

Merchant Capital

MERCHANT CAPITAL LTD

Report and Financial Statements

31 December 2008

Registered number 4487961

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MERCHANT CAPITAL LTD
REPORT AND FINANCIAL STATEMENTS
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MERCHANT CAPITAL LTD**CORPORATE DIRECTORY****Directors**

James Holmes
Martin Eberhardt
Peter Redmond
Hugh Fleming

Secretary

Hugh Fleming

Auditors

Sawin & Edwards
15 Southampton Place
London
WC1A 2AJ

Bankers

Lloyds TSB
Cheapside Branch
70-71 Cheapside
London
EC2V 6EN

Anglo Irish Bank Corporation Plc
10 Old Jewry
London
EC2R 8DN

Solicitors

Grundberg Mocatta Rakisson LLP
15 – 19 Kingsway
London
WC2B 6UN

Registered office

Aldermay House
15 Queen Street
London
EC4N 1TX

Registered number

4487961

MERCHANT CAPITAL LTD

DIRECTORS' REPORT

The directors present their report and financial statement for the year ended 31 December 2008.

Principal Activity and review of business

The company's principal activity is the provision of corporate finance advice. The company is domiciled in England and was incorporated in England and Wales. It is authorised and regulated by the Financial Services Authority and became a member of the London Stock Exchange during 2007.

Results and dividends

The loss for the year before taxation amounted to £82,095 (2007: loss £63,674). No dividend was declared and paid to Merchant House Group Plc during the year (2007: £111,000).

Future developments

The company has significantly reduced its overheads compared with 2007 and has recruited a small experienced team of brokers to complement its corporate finance activity and provide a more regular income stream in 2009 and beyond.

Directors

The directors who served during the period and their interests in the share capital of the company were as follows:

	0.5p Ordinary Shares	
	2008	2007
James Holmes	-	-
Martin Eberhardt	-	-
Peter Redmond	-	-
Hugh Fleming	-	-

The company is a 100% subsidiary of Merchant House Group Plc.

James Holmes and Martin Eberhardt are also directors of Merchant House Group Plc and their interests in the holding company are disclosed in the consolidated financial statements of the group, which are available at the company's registered office at 7th Floor, Aldermary House, 15 Queen Street, London, EC4N 1TX.

Peter Redmond's interests in the holding company are as follows:

	0.5p Ordinary Shares	
	2008	2007
Peter Redmond	16,000	16,000

Political and charitable donations

During the year, the company did not make any donations.

Supplier Payment Policy

Provided there are no disputes concerning the supply of goods or services it is the company's normal practice to pay suppliers in accordance with their agreed terms and conditions.

At the year end, trade creditor days amounted to 13 days (2007: 65 days).

Insurance Policy

Cover is provided for the company's directors and officers under a Certificate of Insurance underwritten by Markel International Insurance Company Ltd.

MERCHANT CAPITAL LTD**DIRECTORS' REPORT (continued)****Financial Assets and Liabilities**

See Note 13 to the Financial Statements

Principal Risks and Uncertainties

The principal risk is that prolonged uncertainty in the credit market will have an adverse impact on the company's Corporate Finance activity to the extent that this involves arranging finance, and the matter dealt with in the final paragraph of Note 1.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 254za of the Companies Act 1985) of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Sawin & Edwards have indicated their willingness to continue in office. A resolution to reappoint Sawin & Edwards for the ensuing year will be proposed at the Annual General Meeting.

This report was approved by the board on 28 April 2009



Hugh Fleming
Company Secretary

MERCHANT CAPITAL LTD
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MERCHANT CAPITAL LTD

We have audited the financial statements of Merchant Capital Ltd for the year ended 31 December 2008, which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes numbered 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Financial statements in accordance with the applicable law and International Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

MERCHANT CAPITAL LTD
INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF MERCHANT CAPITAL LTD

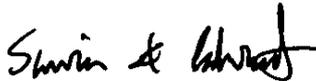
Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of Matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £82,095 for the year ended 31 December 2008. The accounts have been prepared on a going concern basis. In applying the going concern basis, the directors have considered the current financial position of the Company, its trading prospects and the undertaking of financial support for at least the next 12 months provided by Liberty Capital, an investor in the parent Company. Taking all these factors into account, the directors have concluded that it remains appropriate to prepare the accounts on a going concern basis. This indicates the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



Sawin & Edwards
15 Southampton Place
London
WC1A 2AJ

28 April 2009

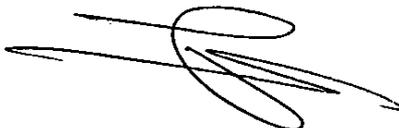
MERCHANT CAPITAL LTD**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	Year to 31 December 2008 £	Year to 31 December 2007 £
Revenue	2	41,356	501,144
Cost of sales		(24,250)	(97,707)
Gross Profit		17,106	403,437
Administrative expenses		101,640	308,501
Doubtful debts		-	162,550
Total Expenses		101,640	471,051
(Loss) from operations	3	(84,534)	(67,614)
Investment Income	4	2,439	3,940
(Loss) before taxation		(82,095)	(63,674)
Income Tax expense	5	-	-
(Loss) for the year		(82,095)	(63,674)

