

Merchant Securities plc (“the Company”)  
18<sup>th</sup> December 2006

## INTERIM REPORT TO SHAREHOLDERS

### Chairman's statement

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

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

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

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

John Green  
Chairman

### Enquiries:

Merchant Securities plc  
Anthony Fabrizi (Chief Executive) Tel: 020 7375 9010

Arden Partners plc  
Paul Davis Tel: 020 7398 1635

Broadgate  
Roland Cross Tel: 020 7726 6111

### About Merchant Securities plc

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

**MERCHANT SECURITIES PLC**  
**Interim unaudited accounts for the six months ended 30<sup>th</sup> September 2006**

**PROFIT AND LOSS ACCOUNT**

	<b>Period ended 30<sup>th</sup> September 2006 Unaudited £000</b>	<b>Period ended 31<sup>st</sup> July 2005 Unaudited £000</b>	<b>Period ended 31<sup>st</sup> March 2006 Audited £000</b>
<b>Turnover</b>	-	-	-
Administrative expenses	<u>(18)</u>	<u>(95)</u>	<u>(72)</u>
<b>Operating loss</b>	<b>(18)</b>	<b>(95)</b>	<b>(72)</b>
Interest receivable and similar income	<u>5</u>	<u>17</u>	<u>46</u>
<b>Loss on ordinary activities before and after taxation</b>	<b><u>(13)</u></b>	<b><u>(78)</u></b>	<b><u>(26)</u></b>

**LOSS PER ORDINARY SHARE (PENCE) (NOTE 2)**

Basic	<b>(0.05)</b>	(0.29)	(0.10)
Diluted	<b>(0.05)</b>	(0.29)	(0.10)

All amounts relate to continuing activities.

All recognised gains and losses are shown in the Profit and Loss Account.

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS**

Loss for the period	<b>(13)</b>	(78)	(26)
Shares issued	-	272	272
Share premium	-	788	788
Other reserves and deficits	-	-	(59)
Opening shareholders' funds	<u>975</u>	<u>-</u>	<u>-</u>
Closing shareholders' funds	<b><u>962</u></b>	<b><u>982</u></b>	<b><u>975</u></b>

**BALANCE SHEET**

	<b>30<sup>th</sup> September 2006 Unaudited £000</b>	<b>31<sup>st</sup> July 2005 Unaudited £000</b>	<b>31<sup>st</sup> March 2006 Audited £000</b>
<b>Current Assets</b>			
Debtors	75	-	4
Investments	750	-	750
Cash at bank and in hand	<u>216</u>	<u>982</u>	<u>252</u>
	<b>1,041</b>	982	1,006
Creditors: amounts falling due in less than one year	<u>(79)</u>	<u>-</u>	<u>(31)</u>
<b>Net assets</b>	<b><u>962</u></b>	<b><u>982</u></b>	<b><u>975</u></b>
<b>Capital and reserves</b>			
Called up share capital	272	272	272
Share premium account	704	788	704
Share warrant reserve	25	-	25
Profit and loss account	<u>(39)</u>	<u>(78)</u>	<u>(26)</u>
<b>Shareholders' funds</b>	<b><u>962</u></b>	<b><u>982</u></b>	<b><u>975</u></b>

**CASH FLOW STATEMENT**

	<b>30<sup>th</sup> September 2006</b> Unaudited £000	31 <sup>st</sup> July 2005 Unaudited £000	31 <sup>st</sup> March 2006 Audited £000
<b>Net cash outflow from operating activities</b>	(41)	(95)	(44)
<b>Return on investments and servicing of finance</b>			
Interest received	5	17	46
<b>Financial investment</b>			
Acquisition of current asset investment	-	-	(750)
<b>Net cash outflow before financing</b>	<u>(36)</u>	<u>(78)</u>	<u>(748)</u>
<b>Financing</b>			
Issues of ordinary shares for cash	-	1,060	1,060
Share issue expenses	-	-	(60)
Net cash inflow from financing	<u>-</u>	<u>1,060</u>	<u>1,000</u>
<b>Increase/(decrease) in cash for the period</b>	<u>(36)</u>	<u>982</u>	<u>252</u>

**NOTES**

**Note 1 - Basis of preparation**

The interim accounts have been prepared in accordance with applicable accounting standards and under the historic cost convention.

The financial information set out in this interim statement, does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

**Note 2 - Loss per share**

The loss per share is calculated based on:

	<u>Period ended 30<sup>th</sup></u> <u>September 2006</u> <u>Unaudited</u>	<u>Period ended 31<sup>st</sup></u> <u>July 2005 Unaudited</u>	<u>Period ended 31<sup>st</sup></u> <u>March 2006</u> <u>Audited</u>
Loss for the period (£000)	(13)	(78)	(26)
Weighted average number of shares in issue (000)	27,200	27,200	25,868

**Note 3 - Dividend**

The directors do not recommend the payment of an interim dividend.

**Note 4 - Interim statement**

The interim statement is available to the public from the Company's registered office at John Stow House, 18 Bevis Marks, London EC3A 7JB.