

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains the resolutions to be voted on at a General Meeting of Merchant Securities Plc (the “Company”) to be held on 28 March 2008. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares of £0.10 each in the Company (“Ordinary Shares”), please forward this document and the accompanying Form of Proxy for use in relation to the General Meeting as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred some of your Ordinary Shares, you should consult with the stockbroker, bank or other agent through whom the sale or transfer was effected.

MERCHANT SECURITES PLC

(Incorporated and registered in England with registered number 5347651)

Adoption of New Articles

Increase of Authorised Share Capital

Authorities to Issue Securities

and

Authority to amend Option Scheme Rules

Notice of General Meeting

Notice of a General Meeting of the Company, to be held at 9 a.m. at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 28 March 2008, is set out at the end of this document. The accompanying Form of Proxy for use in connection with the General Meeting should be completed and returned as soon as possible and, in any event, so as to reach the Company’s registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 9 a.m. on 26 March 2008. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

This document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with any contract therefor.

The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

CONTENTS

	<i>Page</i>
Definitions	3
Letter from the Chairman of the Company	4
Notice of General Meeting	8

DEFINITIONS

The following definitions apply throughout this document and the Form of Proxy, unless the context requires otherwise:

“Act”	the Companies Act 1985, as amended
“AIM”	the AIM market of the London Stock Exchange Plc
“Board” or “Directors”	the board of directors of Merchant Securities
“EMI Scheme”	Enterprise Management Incentive Share Option Scheme adopted by the Company on 25 October 2006
“General Meeting”	the general meeting of the Company convened for 9 a.m. on 28 March 2008 (or any adjournment thereof)
“Form of Proxy”	the accompanying form of proxy for use by Shareholders in relation to the General Meeting
“Group”	Merchant Securities and its subsidiaries
“Merchant Securities” or “the Company”	Merchant Securities Plc
“Notice of General Meeting”	the notice of General Meeting, set out at the end of this document
“Ordinary Shares”	ordinary shares in the capital of Merchant Securities having a nominal value of £0.10
“Resolutions”	the resolutions numbered 1 to 7 set out in the Notice of General Meeting
“Shareholders”	the persons who are registered as the holders of Ordinary Shares
“Unapproved Scheme”	the Unapproved Executive Share Option Scheme of the Company
“2006 Act”	the Companies Act 2006

LETTER FROM THE CHAIRMAN OF THE COMPANY

(Incorporated and registered in England with registered number 5347651)

Directors and Company Secretary:

John Green *(Non-Executive Chairman)*
Anthony Fabrizi *(Chief Executive)*
Steven Whelton *(Finance Director)*
Patrick Claridge *(Executive Director)*
John East *(Executive Director)*
Charles Price *(Non-Executive Director)*

Registered Office:

John Stow House
18 Bevis Marks
London
EC3A 7JB

3 March 2008

To Shareholders, and for information purposes only, to holders of options under the EMI Scheme and the Unapproved Scheme

Dear Shareholder,

ADOPTION OF NEW ARTICLES, AUTHORITY TO INCREASE SHARE CAPITAL, AND AUTHORITY TO ISSUE SECURITIES

1. Introduction

The Board has announced today that it has convened a general meeting of Shareholders to be held on 28 March 2008 to adopt new Articles of Association, to increase the authorised share capital of the Company, renew and increase the Directors authority to allot further Ordinary Shares and/or securities, disapply pre-emption rights over such Ordinary Shares and/or securities, ratify the issue of Ordinary Shares on 4 October 2007 and vary the terms of the Unapproved Scheme and the EMI Scheme.

The purpose of this document is to explain the reasons for calling the General Meeting and explain why the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

The Directors believe that it is in the Company's interests to adopt new Articles of Association to reflect current law and practice provisions, further details of which are set out below.

Further, the Company announced on 4 October 2007 that it had issued 11,727,271 new Ordinary Shares ("New Shares") in connection with the acquisition of East, Worlidge Holdings Limited and a placing of Ordinary Shares. It has been drawn to the Company's attention that whilst the Directors had sufficient authority under section 80 and section 95 of the Act to allot the New Shares it did not have sufficient unissued authorised share capital. The Company is now seeking to increase its authorised share capital by £2,000,000 and to ratify the allotment of the New Shares.

