this document relating to the Members of the Concert Party). To the best of the knowledge and belief of the Directors and Proposed Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Independent Director takes sole responsibility for the recommendation in relation to the Waiver as set out on page 14 of this document.
- 1.1.2 The members of the Concert Party, whose names are set out below at paragraph 5.2, accept responsibility for all information contained in this document relating to themselves. To the best of the knowledge and belief of the members of the Concert Party, who have taken all reasonable care to ensure that such is the case, the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.1.3 CLB Littlejohn Frazer of 1 Park Place, Canary Wharf, London E14 4HJ has given and not withdrawn its written consent to the inclusion of its report on the Company in the form and in the context set out in Part IV and Part V of this document and the references to that report in the form and context in which they appear; has not become aware, since the date of the report of any matter affecting the validity of that report and that date and has authorised the contents of Part IV and Part V of this document. CLB Littlejohn Frazer has no material interest in the Company or MSH.
- 1.1.4 Arden is acting in its capacity as nominated adviser to the Company. Arden has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear. Arden has no material interest in the Company or MSH.

2. THE COMPANY

2.1 Incorporation

- 2.1.1 The Company was incorporated on 31 January 2005 in England and Wales and registered under the Act as a public company limited by shares with registered number 5347651 and with the name Castor Investments plc. On 16 February 2005, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act.
- 2.1.2 The principal legislation under which the Company was formed and now operates is the Act and regulations made under the Act. The Company is domiciled in the United Kingdom.
- 2.1.3 The address of the registered office of the Company is 190 Strand, London WC2R 1JN telephone number is 0207 379 0000.
- 2.1.4 On 3 April 2006 the Company was suspended from trading on the AIM Market.
- 2.1.5 The liability of the members of the Company is limited.

2.2 The Group and Principal Activities

- 2.2.1 The Company's principal activity is to make investments in relevant businesses meeting its investment criteria. Upon Admission, the Enlarged Group's principal activity will be the provision of financial services.
- 2.2.2 Following the Acquisition, the Company will have the following wholly owned subsidiary undertakings within the meaning of section 258 of the Act.

<i>Name</i>	<i>Country of incorporation or residence</i>
Merchant Securities Holdings Limited	England and Wales
Merchant Securities Limited	England and Wales

- 2.2.3 The registered office of MSH is 34 Southwark Bridge Road, London SE1 9EU.

3. SHARE CAPITAL

- 3.1 The Company was incorporated with an authorised share capital of £2,000,000 represented by 200,000,000 ordinary shares of 1p each, of which 2 were issued, nil paid, to the subscribers to the memorandum of association. The following changes in the issued share capital of the Company have taken place since incorporation:
- 3.1.1 on 16 February 2005, the 2 subscriber shares were paid up and a further 4,999,998 Ordinary Shares were issued at par;
- 3.1.2 on 21 February 2005, a further 2,500,000 Ordinary Shares were issued at par;
- 3.1.3 on 22 February 2005, a further 19,700,000 Ordinary Shares were allotted at 5p per Ordinary Share.
- 3.2 The following changes in the issued share capital of the Company are intended to take place on 25 October 2006 subject to the passing of the Resolutions:
- 3.2.1 subject to the passing of Resolution 3 the authorised share capital will be increased by £1,000,000 to £3,000,000 by the creation of a further 100,000,000 existing shares of 1p each;
- 3.2.2 subject to the passing of Resolution 4 the share capital will be consolidated into 30,000,000 ordinary shares of 10p each;
- 3.2.3 subject to the passing of Resolutions 1 and 2, the Company will issue 16,700,000 New Ordinary Shares pursuant to the Acquisition Agreements in consideration for the acquisition of the entire issued share capital of MSH, conditional on Admission.
- 3.3 The legislation under which the Consideration Shares will be created, is the Act and regulations made under the Act. The Consideration Shares will be denominated in sterling. On 29 September 2006, the Board resolved to allot the Consideration Shares, conditional on the Resolutions being passed and Admission taking place, and such shares will be issued on Admission, which is expected to be 26 October 2006.
- 3.4 The Consideration Shares will be in registered form. They will be capable of being held in certificate form or in uncertificated form and settled through CREST. The records in respect of shares held in uncertificated form will be maintained by CRESTCo.
- 3.5 By a special resolution dated 4 February 2005 the Directors were generally and unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) of an aggregate nominal value representing the entire unissued share capital of the Company such authority to expire on 4 February 2010. The Directors were also empowered pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply for any allotment of equity securities in respect of any issues up to an aggregate nominal value representing the entire unissued share capital of the Company such authority to expire on 4 February 2010. The authority and power were used to make the allotments referred to in paragraphs 3.1.2 and 3.1.3 above and grant the options referred to in paragraphs 3.11 to 3.13 below.
- 3.6 At an Extraordinary General Meeting of the Company to be held on 25 October 2006 Resolution 5 will be proposed, conditional upon the passing of Resolutions 1 and 2, resolving that the Directors be generally and unconditionally authorised (in substitution for any existing powers) for the purposes of section 80 of the Act to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of:
- 3.6.1 £1,670,000 in connection with the Acquisition;
- 3.6.2 £344,582 in connection with the Share Option Schemes; and
- 3.6.3 otherwise than as set out in paragraphs 3.6.1 and 3.6.2 up to an aggregate nominal value of £582,600 provided that the authority expires (unless and to the extent previously revoked, varied or renewed by the Company in a general meeting) on 25 October 2011.
- 3.7 At an Extraordinary General Meeting of the Company to be held on 25 October 2006 Resolution 8 will be proposed, conditional upon the passing of Resolutions 1 and 2, resolving that in substitution for any existing general authority granted to the Directors pursuant to section 95 of the Act, the Directors be given power pursuant to section 95 of the Act to allot

equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in paragraph 3.5 above as if section 89(1) of the Act did not apply to the allotment, provided that this power shall be limited to allotments of equity securities:

3.7.1 where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient;

3.7.2 up to a nominal amount of £344,582 in connection with the Share Option Schemes;

3.7.3 the allotment (other than pursuant to paragraph 3.7.1 above) of equity securities up to a maximum aggregate nominal amount of £194,200 (being equal to approximately ten per cent. of the issued ordinary share capital of the Company immediately following Admission);

this power shall expire on 25 October 2011, except that the Company may before such expiry make offers or enter into agreements which would or might require equity securities (as so defined) to be allotted after such expiry.

3.8 The following table shows the authorised and issued share capital of the Company as at 29 September 2006, and as it will be immediately following Admission:

As at 29 September 2006 and immediately before Admission

<i>Authorised</i>		<i>Issued</i>	
<i>(all Existing Ordinary Shares)</i>		<i>(all Existing Ordinary Shares and fully paid)</i>	
<i>Nominal Value</i>	<i>Number</i>	<i>Nominal Value</i>	<i>Number</i>
£2,000,000	200,000,000	£272,000	27,200,000

Immediately following Admission, the Acquisition and the Share Consolidation

<i>Authorised</i>		<i>Issued</i>	
<i>(all New Ordinary Shares)</i>		<i>(all New Ordinary Shares and fully paid)</i>	
<i>Nominal Value</i>	<i>Number</i>	<i>Nominal Value</i>	<i>Number</i>
£3,000,000	30,000,000	£1,942,000	19,420,000

Immediately following Admission the Company's authorised but unissued share capital will be £1,058,000.

3.9 The holders of Existing Ordinary Shares will be diluted by the issue of the 16,700,000 Consideration Shares. The dilution rate is 86 per cent.

3.10 None of the capital of the Company has been paid for with assets other than cash within the period from incorporation and ending on 2 October 2006.

3.11 On 2 March 2005, the Company issued options over 816,000 Existing Ordinary Shares to Teather & Greenwood Limited with an exercise price of 5 pence each and exercisable at any time until 2 March 2007 pursuant to an options agreement as summarised in paragraph 7.7 below. These options will be over 81,600 New Ordinary Shares following the Share Consolidation.

3.12 On 2 March 2005 the Company issued options over 544,000 Existing Ordinary Shares to David Barton with an exercise price of 5 pence each and exercisable at any time until 2 March 2007 pursuant to an option agreement dated 2 March 2005 as summarised in paragraph 7.11 below. These options will be over 54,400 New Ordinary Shares following the Share Consolidation.

3.13 On 2 March 2005 the Company issued options over 544,000 Existing Ordinary Shares to Alan Pereira with an exercise price of 5 pence each and exercisable at any time until 2 March 2007 pursuant to an option agreement dated 2 March 2005 as summarised in paragraph 7.10 below. These options will be over 54,400 New Ordinary Shares following the Share Consolidation.

