

Regulatory Announcement

Company	Merchant Securities PLC
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Merchant Securities plc (“Merchant Securities” or the “Company”)

Trading update

The Board of Merchant Securities, the financial services company specialising in private client and institutional stockbroking, corporate finance services and private equity, announces a trading update for the year ended 31 March 2008.

As stated at the time of the Company's interim announcement in December 2007, the Company continues to make progress in developing its core activities and in strengthening the infrastructure of its business. In this regard, the Company has achieved the following strategic developments in the second half of its financial year:

- Merchant Securities Group Limited, (“MSGSL”) its stockbroking subsidiary, became a member of the London Stock Exchange in February 2008;
- A new, upgraded private client investment management system and a transfer of the settlement and clearing functions to Pershing in February 2008;
- Its management team has been strengthened by the appointment of a new Chief Financial Officer and a new Compliance Officer;
- In October 2007, it completed the acquisition of John East & Partners, a corporate finance adviser, nominated adviser and corporate broker, which made a positive contribution to the group, post acquisition, in the year ended 31 March 2008;
- It has recruited a senior institutional research and sales team which is due to join MSGSL within the next two months.

As a result of these developments, a number of costs have been incurred. In addition, market conditions have deteriorated since the announcement of the Company's interim

results and a number of the larger private equity transactions in progress at that time have not been completed as originally anticipated. Consequently, the Company expects that it will have incurred a loss after taxation in the region of £600,000, after taking account of non-recurring items of approximately £400,000, in the financial year ended 31 March 2008.

The board continues to pursue its strategy of building a diversified financial services group and some non-recurring reorganisation costs are an inevitable consequence. The board remains confident that the successful implementation of its strategy will see significant benefits accruing to the Company in the medium term.

The Company expects to announce its results for the year ended 31 March 2008 in the second half of July 2008.

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