The Directors are seeking to increase the amount of options which may be granted under the Unapproved Scheme and the EMI Scheme. Given the nature of the Company's sales business the Directors believe that the grant of options to employees is an important way of incentivising employees and attracting new staff. The Company also wishes to vary the terms of the Unapproved Scheme and the EMI Scheme increasing the amount of options that the Company may issue under those schemes from 20 per cent. of the issued share capital to 30 per cent. of the issued share capital.

2. General Meeting

You will find at the end of this document a notice convening the General Meeting to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 28 March 2008 at 9 a.m.

Set out below is an explanation of the Resolutions to be proposed at the General Meeting:

Resolution to increase the Company's Authorised Share Capital

It is proposed that the authorised share capital shall be increased by £2,000,000 by the creation of 20,000,000 new Ordinary Shares. This increase is required to meet the issued share capital and obligations of the Company pursuant to existing option arrangements and to provide headroom for further issues of Ordinary Shares subject to the Director's authority to do so from time to time. Resolution 1 seeks to increase the Company's authorised share capital.

Resolution ratifying the Allotment of Shares and Indemnify Directors

Shareholders are being asked to ratify the issue on 4 October 2007 of 11,727,271 Ordinary Shares in excess of the Company's authorised share capital and to approve the allotment of such Ordinary Shares as valid.

Under the Act, shareholders are also able to grant the Directors relief from any liability that may be incurred by the Directors as a result of undertaking an action outside their capacity and the Company has tabled a special resolution requesting Shareholders granting the Directors relief from any liability incurred.

Resolution 2 seeks to ratify the issue and allotment of the New Shares and indemnify the Directors in respect thereof.

Resolution adopting new Articles of Association

The Company's Articles of Association need to be updated to reflect certain new provisions of the Act and the 2006 Act and the Company proposes adopting new Articles of Association at the General Meeting. Copies of the proposed new Articles of Association will be available for inspection at the Company's registered office from today until the date of the General Meeting and will also be on display at the General Meeting for at least 15 minutes prior to commencement of the meeting through until its conclusion and will also be available on the Company's website. Your attention is drawn, in particular, to the following:

Wider Indemnities for Directors

Article 151 will reflect recent statutory changes which widen the scope of the Company's ability to indemnify its Directors and officers grant wider indemnities to directors and officers than previously allowed. This allows for companies to assist directors or officers with the cost of both criminal and civil proceedings brought against them by a third party, as they are incurred.

Electronic Communications

On 20 January 2007 certain provisions under the 2006 Act came into force allowing companies to communicate with their shareholders electronically via e-mail or website and Article 142 allows for this.

The 2006 Act enables companies to communicate with shareholders through the Company's websites and/or through the use of email provided that, in each case, the shareholder has agreed that information may be supplied to him or her in such a way.

With regard to the consent to communication by website, the Company can send a notice requesting an individual to consent to having documents or information sent to him or her by means of a website, and if the Company does not receive a response to such a request within 28 days of the request being sent, the individual shareholder is deemed to have agreed to receive documents or information by such means. However, if the Company wishes to send information or documents by way of electronic form (for example, by way of email or fax) it will only be entitled to do so on receiving written consent and an appropriate address from the shareholder.

Where information is provided in electronic form, shareholders can still require the Company to send them the information or document in hard copy and such information or document must then be provided within 21 days of the request.

Disclosure of Interests in Shares

The provisions of the Act regarding the disclosure of interests in shares were repealed in January 2007. New provisions under the 2006 Act have now been brought into force and Article 70 refers to the corresponding sections of the 2006 Act.

70 Year Age Limit

The provisions relating to the 70 year age limit for directors under the Act were repealed in April 2007. Accordingly, the new Articles of Association do not contain provisions excluding directors from acting due to their age.

General Meetings to be Called on 14 Days Notice

The 2006 Act has amended the requirement to give 21 days' notice in respect of a General Meeting of shareholders at which it is proposed to pass a special resolution to 14 days' notice. Article 51.1 states that the length of notice for calling a general meeting to 14 clear days' notice. The length of notice for the Company's annual general meeting and for resolutions at which special notice has been given will remain at 21 clear days.

Change of Proxy

Under the 2006 Act the requirement to lodge an instrument appointing a proxy at the place specified for that purpose not less than 48 hours before the time of the meeting has been amended to exclude weekends, Christmas Day, Good Friday and any bank holiday. Accordingly, any of these days may no longer count towards the 48 hour period. Article 73 reflects this change and extended so that any instrument to appoint a proxy which is in the form of or contained in any electronic communication must be received not less than 48 hours before the time of meeting, again excluding weekends, Christmas Day, Good Friday and any bank holiday.