3.14 Save in connection with the allotment and issue of the Consideration Shares, the grant of up to 3,445,824 options under the Share Option Schemes and those options detailed in paragraphs 3.11 to 3.13 above and the allotment and issue of New Ordinary Shares pursuant to the exercise

of such options, there is no present intention to issue any of the authorised but unissued share capital of the Company or to utilise any of the authorities referred to in paragraphs 3.6 and 3.7 above.

3.15 The Consideration Shares will rank *pari passu* in all respects with the New Ordinary Shares including (without limitation to the generality of the foregoing) in relation to Voting Rights and the right to receive all dividends or other distributions declared, paid or made after Admission.

3.16 There have been no public takeover bids by third parties for all or any part of the Company's equity share capital during the last financial year of the Company or the period up to and including the date immediately prior to the date of this document.

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

4.1 Memorandum of Association

The Memorandum of Association of the Company provides that the objects of the Company are to carry on the business of a general commercial company.

4.2 Articles of Association

The Articles contain, *inter alia*, provisions to the following effect:

4.2.1 Voting rights

Subject to paragraph 4.2.6 below, and to any special rights or restrictions as to voting upon which any shares may for the time being be held, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by its duly appointed representative shall have one vote and on a poll every member present in person or by representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

4.2.2 Variation of rights

Whenever the share capital of the Company is divided into different classes of shares the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class and may be so varied and abrogated whilst the Company is a group concern or during or in contemplation of a winding-up. To every such separate general meeting (except an adjourned meeting), the quorum shall be two persons at least holding or representing by proxy one-third in nominal value of the issued shares of that class.

4.2.3 Alteration of capital

The Company may by ordinary resolution increase its capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, subdivide all or any of its shares into shares of a smaller nominal value, cancel any shares not taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, subject to any conditions, authorities and consents required by law, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including any redeemable shares) with and subject to all prior authorities of the Company in general meeting as specified under the Act provided that the Company may not purchase any of its shares if as a result of the purchase of the shares there would no longer be any member holding shares in the Company other than redeemable shares.

4.2.4 Transfer of shares

A member may transfer all or any of his shares (1) in the case of certificated shares by transfer in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only and (2) in the case of uncertificated shares, in the

manner provided for in the rules and procedures of the operator of the relevant system and in accordance with and subject to the Uncertificated Securities Regulations 2001 (the “Uncertificated Securities Regulations”). The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. Subject to paragraph 4.2.6 below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

The Company will not close the register of members in respect of a share, class of share, renounceable right of allotment of a share or other security (title to units of which is permitted to be transferred by computer-based systems and procedures in accordance with the Uncertificated Securities Regulations) without the consent of the operator of the computer-based system and/or procedure. The registration of transfers may be suspended at such times and for such periods as the Directors may determine either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days a year.

Subject to the requirements of the UK Listing Authority and the London Stock Exchange, the Company shall register a transfer of title to any uncertificated share or any renounceable right to allotment of a share held in uncertificated form in accordance with the Uncertificated Securities Regulations but so that the Directors may refuse to register such transfer in any circumstance permitted or required by the Uncertificated Securities Regulations.

4.2.5 *Annual and extraordinary general meeting*

Annual general meetings

Subject to the provisions of the law, annual general meetings shall be held at such time and place as the directors may determine.

Extraordinary general meetings

All general meetings, other than annual general meetings, shall be called extraordinary general meetings.

Convening extraordinary general meetings

The directors may proceed to convene an extraordinary general meeting whenever they think fit. An extraordinary general meeting shall also be convened on the requisition of members.

Notice of general meetings

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution shall be convened by not less than 21 clear days’ notice in writing. All other extraordinary general meetings shall be convened by not less than 14 clear days notice in writing. Subject to the provisions of the law, and notwithstanding that it is convened by shorter notice than that specified previously in this paragraph, a general meeting shall be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by the majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

The notice shall specify:

- (a) if the meeting is an annual general meeting, that it is such;
- (b) the place, the day and the time of the meeting;
- (c) in the case of special business, the general nature of that business;
- (d) if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution of such; and

- (e) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, and, on a poll, vote instead of him and that a proxy need not also be a member.

Notice shall be given to the members who are entitled to receive notice from the Company, to the directors and to the auditors.

Special business

All business that is transacted at the general meeting shall be deemed special, except the following transactions at an annual general meeting:

- (a) the declaration of dividend;
- (b) the receipt and consideration of the annual accounts and reports of the directors and the auditors and any other document required to be annexed to the annual accounts;
- (c) the election or re-election of directors; and
- (d) the reappointment of retiring auditors and the fixing of the remuneration of the auditors or the determination of the manner in which such remuneration is to be fixed.

Quorum at general meetings

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two persons entitled to attend and vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

If quorum not present

If within 15 minutes (or such longer interval as the chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting, a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to such other day (being not less than seven days thereafter) and such time and place as may have been specified for the purpose in the notice convening the meeting or (if not specified) as the Chairman of the meeting may determine. At the adjourned meeting, any two members present in person or by proxy shall be a quorum.

Chairman

The chairman of the directors shall preside at every general meeting of the Company. If there is no such chairman or if at any meeting he shall not be present, any deputy chairman (if any) of the directors present and shall preside at such meeting. If no chairman or deputy chairman shall be so present and willing to act, the directors present shall choose one of their number to act as a chairman of the meeting. If there be no director present and willing to act, the members present who are entitled to vote shall choose one of their number to be chairman of the meeting.

Directors and other persons may attend and speak

A director (and any other person invited by the chairman to do so) shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and any separate meeting of the holders of any class of shares of the Company.

Power to adjourn

A chairman may with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. The chairman may also, without the need for the consent of the meeting, interrupt or adjourn any meeting from time to time and from place to place or for an indefinite period if he is of the opinion that it has become necessary to do so in order to secure the proper and orderly conduct of the meeting or to give all persons entitled to do so a reasonable opportunity of attending, speaking and voting at the meeting or to ensure that the business of the meeting is properly disposed of.

Method of voting

At any general meeting, a resolution put to a vote at the meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands) a poll is duly demanded by:

- (a) the chairman of the meeting; or
- (b) at least 5 members present in person or by proxy and entitled to vote at a meeting; or
- (c) a member or members present in person or by proxy representing not less than 1/10th of the total voting rights of the members having a right to vote at the meeting; or
- (d) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares in which an aggregate sum has been paid up equal to not less than 1/10th of the total sum paid upon on all the shares conferring that right.

Chairman's declaration conclusive on show of hands

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman of the meeting as to the outcome of a resolution on a show of hands and an entry to that effect in the book containing the minutes and proceedings of the Company, shall be conclusive evidence of the outcome of such a vote.

Procedure on a poll

No poll shall be demanded on the election of a chairman of a meeting or on any question of adjournment. A poll duly demanded on any other matters shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was demanded, as the chairman shall direct. No notice need be given of a poll not taken immediately.

The demand for a poll (other than on the election of a chairman or any question of an adjournment) shall not prevent the continuance of the meeting for the transaction of any business other than the question on which a poll has been demanded.

On a poll votes may be given in person or by proxy.

Casting vote

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll was demanded shall be entitled to a casting vote.

Form of proxy

An instrument appointing a proxy shall be in writing (or in an electronic communication including an electronic signature), in any common form or in such other form as the directors may approve, and duly executed by the appointor or by his attorney or under a corporation's common seal or by a duly authorised officer of the corporation as necessary.

Deposit of proxy

The instrument appointing a proxy shall be deposited not less than 48 hours before the time of the holding of the meeting or adjourned meeting at which the person named in the instrument proposed to vote.

An instrument of proxy not deposited or delivered in a manner so permitted shall be invalid.

Corporate representative

A corporation which is a member may, by resolution of its directors, or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares. A director, the company secretary or some other person authorised for the purpose by the

company secretary, may require the representative to produce a certified copy of the resolution so authorising him or such evidence of his authority reasonably satisfactory to them before being permitted to exercise his power.

4.2.6 *Dividends*

4.2.6.1 Subject to the Act or any other statutes in force, the Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits available for the purpose and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates in respect of such periods as appear to the Directors to be justified.

4.2.6.2 Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph 4.2.6 below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

4.2.6.3 All dividends unclaimed for a period of 12 years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to the Company.

4.2.6.4 There is no fixed date on which an entitlement to dividend arises.

4.2.7 *Suspension of rights*

If a member or any other person appearing to be interested in shares of the Company fails after the date of service of a notice to comply with the statutory disclosure requirements then:

4.2.7.1 If the shares are held in certificated form, from the time of such failure until not more than 7 days after the earlier of (a) receipt by the Company of notice that there has been a transfer of the shares by an arm's length sale and (b) due compliance, to the satisfaction of the Company, with the statutory disclosure requirements (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership at meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arm's length sale.

4.2.8 If the shares are held in uncertificated form, the Directors may serve upon the registered holder of such shares a notice requiring the holder to convert his holding of uncertificated shares into certificated form within such period as is specified in the notice and require the holder to continue to hold such shares in certificated form for so long as such failure continues. If the holder shall fail to convert his holding within the specified time, the Directors are empowered to authorise some person to take all such steps and issue such instructions as may be necessary in the name of the holder of such shares to effect the conversion of such shares to certificated form. Such steps shall be as effective as if they had been taken by the registered holder of the relevant uncertificated shares. Once such conversion to certificated form has been effected, the above rules in relation to shares in certificated form shall apply.

4.2.9 *Return of capital*

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of ordinary shares are entitled to share in any surplus assets *pro rata* to the amount paid up on their ordinary shares. A liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether or not the assets shall consist of property of one kind or shall consist of property of different kinds), those assets to be

set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members as the liquidator shall think fit.

4.2.10 Pre-emption rights

There are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

4.2.11 Borrowing powers

Subject to the Act and any other statute, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

5. INTERESTS OF THE DIRECTORS AND PROPOSED DIRECTORS AND OTHERS, MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

5.1 Directors' and Proposed Directors' interests

5.1.1 The interests in the share capital of the Company as at 29 September 2006 (being the most recent practicable date before publication of this document) which: (i) have been notified to the Company pursuant to section 324 or 328 of the Act; or (ii) are required pursuant to section 325 of the Act to be entered in the register of directors' interests referred to in that section; or (iii) are interests of a person connected with a Director or Proposed Director within the meaning of section 346 of the Act, and which would, if the connected person were a Director or Proposed Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to or could, with reasonable diligence be ascertained by the Director or Proposed Director in question; and as they are expected to be following Admission, are as follows (all such interests being beneficial unless otherwise noted):

<i>Name</i>	<i>Immediately Before Admission</i>		<i>Immediately following Admission and the Acquisition and the Share Consolidation</i>	
	<i>No. of Existing Ordinary Shares</i>	<i>% of existing issued share capital</i>	<i>No. of New Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
<i>Existing Directors</i>				
David Barton ¹	1,450,000	5.3	392,721	2.02
Alan Pereira	—	—	—	—
<i>Proposed Directors</i>				
John Green ²	—	—	82,574	0.43
Anthony Fabrizi	—	—	4,958,001	25.53
Patrick Claridge	—	—	990,886	5.10
Steve Whelton	—	—	33,030	0.17
Charles Price	—	—	330,295	1.70

1 50,000 Existing Ordinary Shares are held by Huntley Securities Pension Fund which when following the Share Consolidation will be 5,000 New Ordinary Shares and an additional 247,721 New Ordinary Shares are held by Huntley Securities Pension Fund, of which David Barton is a trustee and beneficiary.

2 82,574 New Ordinary Shares are held by Kathleen Green, John Green's wife.

- 5.1.2 As at 29 September 2006 (being the most recent practicable date before the publication of this document) the following options over Ordinary Shares had been granted pursuant to individual options deeds as summarised in paragraphs 3.11 and 3.12 above. The options are exercisable at any time until 2 March 2007:

<i>Director</i>	<i>No of New Ordinary Shares under option</i>	<i>Last Exercise Date</i>	<i>Exercise Price</i>
David Barton	54,400	2 March 2007	50p
Alan Pereira	54,400	2 March 2007	50p

- 5.1.3 In addition, the following Options are to be granted to the Proposed Directors, in exchange for options that had been granted under the MSH Scheme.

<i>Proposed Director</i>	<i>No of New Ordinary Shares under option</i>	<i>Last Exercise Date</i>	<i>Exercise Price</i>
John Green	100,200	29 June 2016	29.9p
Anthony Fabrizi	500,100	29 June 2016	29.9p
Patrick Claridge	417,499	29 June 2016	29.9p
Steve Whelton	167,000	29 June 2016	29.9p
Charles Price	66,800	29 June 2016	29.9p

The Options to be granted to John Green and Charles Price are to be granted pursuant to the terms of the Unapproved Scheme details of which are described at paragraph 6.3 below. The Options to be granted to the other Proposed Directors are to be granted pursuant to the terms of the EMI Scheme details of which are described at paragraph 6.2 below.

- 5.1.4 Save as disclosed in paragraphs 5.1.1, 5.1.2 and 5.1.3 above, none of the Directors or Proposed Directors has any interests or rights to subscribe or short positions in the share capital or loan capital of the Company nor does any person connected with the Directors or Proposed Directors (within the meaning of Section 346 of the Act) have any such interests, whether beneficial or non-beneficial.

5.2 Concert Party

The Concert Party comprises: Anthony Fabrizi, Patrick Claridge, Steven Whelton, John Green, Charles Price, Adrian Messina, Christopher Taylor, Chris Coleman, Graeme Smith, David Barton, Colura Holdings Limited, Goldings Estate Limited and Ruffler Bank Plc, all of whom are vendor shareholders in MSH, a private company.

Anthony Fabrizi, Patrick Claridge, Steve Whelton, John Green and Charles Price are Proposed Directors and further details of each of them are set out on pages 9 and 10 of Part I of this document. Their business address is 34 Southwark Bridge Road, London SE1 9EU.

Adrian Messina, Christopher Taylor, Chris Coleman and Graeme Smith are employees of MSL. Their business address is 34 Southwark Bridge Road, London SE1 9EU.

David Barton is a Director of the Company and further details can be found on page 9 of Part I of this document. His business address is 190 Strand, London WC2R 1JN

Ruffler Bank Plc is a company registered in England and Wales with registration number 947662. Its registered address is 20 Hook Road, Epsom, Surrey KT19 8TR and is ultimately wholly owned by Roy Ruffler. Anthony Fabrizi, David Barton and Charles Price are directors of Ruffler Bank Plc. Ruffler Bank plc is a private bank operating primarily in the UK and regulated by the FSA. Its main activities are asset and property finance. The bank also offers a full range of deposit services.

Colura Holdings Limited is a Gibraltar registered company with business address Glacis Road, PO Box 475, Gibraltar. Mr Sudhir Singh, a business associate of Anthony Fabrizi, is the owner of Colura Holdings Limited.

Goldings Estates Limited is a company registered in England and Wales with registration number 3330059. Its registered address is Goldings Manor, Goldings Lane, Waterford, Hertfordshire SG14 2PX. Mr Eugene Flammery, a personal associate of Patrick Claridge, is the owner of Golding Estates Limited.

5.2.1 Set out below is a table showing the potential interests of the members of the proposed Concert Party in the share capital of the Company following implementation of the Proposals:

<i>Shareholder</i>	<i>(i)</i> <i>No of New Ordinary Shares upon Admission</i>	<i>(ii)</i> <i>% of Enlarged Share Capital</i>	<i>(v)</i> <i>No of New Ordinary Shares held if Concert Party options are exercised</i>	<i>(vi)</i> <i>% of issued share capital as further enlarged if all Concert Party options are exercised</i>
Anthony Fabrizi	4,958,001	25.53	5,458,101	24.93
Patrick Claridge	990,886	5.10	1,408,385	6.43
Ruffler Bank Plc ³	1,220,591	6.29	1,220,591	5.57
David Barton ²	392,721	2.02	447,121	2.04
Steve Whelton	33,030	0.17	200,030	0.91
Charles Price	330,295	1.70	397,095	1.81
John Green ¹	82,574	0.43	182,774	0.83
Chris Coleman	247,721	1.28	665,220	3.04
Adrian Messina	82,574	0.43	582,674	2.66
Christopher Taylor	82,574	0.43	199,470	0.91
Graeme Smith	66,059	0.34	199,655	0.91
Colura Holdings Limited	330,295	1.70	330,295	1.51
Goldings Estates Limited	330,295	1.70	330,295	1.51
TOTAL	9,147,616	47.10	11,621,706	53.06

1 82,574 New Ordinary Shares are held by Kathleen Green, John Green's wife.

2 252,721 New Ordinary Shares are held by Huntley Securities Pension Fund of which David Barton is a trustee and beneficiary.

3 3,600,000 Existing Ordinary Shares are held in the name of Teawood Nominees Limited and 360,000 New Ordinary Shares are held in the name of Teawood Nominees Limited, a nominee account for Ruffler Bank Plc.

5.2.2 David Barton may exercise his options at any time until their expiry on 2 March 2007. The earliest date that any options held by Proposed Directors or other members of the Concert Party, who hold options by way of their employment with MSL, could be exercised is 30 June 2008.

5.2.3 David Barton and Ruffler Bank Plc, who are members of the Concert Party, are both shareholders of the Company as well as shareholders of MSH.

<i>Shareholder</i>	<i>Immediately before Admission No. of Existing Ordinary Shares</i>
David Barton ¹	1,450,000
Ruffler Bank Plc ²	5,600,000

1 50,000 Existing Ordinary Shares are registered in the name of Hanover Trustee Company Ltd and David Barton as trustees of Huntley Securities Pension Fund.