The opportunity is also being taken to make minor amendments to the Company's Articles of Association to update statutory references and to correct typographical errors. However, this summarises the material differences between the current and the proposed Articles of Association. Changes of a minor, conforming or technical nature have not been mentioned specifically. Copies of the Articles of Association (showing the proposed differences between the current Articles of Association and the new Articles of Association) are available for inspection during normal business hours at the registered office of the Company until the date of the General Meeting or upon request from the Company Secretary, and are displayed on the Company's website. Copies will be available at the General Meeting.

Resolutions increasing the Directors general authorities to issue Ordinary Shares and/or other securities

The Directors are seeking renewal of, and an increase in, their general authorities to issue Ordinary Shares and/or other securities. Such general authorities were granted to the Directors at the Annual General Meeting of the Company held on 26 September 2007 and Resolutions 4 and 5 set out in the Notice of General Meeting are in similar form to the resolutions passed at the AGM. However, following the allotment and issue of the New Shares the Board are seeking to increase their authorities.

Resolution 4 will be proposed as an ordinary resolution to authorise the Directors pursuant to section 80 of the Act to allot relevant securities generally up to £1,038,242 (10,382,423 Ordinary Shares) which represents approximately one third of the number of Ordinary Shares in issue as at today's date. This authority will expire on the earlier of 15 months after the passing of the resolution or on the conclusion of the Annual General Meeting to be held in 2008.

Resolution 5 will be proposed as a special resolution to empower the Directors pursuant to section 95 of the Act to allot equity securities for cash otherwise than on a *pro rata* basis: (i) where a *pro rata* offer has effectively been made, but subject to exclusions or arrangements to avoid logistical, regulatory or legal issues; and (ii) generally up to £622,945 (6,229,454 Ordinary Shares) which represents approximately twenty per cent. of the number of Ordinary Shares in issue as at today's date. This authority will expire on the earlier of 15 months after the passing of the resolution or on the conclusion of the Annual General Meeting to be held in 2008.

Resolutions amending the Unapproved Scheme and the EMI Scheme

At the Annual General Meeting of the Company held on 26 September 2007 Shareholders agreed that the number of options that could be granted under the Unapproved Scheme and the EMI Scheme could be increased from 10 per cent. to 20 per cent. of the issued share capital. The Directors are now seeking to increase the number of options which may be granted under the Unapproved Scheme and the EMI Scheme from 20 per cent. of the issued share capital to 30 per cent. of the issued share capital. Whilst the Directors recognise that the Association of British Insurers recommend that options should be limited to 10 per cent. of the issued share capital these limits are not mandatory for AIM listed companies and the Directors believe that they are unduly restrictive for a company of this nature. The Directors consider that such an increase is necessary in order to retain and attract employees who will be incentivised by the grant of options.

Resolution 6 will be proposed as an ordinary resolution varying the terms of the Unapproved Scheme whereby rule 3.1 of the Unapproved Scheme will be varied so that the Company may issue options up to an amount equal to 30 per cent. of the issued ordinary share capital for the time being.

Resolution 7 will be proposed as an ordinary resolution varying the terms of the Unapproved Scheme whereby rule 4.1 of the EMI Scheme will be varied so that the Company may issue options up to an amount equal to 30 per cent. of the issued ordinary share capital for the time being.

The Directors confirm that the amount of options that can be allotted under both schemes will together not exceed 30 per cent. of the Company's issued ordinary share capital.

3. Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are requested to complete the Form of Proxy and to return it to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 9 a.m. on 26 March 2008. Unless the Form of Proxy is received by this date and time, it will be invalid. The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person if you so wish.

4. Recommendation

The Directors consider the Resolutions to be proposed at the General Meeting are in the best interests of the Company and the Shareholders as a whole. Consequently, the Directors unanimously recommend that you vote in favour of all of the resolutions to be proposed at the General Meeting. Save for Resolution 2 which relates directly to the Directors and therefore from which they will abstain from voting, the Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings which in aggregate amount to 10,904,070 Ordinary Shares, representing 35 per cent. of the Company's current issued ordinary share capital.