2 3,600,000 Existing Ordinary Shares are registered in the name of Teawood Nominees Limited.

5.2.4 (a) On 28 February 2006, Hanover Trustee Company Ltd and David Barton as trustees of Huntley Securities Pension Fund dealt in Existing Ordinary Shares, acquiring 50,000 Existing Ordinary Shares at a price of 5.5 pence per share. David Barton, a member of the Concert Party, is a trustee and beneficiary of Huntley Securities Pension Fund.

(b) On 29 September 2006, MSH sold its entire holding of 3,200,000 Existing Ordinary Shares at 5p per share.

- 5.2.5 Save as disclosed in paragraph 5 of Part VI of this document neither the Company or any of its associates, nor any of the Directors, nor any member of their immediate families, nor any person acting in concert with the Company nor any of their respective associates, was interested or had rights to subscribe or short positions in any relevant securities on 2 October 2006 nor has any person dealt for value therein during the disclosure period and connected advisers (as defined in the City Code) to the Company or its associates (nor any person controlling, controlled by or under the same control as such connected adviser) nor any pension fund of the Company or its associates nor any employee benefit trust of the Company or its associates, nor any person whose investments are managed on a discretionary basis by a fund manager which is controlled by, controls or is under the same control as the Company or any connected adviser, to the Company or its associates, was interested or had rights to subscribe or short positions in any relevant securities on 2 October 2006 nor has any such person dealt for value therein during the disclosure period.
- 5.2.6 Save as disclosed in this paragraph 5, none of the members of the Concert Party, nor any person acting in concert with any of the members of the Concert Party, nor any of their respective associates, was interested, or had rights to subscribe or short positions, in any relevant securities on 2 October 2006 nor has any such person dealt for value therein during the disclosure period.
- 5.2.7 Neither the Company nor any of the members of the Concert Party, nor any of their respective associates nor any person acting in concert with the Company or any of the members of the Concert Party or any of their respective associates has any arrangement in relation to the relevant securities.
- 5.2.8 References in this paragraph 5 to:
- (i) “relevant securities” means securities carrying voting rights issued by the Company and securities convertible into, or exchangeable for, rights to subscribe for, and options (including traded options) in respect of such securities and derivatives referenced thereto;
 - (ii) “arrangement” includes, in addition to indemnity and option arrangements, any arrangement, agreement or undertaking, formal or informal, of whatever nature which may be in an inducement to deal or refrain from dealing;
 - (iii) an “associate” of MSH or of the Company any of: (i) its parent company, its subsidiaries, its associated companies and companies of which any such companies are associated companies (ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status); (ii) connected advisers and persons controlling, controlled by or under the same control as such connected advisers; (iii) the directors of MSH or the Company or of any company referred to in (i) above (together with their close relatives and related trusts); and (iv) the pension fund of MSH or the Company or of any company referred to in (i) above; (v) any investment company, unit trust or other person whose investments an associate manages on a discretionary basis; (vi) an employee benefit trust of MSH or the Company or of any company referred to in (i) above; a company having a material trading contract with MSH or the Company; and
 - (iv) “disclosure period” means the period commencing on 2 October 2005 and ending on 2 October 2006, the latest practicable date before publication of this document.
- 5.2.9 For the purposes of this paragraph 5, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holding, of an interest in shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding(s) give(s) *de facto* control.

- 5.2.10 For the purposes of this paragraph 5, a person is treated as “interested” in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as “interested” in securities if:
- (i) he owns them;
 - (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
 - (iii) by virtue of any agreement to purchase, option or derivative, he:
 - (a) has the right or option to acquire them or call for their delivery; or
 - (b) is under an obligation to take delivery of them,
whether the right, option or obligation is conditional or absolute or otherwise; or
 - (iv) he is party to any derivative:
 - (a) whose value is determined by reference to their price; and
 - (b) which results, or may result in his having a long position in them.
- 5.2.11 Save as disclosed in paragraph 7 of Part VI, no agreement, arrangement or undertaking (including any compensation arrangement) exists between any of the members of the Concert Party, any Director, Proposed Director, recent director of the Company, Shareholder or recent shareholder of the Company having any connection with or dependence upon, or which is conditional upon, completion of the Acquisition.
- 5.2.12 There is no agreement, arrangement or understanding between any of the members of the Concert Party and any other person pursuant to which any New Ordinary Shares which they will acquire pursuant to the Acquisition Agreements will be transferred.
- 5.2.13 Save as disclosed in paragraphs 5 and 7 of Part VI, neither the Company nor its Directors nor any of its respective associates nor any person acting in concert with the Company was interested in any interests or arrangements of the members of the Concert Party.
- 5.2.14 Neither the Concert Party nor any person acting in concert with the members of the Concert Party, nor any person acting in concert with the Company, has borrowed or lent Existing Ordinary Shares as at 2 October 2006.
- 5.2.15 The Acquisition is being financed by the issue of Consideration Shares. Neither the payment of interest or non repayment of, nor security for, any liability (contingent or otherwise) of any members of the Concert Party will be required nor depend to any significant extent on the business of the Enlarged Group.

5.3 Directors’ service contracts

- 5.3.1 On 2 October 2006 the Company entered into a service agreement with Anthony Fabrizi. The contract is conditional upon the passing of the Resolutions. The contract provides for Mr Fabrizi to act as the Chief Executive Officer of the Company at a salary of £120,000 per annum. Mr Fabrizi will commence in that office on the date of Admission. The contract may be terminable by 6 months’ notice in writing by either party. Under the contract, Mr Fabrizi is entitled to 30 paid working days holiday each year and is entitled to participate in any medical health insurance, life assurance permanent health assurance and critical and terminal illness insurance operated by the Company from time to time and the stakeholder pension scheme.
- 5.3.2 On 2 October 2006 the Company entered into a service agreement with Patrick Claridge. The contract is conditional upon the passing of the Resolutions. The contract provides for Mr Claridge to act as an executive director of the Company at a salary of £75,000 per annum. Mr Claridge will commence in that office on the date of Admission. The contract has a fixed term of 1 year from 1 May 2006 and is terminable by 6 months’ notice in writing by either party. Under the contract, Mr Claridge is entitled to 30 paid working days holiday each year private health scheme insurance and life assurance

scheme operated by the Company from time to time and the stakeholder pension scheme. In addition, Mr Claridge will be paid a bonus of £25,000 for the 12 months ending 1 May 2007 in equal instalments.

- 5.3.3 On 2 October 2006 the Company entered into a service agreement with Steve Whelton. The contract is conditional upon the passing of the Resolutions. The contract provides for Mr Whelton to act as the Finance Director of the Company at a salary of £85,000 per annum. Mr Whelton will commence in that office on the date of Admission. The contract is terminable by 6 months' notice in writing by either party. Under the contract, Mr Whelton is entitled to 30 paid working days holiday each year and is entitled to participate in any medical health insurance, life assurance permanent health assurance and critical and terminal illness insurance operated by the Company from time to time and the stakeholder pension scheme.
- 5.3.4 On 2 October 2006, the Company entered into letters of appointment with John Green and Charles Price as non-executive directors of the Company (and in the case of Mr Green, also as Chairman). The letters of appointment are conditional upon the passing of the Resolutions. Under the letters of appointment Mr Green and Mr Price are appointed for an initial period of 12 months and thereafter their services are terminable on 6 months' notice from either party. Under the letters of appointment Mr Green is paid £25,000 per annum and Mr Price £15,000 per annum.
- 5.3.5 David Barton is engaged by the Company as a non-executive Chairman on the terms of a letter of appointment dated 22 February 2005 for an initial fixed term of 12 months and terminable thereafter on one month's notice from either party. Mr Barton receives a fee of £5,000 per annum and is subject to non-solicitation and confidentiality undertakings.
- 5.3.6 Alan Pereira is engaged by the Company as finance director on the terms of a letter of appointment dated 22 February 2005 for an initial fixed term of 12 months and terminable thereafter on one month's notice from either party. Mr Pereira receives a fee of £5,000 per annum and is subject to non-solicitation and confidentiality undertakings.
- 5.3.7 Both David Barton and Alan Pereira will be resigning as directors on completion of the Acquisition and passing of the Resolutions.
- 5.3.8 There are no service agreements in existence between any of the Directors, Proposed Directors and the Company providing for benefits upon termination of employment. There are no service contracts which require more than 12 months' notice of termination.
- 5.3.9 Neither David Barton's nor Alan Pereira's service agreements have been altered in the past 6 months.

5.4 Major shareholders

- 5.4.1 Save as set out below, the Company, the Directors and the Proposed Directors are not aware of any person, other than those persons referred to below, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company or who is (as at 29 September 2006, being the most recent practicable date before publication of this document) or who will immediately following Admission, be interested (within the meaning of the Act) directly or indirectly, in 3 per cent. or more of the issued share capital of the Company.

<i>Interested Person</i>	<i>Current</i>		<i>Immediately upon Admission and the Share Consolidation</i>	
	<i>No. of Existing Ordinary Shares</i>	<i>% of existing issued share capital</i>	<i>No. of New Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
Anthony Fabrizi	—	—	4,958,001	25.53
Gartmore	—	—	3,302,954	17.00
Andertec Limited	—	—	1,321,181	6.80
Ruffler Bank Plc	5,600,000	20.6	1,220,591	6.29
CE/U.K./LLC	—	—	1,189,063	6.12
Patrick Claridge	—	—	990,886	5.10
City and Continental Securities	1,350,000	5.0	960,738	4.95

<i>Interested Person</i>	<i>Current</i>		<i>Immediately upon Admission and the Share Consolidation</i>	
	<i>No. of Existing Ordinary Shares</i>	<i>% of existing issued share capital</i>	<i>No. of New Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
City and Continental LLP	—	—	825,738	4.25
Barry Muncaster	4,000,000	14.7	400,000	2.05
Co-opr8 Investments Plc	2,050,000	7.5	205,000	1.06
Barclays Stockbrokers (ND)	1,975,518	7.3	197,552	1.02
Joe Muncaster	1,000,000	3.7	100,000	0.51
Mrs Immacolata Davis	1,000,000	3.7	100,000	0.51

5.4.2 The Company, the Directors and the Proposed Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

5.4.3 The persons, including the Directors and Proposed Directors, set out on Page 7 of this document above, do not have voting rights in respect of the share capital of the Company which differ from any other shareholder of the Company.

5.5 *Other interests*

5.5.1 Over the five years preceding the date of this document, the Directors and Proposed Directors of the Company have been directors or partners of the following companies and partnerships:

<i>Director</i>	<i>Current</i>	<i>Former</i>
David Barton	A1 Credit Limited Ruffler Bank Plc Huntley Securities Limited All New Video Plc	Flexifoil International Limited Plantasia Limited Smart Voucher Limited Smart Value Promotions Limited Smart E-Money Limited Star Garage Limited Smart Value Limited The Nugent Group Plc Universal E-Cash Limited 55 Hans Place Management Limited 56 Hans Place Management Limited
Alan Pereira	AD Pereira Financial Consultants (Partnership) Cassian Investments Plc Cyber Electronics Ltd Focus Research Ltd	Avanti Capital Plc Bethwand Ltd Cambury Investments Plc Gordian Investments Plc Health For Life Plc Microshield Industries Ltd Residential Portfolio Managers Ltd Sandbeach Limited Sporting Life UK Ltd SY Travel Services Ltd Totalbet.Com Limited UKBetting Plc UKBetting.COM.LTD WEB_BET Ltd
John Green	RAB Multi Strategy Company Limited JLG Consultancy Limited Principal Investment Holdings Limited	Golden Tulip Manchester Limited Inventive Leisure Limited

<i>Director</i>	<i>Current</i>	<i>Former</i>
	Timecreate Limited Broadgate Investment Trust Plc Internet Business Group Plc Merchant Securities Limited Huntress Holdings Limited	
Anthony Fabrizi	Merchant Securities Holdings Limited Merchant Securities Limited Merchant Securities (Nominees) Limited Meabell Limited Ruffler Bank Plc Virtue Fusion Limited Sabas Limited Caplay Plc Smart Voucher Limited	Bioprogress Plc Designer Vision Group Plc Intrinsic Value Partnership Limited Lumina Partners Limited Universal E-Cash Limited
Patrick Claridge	Caplay Plc Claridge Lai Consulting Limited Merchant Securities Limited	E* Trade Securities Limited E* Trading UK (Holdings) Limited TIR Securities (UK) Limited LMP Investments Plc Romanov Investments Limited
Steve Whelton	Merchant Securities Limited	Invicta Capital Limited Anglo Film Nominees Limited Sovereign Film Nominees Limited Invicta Property LPI Limited Invicta Property GPI Limited Gala Distributors Limited Gala Releasing Limited
Charles Price	Supercart Plc Woodford Rugby Ground Limited Ruffler Bank Plc Merchant Securities Limited	Cheapside Nominees Limited Friedlander Nominees Limited S&F Nominees Limited Singer and Friedlander Factors Limited Singer and Friedlander Holdings Limited Singer and Friedlander Limited Singer and Friedlander Trade Finance Limited Sinjul Investors Limited Coachlease plc Hermes Group Limited HL Holdings Limited Hermes Financial Management Limited Hermes Leasing Limited Hermes Leasing (London) Limited Hermes Leasing (Western) Limited Hermes lease Finance PLC Singer and Friedlander Commercial Finance Limited Singer and Friedlander

Director

Current

Former

Finance Limited
Singer and Friedlander
Leasing (3) Limited
Singer and Friedlander
Leasing (6) Limited
Singer and Friedlander
Leasing (9) Limited
Singer and Friedlander
(Scotland) (6) Limited
Singer and
Friedlander(Scotland) (9)
Limited
Singer and Friedlander
(Scotland) Limited
Singer and Friedlander
Leasing Limited
Singer and Friedlander
Private Finance Limited
The First British American
Corporation Limited
Union Transport Network
Limited
R.C.B. Creditors Limited
Wintrust Plc
Wintrust Securities Limited

- 5.5.2 (a) David Barton was a director of The Nugent Group Plc until March 1994 when it went into creditors voluntary liquidation. It was dissolved on 31 December 1999 with a shortfall to creditors.
- (b) John Green is a director of Broadgate Investment Trust Plc, which is a split capital investment trust. This company was placed into members' voluntary liquidation on 29 July 2004. All creditors have been paid in full.
- 5.5.3 Save as set out in paragraph 5.5.2 of this Part VI, none of the Directors or Proposed Directors have:
- (a) any unspent convictions in relation to indictable offences;
 - (b) at any time been adjudged bankrupt or been the subject of any form of individual voluntary arrangement;
 - (c) been a director of a company at the time of, or within the 12 months preceding the date of, its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or composition or arrangement with its creditors generally or any class of creditors;
 - (d) been a partner in a partnership at the time of, or within the 12 months preceding the date of, its compulsory liquidation, administration or partnership voluntary arrangement;
 - (e) owned any asset which has been placed in receivership or been a partner of any partnership at the time at which, or within the 12 months preceding the date on which, any asset of that partnership has been placed in receivership;
 - (f) been subject to any public criticism by any statutory or regulatory authority (including a recognised professional body); or
 - (g) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.6 Related Party Transactions

- 5.6.1 Save as disclosed in Section A of Part IV, there are no other related party transactions, which as a single transaction or in their entirety, are or may be material to the Enlarged Group.

6. SHARE OPTION ARRANGEMENTS

6.1 A resolution to approve the establishment by the Company of the Share Option Schemes is proposed at the EGM to be held on 25 October 2006.

6.2 The principal terms of the EMI Scheme are as follows:

General: It is proposed that certain key employees will be granted Options over New Ordinary Shares (“Shares”) exercisable in accordance with the EMI Scheme rules. The EMI Scheme will be administered by the board of Directors of the Company or a duly authorised committee thereof (the “Board”). It is intended that options granted under the EMI Scheme will be EMI options.

Eligibility: All employees of the Company or the group whose time committed to the business of the Company or the group is at least 25 hours per week or, if less, 75 per cent. of their working time are eligible to participate, provided they do not have a material interest in the Company.

Grant of Options: Options may be granted at the discretion of the Board at any time provided that in the case of EMI options on any given day the total market value of shares in respect of which unexercised EMI Options exist (as at the relevant date of grant) does not exceed £3 million and the gross assets of the Company (or the group) are less than £30 million. Options cannot be granted after the tenth anniversary of the adoption of the EMI Scheme.

Option Price: The price per Share payable on the exercise of an option will be set by the Board, but must be at least the nominal value of a Share.

Exercise of Options: The option agreement between the Company and the participant will state the date(s) on which the option will become exercisable.

In respect of the first grant of options under the EMI Scheme, it is intended that they will become exercisable two years from the date that they were granted under the MSH Scheme (see explanation of Replacement Options below).

For subsequent grants, the Board may set appropriate performance conditions which must be satisfied prior to exercise (see paragraph “performance targets” below).

In the event of death, or cessation of the participant’s employment with the Company (or the group) any outstanding options lapse and cease to be exercisable.

In the event of a takeover or change of control of the Company, a scheme of arrangement, or a voluntary liquidation, options may be exercised early (in certain circumstances at the discretion of the Board), for a limited period taking into account the achievement of the performance targets to date.

In the event that another company obtains control of the Company, options may in certain circumstances be exchanged for options over the shares in the acquiring company (or an associated company).

Options may not be exercised after the tenth anniversary of the date of grant.

Performance Targets: Performance targets will be set by the Board. The Board has discretion to vary the performance targets provided the performance target remains objective and the purpose of the variation is to ensure that the criteria against which performance is measured is a fairer measure of performance or to more effectively incentivise participants.