Yours faithfully,



John Green
Non-Executive Chairman

MERCHANT SECURITIES PLC

(Incorporated and registered in England with registered number 5347651)

NOTICE OF GENERAL MEETING

Notice is hereby given that a GENERAL MEETING of the Company will be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 28 March 2008 at 9 a.m. to consider and, if thought fit, pass the following resolutions of which Resolutions 1, 4, 6 and 7 will be proposed as ordinary resolutions and Resolutions 2, 3, and 5 will be proposed as special resolutions.

Resolution 1

The authorised share capital of the Company be increased from £3,000,000 to £5,000,000 by the creation of 20,000,000 new ordinary shares of £0.10 each, having the rights attaching to such shares in the articles of association of the Company.

Resolution 2

THAT conditional upon the passing of Resolution 1 the allotment of the New Shares (as defined within the circular sent to shareholders on 3 March 2008) is ratified and that the allotment of such New Shares is approved as being valid and that the Directors of the Company be indemnified for any actions taken against them with regards to the allotment of New Shares in relation to those Ordinary Shares which exceeded the Company's authorised share capital.

Resolution 3

THAT the Articles of Association of the Company in the form contained in the printed document produced to the meeting be and are approved and adopted as the new Articles of Association of the Company in place of and to the exclusion of the existing Articles of Association.

Resolution 4

THAT, conditional upon the passing of Resolution 1, the directors, be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £1,038,242 in substitution for the authority set out in Resolution 8 passed at the annual general meeting of the Company on 26 September 2007 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date fifteen months from the passing of this resolution unless previously revoked or renewed by the Company in a general meeting 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 be the same respective meanings as in section 80 of the Companies Act 1985.

Resolution 5

THAT, conditional upon the passing of Resolution 4, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities for cash pursuant to the authority conferred by Resolution 4 as if section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (i) in connection with an offer of such securities by way of rights to holders of ordinary shares in the Company in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practicable problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(ii) up to an aggregate nominal amount of £622,945 in substitution for the authority set out in resolution 9(b) passed at the annual general meeting of the Company on 26 September 2007; and this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date fifteen months from the passing of this resolution unless previously revoked or renewed by the Company in a general meeting and that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired and in this resolution the expression “equity securities” and references to the allotment of equity securities shall bear the same respective meanings as in section 94 of the Companies Act 1985.

Resolution 6

THAT the Company be authorised to amend the rules of the Unapproved Executive Share Option Scheme adopted by the Company at the general meeting held on 25 October 2006 and amended at the annual general meeting of the Company held on 26 September 2007 so that the reference at rule 3.1, “shall not exceed twenty per cent. (20%) of the Company’s issued ordinary share capital for the time being” be amended to “shall not exceed thirty per cent. (30%) of the Company’s issued ordinary share capital for the time being”.

Resolution 7

THAT the Company be authorised to amend the rules of the Enterprise Management Incentive Share Option Scheme adopted by the Company at the general meeting held on 25 October 2006 and amended at the annual general meeting of the Company held on 26 September 2007 so that the reference at rule 4.1, “shall not exceed twenty per cent. (20%) of the Company’s issued ordinary share capital for the time being” be amended to “shall not exceed thirty per cent. (30%) of the Company’s issued ordinary share capital for the time being”.

Dated: 3 March 2008

Registered Office:

John Stow House
18 Bevis Marks
London EC3A 7JB

By order of the Board:

R M Sexton
Secretary

Notes

1. A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. To be valid a duly executed instrument of proxy (and any authority under which it is executed, or a copy of such authority certified notarially or in accordance with the Powers of Attorney Act 1971) must be deposited at the office of the Company’s registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 9 a.m. on 26 March 2008.
3. A member of the Company wishing to appoint a proxy may use the form of proxy enclosed with this notice of general meeting.
4. Completion, signature and submission of a form of proxy will not preclude a member of the Company entitled to attend and vote from attending and voting, in substitution for his/her proxy, should he/she so wish.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 5 p.m. on 26 March 2008 or, in the event that the meeting is adjourned, on the Register of Members of the Company as at 5 p.m. on the second day immediately preceding the day of the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 5 p.m. on 26 March 2008 or, in the event that the meeting is adjourned, after 5 p.m. on the second day immediately preceding the day of the adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer’s agent by 9.00 a.m on 26 March 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the company’s registrars no later than 9.00 a.m on 26 March 2008.