Scheme Limits: The total number of unissued shares which may be granted under option at any time, when aggregated with the total Shares issued (or capable of issue) pursuant to options previously granted under the EMI Scheme and any other share incentive scheme adopted by the Company during the 10 year period from the adoption of the EMI Scheme, shall not exceed 10 per cent. of the share capital then in issue. Options granted prior to Admission are included for these purposes.

Individual Limits: In order for an option to be an EMI option the aggregate market value of the shares subject to any EMI Options granted to the participant or any option granted to the participant under an approved Company Share Option Plan must not exceed £100,000 in any 3 year period. If the £100,000 limit is exceeded any option granted is an Unapproved Option.

Rights Attaching to Shares: Shares allotted under the Scheme will rank equally with all other shares then in issue. However, if under the terms of a resolution passed or an announcement made by the Company prior to the date of the exercise of an option, a dividend is to be, or is proposed to be, paid to holders of Shares on the register and dated after the effective date of exercise, the Shares issued following such exercise will not warrant such dividend.

The Company will apply for any new Shares to be admitted to trading on AIM.

Adjustment to Option: In the event of any variation to the Company's share capital such as a rights or capitalisation issue or reduction of capital or other event affecting the Company, the Board may make an appropriate adjustment to the number of ordinary shares over which an option has been granted and the option price.

Amendments to the Scheme: The Board may at any time amend or alter the EMI Scheme. However, the Board shall notify each option holder of any material amendment to the rules of the EMI Scheme which affects them and explain how it affects their position under the EMI Scheme.

Pensionability: Options granted under the EMI Scheme will not form part of the participant's remuneration for pension or other purposes.

PAYE/NIC Elections: The EMI Scheme provides an indemnity to the Company from the participant in respect of any income tax and both employee's and employer's national insurance liabilities. It also allows the Company to sell Shares on the participant's behalf to meet these liabilities.

6.3 The principal terms of the Unapproved Scheme are as follows:

General: Options under the Unapproved Scheme will be granted to employees who do not qualify for options under the EMI Scheme or who are being granted options in excess of the limits under the EMI legislation. The main features of the Unapproved Scheme are the same as the EMI Scheme save in the following respects:

Eligibility: All directors or employees of the Company or any member of its group are eligible to participate (regardless of the number of hours worked or the number of shares held by that employee).

Grant of Options: Options may normally only be granted within 42 days of adoption of the Unapproved Scheme, within 42 days after announcement of the Company's financial year or half-year results or to an individual within 14 days of that individual becoming an employee or director of the group. Options may however be granted outside of this period if the Board considers that the circumstances are exceptional. Options cannot be granted later than 10 years after adoption of the EMI Scheme. Unlike the EMI Scheme the Company does not have to meet any other criteria at the date of grant.

Adjustment to Option: The Board can amend the Unapproved Scheme, but no amendment may be made which would materially affect the existing rights of an option holder unless it has been approved by a majority of option holders. In addition, no amendment may be made to the matters referred to in this summary which is to the advantage of existing or future option holders (other than minor amendments for general administrative, fiscal or regulatory benefit) except with the consent of the Company in general meeting.

6.4 Replacement Options

Subject to the Resolutions being passed at the EGM, the Company proposes to enter into a Share Scheme Deed with each of the existing option holders under the MSH Scheme (the "Option Holders") under which it provides Replacement Options over New Ordinary Shares in the Company.

The principal terms of the Share Scheme Deed are as follows:

Release of existing option: Each Option Holder shall surrender their existing option under the MSH Scheme and release MSH from its obligations under the existing option.

Grant of replacement option: The Company will grant the Option Holder a "Replacement Option" over New Ordinary Shares in the Company. The Replacement Option will be subject to the same terms and conditions as an option under the MSH Scheme and will be regarded as having been granted at the time that the option was granted under the MSH Scheme. If the Replacement Option is in respect of an EMI Option the Replacement Option will be granted pursuant to and subject to the provisions of Schedule 5 Income Tax (Earnings and Pensions)

Act 2003 (Enterprise Management Incentives). The Replacement Options granted in respect of the two non-qualifying options granted to Charles Price and John Green under the MSH Scheme will be granted pursuant to the Unapproved Scheme and will not be granted pursuant to and subject to the EMI legislation.

- 6.5 The Company intends to grant the following Proposed Directors Replacement Options under the EMI Scheme with an exercise price of 29.9p per share:

<i>Name</i>	<i>Number</i>	<i>Exercise Period</i>	<i>Exercise Price</i>
Anthony Fabrizi	500,100	29 March 2016	29.9p
Patrick Claridge	417,499	29 March 2016	29.9p
Steven Whelton	167,000	29 March 2016	29.9p

- 6.6 The Company intends to grant the following Proposed Directors Options Replacement Options under the Unapproved Scheme with an exercise price of 29.9p per share:

<i>Name</i>	<i>Number</i>	<i>Exercise Period</i>	<i>Exercise Price</i>
Charles Price	66,800	29 March 2016	29.9p
John Green	100,200	29 March 2016	29.9p

- 6.7 Save as set out above and in paragraphs 3.11 to 3.14 above and paragraphs 7.7, 7.10 and 7.11 below, no share or loan capital of the Company or any of its subsidiary undertakings is under option or agreed conditionally or unconditionally to be put under option.

7. MATERIAL CONTRACTS

- 7.1 The following contracts not being contracts entered into in the ordinary course of business, are contracts which (i) are or may be material and have been entered into by the Company or any other member of the Enlarged Group within the two years immediately preceding the date of this document; or (ii) have been entered into by the Company or any other member of the Enlarged Group at any time before the date of this document where those contracts contain provisions under which any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document.
- 7.2 On 2 October 2006, the Company and Anthony Fabrizi entered into an acquisition agreement pursuant to which the Company agreed to purchase 13,495,290 shares held in MSH (constituting all his shares) for a consideration of £2,479,000 to be satisfied by the allotment and issue of 4,958,001 New Ordinary Shares. The agreement is conditional, *inter alia*, upon the passing of the Resolutions and Admission occurring. Under the agreement Anthony Fabrizi gave warranties in relation to MSH, usual in their nature and scope for a transaction of this type and size. Anthony Fabrizi's liability under the warranties and indemnities is capped at £500,000. In addition, Anthony Fabrizi gave restrictive covenants in favour of the Company for a period of 24 months following completion of the Acquisition. The Company has also given certain warranties to Anthony Fabrizi and the other shareholders of MSH.
- 7.3 On 2 October 2006 the Company and the other shareholders of MSH entered into an acquisition agreement pursuant to which the Company agreed to purchase the remaining issued share capital of the Company not being acquired pursuant to the agreement summarised in paragraph 7.2 above, being 31,960,802 shares for a consideration of £5,871,000 satisfied by the allotment and issue of 11,741,999 New Ordinary Shares. The agreement is conditional upon Admission occurring. Under the agreement the shareholders of MSH gave short warranties that, *inter alia*, they were the legal and beneficial owners of their MSH shares.
- 7.4 On 2 October 2006, the Company and Arden Partners entered into a nominated adviser and broker agreement under which Arden Partners set out the services to be provided by it in connection with its role as the Company's nominated adviser and broker. Under the agreement the Company agreed to pay Arden Partners a fee of £110,000 in relation to the Acquisition and an annual retainer of £35,000 (plus VAT) for its services and gave certain undertakings and indemnities in favour of Arden Partners which are customary in agreements of this kind. The agreement may be terminated by either party giving one month's written notice to the other.

- 7.5 On 22 February 2005, the Company entered into an agreement with Teather & Greenwood Limited and the Existing Directors under which Teather & Greenwood Limited agreed to act as the Company's Nominated Adviser and Broker and to advise and assist the Company in respect of Admission and on an ongoing basis for an initial period of 9 months and thereafter until terminated by 3 months' notice by either party. The agreement contains indemnities and warranties given by the Company to Teather & Greenwood Limited and certain covenants from the Existing Directors. In addition, in respect of its Nominated Adviser and Broker services, Teather & Greenwood Limited will receive a fee equivalent to £10,000 per annum until completion of the Company's first acquisition and £40,000 per annum thereafter. This agreement has now terminated.
- 7.6 On 22 February 2005, the Company and the Directors entered into an AIM sponsorship agreement with Teather & Greenwood Limited under which Teather & Greenwood agreed to assist the Company in obtaining admission of its issued share capital to trading on AIM. The agreement contained certain warranties and indemnities from the Company and certain warranties from the Directors in each case in favour of Teather & Greenwood Limited. In addition, the Directors agreed not to dispose of any Ordinary Shares or any interest in Ordinary Shares for a period of at least 12 months from 2 March 2005 until 2 March 2006 or completion of an acquisition by the Company, whichever is the later.
- 7.7 On 22 February 2005 the Company entered into an options agreement pursuant to which the Company granted certain options to Teather & Greenwood Limited to subscribe for Ordinary Shares (in each case exercisable for a period of two years from 2 March 2005 of the Company) as follows:
- 7.7.1 816,000 Ordinary Shares (which represented 3 per cent. of the Company's issued Ordinary Share capital immediately following the initial admission of the Company to trading on AIM on 2 March 2005) at 5p per Ordinary Share; and
- 7.7.2 such number of Ordinary Shares as shall represent 1 per cent. of the issued Ordinary Share capital of the Company immediately following completion of a transaction or series of transactions by the Company or any member of its group (aggregated in accordance with the AIM Rules) of 50 per cent. or more of the voting rights of a company and which transaction or aggregation of transactions exceed 50 per cent of any of the class tests contained in the AIM Rules at a price per Ordinary Share equal to the price per Ordinary Share issued by the Company as consideration for any such acquisition or acquisitions. By an agreement dated 2 October 2006 Teather & Greenwood Limited has renounced this option.
- The number of Ordinary Shares that are the subject of the options and/or the exercise price per Ordinary Share is in each case subject to adjustment and determination by the Company's auditors (in the absence of agreement on the matter) in the event of certain changes being made to the Company's share capital. Such an adjustment will be made as a consequence of the Share Consolidation.
- 7.8 On 22 February 2005 separate lock-in agreements were entered into by Ruffler Bank Plc and Ghaliston Limited pursuant to which each party agreed with the Company and Teather & Greenwood Limited not to dispose of any Ordinary Shares or any interest in their Ordinary Shares for a period of at least 12 months from 2 March 2005 or until completion of an acquisition by the Company, whichever is the later and thereafter not to dispose of their interest in their holdings other than through the Company's broker.
- 7.9 On 22 February 2005 a lock-in agreement was entered into by Barry Muncaster, the Company and Teather & Greenwood Limited pursuant to which Mr Muncaster agreed that he would not dispose of any Ordinary Shares or any interest in their Ordinary Shares for a period of at least 12 months from 2 March 2005 and thereafter not to dispose of their interest in their holdings other than through the Company's broker.
- 7.10 On 22 February 2005 the Company and Alan Pereira entered into an options agreement pursuant to which the Company granted Alan Pereira the option to subscribe for 544,000 Ordinary Shares of 1p each at an exercise price of 5p per Ordinary Share (exercisable for a period of two years from 2 March 2005).

The number of Ordinary Shares that are subject to the options and the exercise price per Ordinary Share will be adjusted in the event of any consolidation of the Ordinary Shares. Such an adjustment will be made as a consequence of the Share Consolidation and Alan Pereira will have the option to subscribe for 54,000 Ordinary Shares of 10p each at an exercise price of 50p per option.

- 7.11 On 22 February 2005 the Company and David Barton entered into an options agreement pursuant to which the Company granted David Barton the option to subscribe for 544,000 Ordinary Shares of 1p each at an exercise price of 5p per Ordinary Share (exercisable for a period of two years from 2 March 2005).

The number of Ordinary Shares that are subject to the options and the exercise price per Ordinary Share will be adjusted in the event of any consolidation of the Ordinary Shares. Such an adjustment will be made as a consequence of the Share Consolidation and David Barton will have the option to subscribe for 54,000 Ordinary Shares of 10p each at an exercise price of 50p per option.

- 7.12 On 24 May 2006 MSH entered into an agreement for the acquisition of the entire issued share capital of MSL for a cash consideration of £4.05 million. Nick Edmonstone was the only seller who gave warranties and indemnities under the acquisition agreement. Nick Edmonstone's liability was capped at £750,000 (and £500,000 in relation to tax) in respect of any claim under the agreement.
- 7.13 On 24 May 2006 Anthony Fabrizi (1) the other shareholders of MSH (2) and MSH (3) (then called Ghaliston Limited) entered into an investment agreement pursuant to which the other shareholders of MSH agreed to subscribe for ordinary shares of 1p each in MSH for £0.11123 per share. Under the agreement Anthony Fabrizi gave warranties in relation to MSH and gave restrictive covenants in favour of the Company for a period of one year from the date of the agreement. The agreement will cease and determine on a sale, reverse or listing of the Company.
- 7.14 Lock-in agreements dated 2 October 2006 between the Company (1) Arden Partners (2) and the Proposed Directors (3) pursuant to which each of the Proposed Directors have agreed not to dispose of any interest in their Ordinary Shares for a period of at least 12 months from the date of Admission and thereafter for a further period of 6 months not to dispose of any interest in their holding other than through Arden.
- 7.15 Individual lock-in agreements dated 2 October 2006 pursuant to which each of Graeme Smith, Adrian Messina, Chris Coleman and Christopher Taylor have agreed with the Company and Arden not to dispose of their Ordinary Shares or of any interest in their New Ordinary Shares for a period of at least 12 months from the date of Admission and thereafter for a further period of 6 months not to dispose of any interest in their holding other than through Arden.

8. TAXATION

- 8.1 This paragraph is intended as a general guide to the current tax law and practice in the United Kingdom in the areas referred to below and is subject to change. It applies (unless otherwise expressly indicated) to persons who are resident or ordinarily resident in the UK for tax purposes, who are not share dealers or charities or persons with special tax status and who beneficially own shares as investments.

8.2 Taxation of dividends

Under current United Kingdom tax legislation, no tax will be withheld by the Company when it pays dividends.

- (a) Individual and trustee shareholders
- (i) An individual shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company will be entitled to a tax credit equal to one ninth of the amount of the net dividend which is also equivalent to a tax credit of 10 per cent of the sum of the net dividend and the tax credit (the "gross dividend").
- (ii) Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual's income. The tax credit referred to in (i) above will discharge the liability to income tax in respect of the dividend of an

individual shareholder who is subject to United Kingdom tax at the lower rate or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability on tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate taxpayer will be liable to additional income tax equal to 25 per cent of the net dividend. If an individual United Kingdom resident shareholder's total tax credit on such dividends exceeds his overall United Kingdom tax liability, he will be unable to claim from HM Revenue and Customs repayment of the excess.

(iii) For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts the gross dividend will be subject to United Kingdom income tax at a rate of 32.5 per cent with a tax credit equal to 10 per cent of the gross dividend.

(iv) The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, life assurance company, or charity will not be repaid.

(b) Corporate shareholders

A corporate shareholder (other than a share dealer) resident for tax purposes in the United Kingdom will not generally be liable to United Kingdom corporation tax on any dividend received, nor will it be able to recover any part of the tax credit.

(c) Non-resident shareholders

Certain non-resident shareholders may be able to claim repayment of part of the tax credit under a relevant double taxation agreement, but any such amount is likely to be insignificant.

8.3 Taxation on capital gains for shareholders

Depending on their circumstances, shareholders who are resident or, in the case of individuals, ordinarily resident in the UK for taxation purposes may be subject to capital gains tax (or, in the case of corporate shareholders, corporation tax on capital gains) in respect of any gain arising on a disposal, including a disposal on a winding-up of the company, of their shares unless the shareholder is taxed as a dealer in securities, in which case any gain will be treated as income and taxed as such. For shareholders who are individuals who are resident or ordinarily resident in the United Kingdom, taper relief, and for shareholders within the charge to UK corporation tax, indexation allowance, may reduce a chargeable gain but not create or increase any allowable loss.

Shareholders who are not resident or ordinarily resident in the UK for the purpose of UK taxation will not normally be liable to UK taxation on chargeable gains arising from a disposal of their shares unless they carry on a trade, profession or vocation in the UK through a branch or agency in connection with which the shares are held. However, such shareholders may be subject to charges to foreign taxation depending upon their personal circumstances. In addition, individual shareholders who are temporarily non-UK resident may be liable to UK capital gains tax under anti-avoidance legislation.

8.4 Stamp duty

No United Kingdom stamp duty will be payable on the issue by the Company of New Ordinary Shares. Transfers of New Ordinary Shares for value will give rise to a liability to United Kingdom *ad valorem* stamp duty, or stamp duty reserve tax, at the rate in each case of 50p in £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). Transfers under the CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

8.5 Tax Clearances

Shareholders are advised clearance under s707 ICTA and s138 TCGA has been obtained.

The above comments are intended as a general guide to the current tax position in the United Kingdom based on current UK tax legislation and HM Revenue and Customs practice. They apply principally only to shareholders resident in the United Kingdom for tax purposes and who hold their ordinary shares as an investment. If you are not resident in the United Kingdom or are in any doubt as to your tax position, you should consult your own professional adviser.

9. WORKING CAPITAL

The Directors (having made due and careful enquiry) are of the opinion that taking into account existing cash, bank and other facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

10. LITIGATION

10.1 The Company is not, nor has at any time since its incorporation, been engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company, nor of any such proceedings having been pending or threatened at any time since the Company's incorporation, in each case which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

10.2 No member of the MSH Group is, or has at any time in the 12 months immediately preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings and MSH is not aware of any governmental, legal or arbitration pending or threatened by or against MSH or any member of the MSH Group, nor of any such proceedings having been pending or threatened or any time in the 12 months immediately preceding the date of this document in each case which may have, or have had, in the recent past, a significant effect on MSH or the MSH Group's financial position or profitability.

11. USE OF PROCEEDS, EXPENSES AND GENERAL

11.1 The overall costs and expenses payable by the Company in connection with Admission (including professional fees, commissions, underwriting commission, the costs of printing and the fees payable to the Registrars) are estimated to amount to approximately £345,000 (excluding VAT).

11.1.1 Other than as disclosed elsewhere in this document, no person has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission, or entered into contractual arrangements to receive, directly or indirectly, on or after Admission:

- (i) fees totalling £10,000 or more;
- (ii) securities of the Company having a value of £10,000 or more calculated by reference to the expected opening price; or
- (iii) any other benefit with a value of £10,000 or more at the date of Admission.

11.2 Save as disclosed in Part II of this document, neither the Company nor the MSH Group is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

11.3 Save as otherwise disclosed in this document there has been no material or significant change in the financial or trading position of the Company, which has occurred since the end of the last financial period for which audited financial information has been published.

11.4 Save as otherwise disclosed in this document, there has been no material or significant change in the financial or trading position of the MSH Group which has occurred since the end of the last financial period for which audited financial information has been published.

11.5 The auditors to the Company are BDO Stoy Hayward LLP of 8 Baker Street, London WC2R 1JN who are members of the Institute of Chartered Accountants in England and Wales. There have been no previous auditors. It is intended that after Admission the Company's auditors will change to Horwath Clark Whitehill LLP.

11.6 It is intended that upon Admission the registered office of the Company will change to 34 Southwark Bridge Road, London SE1 9EU.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Lawrence Graham LLP, 190 Strand, London WC2R 1JN until 26 October 2006:

- (a) the memorandum and articles of association of the Company and MSH;
- (b) the audited accounts for the previous 2 years from MSH;
- (c) the financial statements for the Company for the period 31 January 2005 to 31 March 2006;
- (d) the Accountants' Report on the Company set out in part (c) of Part IV of this document;
- (e) the Accountants' Report on MSH and its subsidiary MSL set out in parts (a) and (b) of Part IV of this document;
- (f) the letter from CLB Littlejohn Frazer relating to the pro forma statement of net assets set out in Part V of this document;
- (g) the material contracts referred to in paragraph 7 above;
- (h) the Directors' and the Proposed Directors' service contracts, and letters of appointment referred to in paragraph 5 above; and
- (i) the written consents referred to in paragraph 1 above.

CASTOR INVESTMENTS PLC

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Castor Investments Plc will be held at Lawrence Graham LLP, 190 Strand, London WC2R 1JN at 11.00 am on 25 October 2006 for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 6 will be proposed as ordinary resolutions (Resolution 2 to be determined on a poll, as required by the Panel on Takeovers and Mergers) and Resolutions 7 and 8 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. THAT subject to the passing of Resolution 2 below, the proposed acquisition (“the Acquisition”) by the Company of the entire issued share capital of Merchant Securities Holdings Limited, on the terms and subject to the conditions of the agreements (“the Acquisition Agreements”) described in the admission document sent to shareholders of the Company dated 2 October 2006 (“the admission document”), be and is hereby approved and that the board of directors of the Company (or a duly constituted committee of that board) be and is hereby authorised to waive, amend, vary or extend any of the terms and conditions of the Acquisition or the Acquisition Agreements (but not to any material extent) and do all things as it may consider necessary or desirable in connection with the Acquisition.
2. THAT the Waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the Concert Party (as defined in the admission document) or any member thereof to make a general cash offer for the whole of the Company’s issued share capital pursuant to Rule 9 of City Code as a result of the issue of new ordinary shares pursuant to the Acquisition Agreements, (which would give the Concert Party 47.10 per cent. of the issued share capital and voting rights of the Company) and specifically as a result of the allotment and issue by the Company to members of the Concert Party (pursuant to the Acquisition) of the consideration shares of 9,147,616 ordinary shares of 10p each in the capital of the Company and the grant of options over an aggregate of 2,474,090 ordinary shares of 10p each in the capital of the Company to members of the Concert Party (which would, in total, amount to an aggregate interest of the members of the Concert Party of up to 53.06 per cent. of the Enlarged Share Capital) be and is hereby approved.
3. THAT subject to the passing of Resolutions 1 and 2, the authorised share capital be increased from £2,000,000 to £3,000,000 by the creation of a further 100,000,000 Ordinary Shares of 1p each ranking *pari passu* in all respects with the Existing Ordinary Shares in the capital of the Company.
4. THAT subject to the passing of Resolutions 1 and 2, every ten Ordinary Shares of 1p each in issue and unissued in the capital of the Company be and they are hereby consolidated into one Ordinary Share of 10p each, and any fractions arising shall be consolidated and sold for the benefit of the Company.
5. THAT subject to the passing of Resolutions 1 and 2, the directors be and they are hereby generally and unconditionally authorised (in substitution for all existing powers) for the purposes of section 80 of the Companies Act 1985 (the “Act”) to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of:
 - 5.1 £1,670,000 in connection with the Acquisition;
 - 5.2 £344,582 in connection with the Share Option Schemes; and
 - 5.3 otherwise than as set out in paragraphs 5.1 and 5.2 up to an aggregate nominal value of £582,600

provided that this authority shall expire on 25 October 2011 and that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired and in this resolution the expression “relevant securities” and references to the allotment of relevant securities shall bear the same respective meanings as in section 80 of the Act.

6. THAT, subject to the passing of Resolutions 1 and 2, the rules of the Company's Enterprise Management Incentive Share Option Scheme (the "EMI Scheme") and the rules of the Company's 2006 Unapproved Share Option Scheme (the "Unapproved Scheme") in the form (or substantially in the form) of the draft produced to this meeting be and they are hereby approved (subject to such modifications, if any, as may be necessary to satisfy the relevant legislative requirements relative to EMI Schemes) and that the Directors of the Company be and they are hereby authorised to do all acts and things necessary or expedient (including making modifications as aforesaid) to carry the EMI Scheme and the Unapproved Scheme into effect and that without prejudice to the generality of the foregoing authority, the Directors be and they are hereby authorised to grant options over ordinary Shares in the authorised but unissued share capital of the Company in accordance with the EMI Scheme and the Unapproved Scheme, and to allot and issue shares upon the exercise of such options.

SPECIAL RESOLUTIONS

7. THAT, subject to the passing of Resolutions 1 and 2, the name of the Company be changed to "Merchant Securities Plc".
8. THAT, subject to the passing of Resolutions 1 and 2 and the passing of Resolution 5 (as defined in the admission document), and in substitution for all existing authorities, the Directors be generally empowered pursuant to section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred on the Directors pursuant to Resolution 5 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to allotments of equity securities:
- 8.1 where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient;
- 8.2 up to a nominal amount of £344,582 in connection with the Share Option Schemes;
- 8.3 the allotment (other than pursuant to 8.1 above) of equity securities up to a maximum aggregate nominal amount of £194,200 (being equal to approximately ten per cent. of the issued ordinary share capital of the Company immediately following Admission)
- and such authority shall expire on 25 October 2011, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements. All authorities previously conferred under section 95 of the Act shall be revoked with effect from Admission, but such revocation shall not have retrospective effect.

Registered Office:

190 Strand
London
WC2R 1JN

BY ORDER OF THE BOARD

Alan Pereira
Company Secretary

Registered number:

5347651

Dated 2 October 2006

Notes

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy is enclosed for your use, if desired.
2. To be valid, a form of proxy must be completed and lodged (together with the power of attorney or other authority, if any, under which it is signed or a duly certificated copy of such power or authority) with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for the meeting (or any adjournment thereof). The completion and return of a form of proxy will not prevent a member who wishes to do so from attending and voting in person.

3. In the case of an individual, the form of proxy must be signed by the appointor or by his attorney duly authorised in writing. In the case of a corporation, the form of proxy must be executed under its seal or in accordance with Section 36A or 36B of the Companies Act 1985 or be under the hand of an officer, attorney or other person duly authorised to sign the same. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of a joint holding.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only holders of shares in the capital of the Company who are registered in the Register of Members at 11 am on 23 October 2006 or 48 hours before any adjourned meeting are entitled to attend and vote at the meeting or any adjourned meeting. Changes to entries on the Register of Members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. Resolution 2 will be taken on a poll in accordance with the requirements of the Panel on Takeovers and Mergers for dispensation from Rule 9 of the City Code on Takeovers and Mergers.