MERCHANT CAPITAL LTD**BALANCE SHEET****AS AT 31 DECEMBER 2008**

	Note	2008 £	2007 £
ASSETS			
Current Assets			
Trade and other receivables	7	51,360	102,430
Cash and cash equivalents		<u>95,747</u>	<u>61,281</u>
Total current assets		<u>147,107</u>	<u>163,711</u>
TOTAL ASSETS		<u>147,107</u>	<u>163,711</u>
EQUITY and LIABILITIES			
Current Liabilities			
Taxation payables		-	8,719
Trade and other payables	8	<u>23,750</u>	<u>14,540</u>
Total current liabilities		<u>23,750</u>	<u>23,259</u>
Total Liabilities		<u>23,750</u>	<u>23,259</u>
EQUITY			
Equity attributable to equity holders of the company	9	115,000	50,000
Retained profit		8,357	90,452
Total Equity		<u>123,357</u>	<u>140,452</u>
TOTAL EQUITY AND LIABILITIES		<u>147,107</u>	<u>163,711</u>

These financial statements were approved by the directors on 28 April 2009 and are signed on their behalf by:



James Holmes
Chairman

MERCHANT CAPITAL LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital £	Retained Profit £	Total £
Balance at 1 January 2008	50,000	90,452	140,452
Loss for the year	-	(82,095)	(82,095)
Issue of shares	65,000	-	65,000
Balance at 31 December 2008	<u>115,000</u>	<u>8,357</u>	<u>123,357</u>

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital £	Retained Profit £	Total £
Balance at 1 January 2007	50,000	265,126	315,126
Loss for the year	-	(63,674)	(63,674)
Dividend paid	-	(111,000)	(111,000)
Balance at 31 December 2007	<u>50,000</u>	<u>90,452</u>	<u>140,452</u>

CASH FLOW STATEMENT

for the year ended 31 December 2008

	Note	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Reconciliation of operating loss to net cash (outflow) from operating activities			
Operating (loss)		(84,534)	(67,614)
Decrease in trade and other receivables		51,070	183,068
Increase/(decrease) in trade & other payables		491	(26,781)
Net cash (outflow)/inflow from operating activities		<u>(32,973)</u>	88,673
Cash flows from investing activities			
Interest received		2,439	3,940
Dividend paid		-	(111,000)
Net cashflow from investing activities		<u>2,439</u>	(107,060)
Cash flows from financing activities			
Issue of shares	9	65,000	-
Net cashflow from financing activities		<u>65,000</u>	-
Increase/(decrease) in cash and cash equivalents		<u>34,466</u>	(18,387)
Cash and cash equivalents at 1 January 2008		61,281	79,668
Cash and cash equivalents at 31 December 2008	10	<u>95,747</u>	61,281

MERCHANT CAPITAL LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

New Standard and Interpretation not applied

The IASB has issued the following relevant standard which is not effective and has not been adopted early for these financial statements:

IAS1 (revised) Presentation of Financial Statements effective date 1st January 2009.

The directors do not anticipate that the adoption of this standard will have a material impact on the Company's financial position or performance, although IAS1 (revised) will change the manner in which the statements are presented.

Revenue recognition

The company recognises turnover from its corporate finance activities when it has performed the services corresponding to agreed fees. Income from retainer fees is recognised when these fall due under the contracted terms. Work in progress is only recognised where the fees are earned on a time charged basis.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the original recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

No recognition has been made for the deferred tax asset arising in respect of current losses as the directors are of the opinion that this may not be realisable in the foreseeable future.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank and on short term deposits.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The accounts have been prepared on a going concern basis. In applying the going concern basis, the directors have considered the current financial position of the Company, its trading prospects and the undertaking of financial support for at least the next 12 months provided by Liberty Capital, an investor in the parent Company. Taking all these factors into account, the directors have concluded that it remains appropriate to prepare the accounts on a going concern basis.

2. Turnover

The turnover and profit before tax are attributable to the principal activity of the company.

Analysis by geographical market:

	2008 £	2007 £
Asia	-	11,551
UK	<u>41,356</u>	<u>489,593</u>
	<u>41,356</u>	<u>501,144</u>
3. (Loss) before taxation	2008 £	2007 £
This is stated after charging:		
Auditors' remuneration	<u>5,000</u>	<u>6,750</u>
4. Investment income	2008 £	2007 £
Interest on bank deposit	<u>2,439</u>	<u>3,940</u>

MERCHANT CAPITAL LTD**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2008****5. Income tax expense**

	2008	2007
	£	£
Analysis of tax charge in year	-	-
Corporation Tax	<u>-</u>	<u>-</u>
Factors affecting tax charge for the year		
(Loss) before taxation	<u>(82,095)</u>	<u>(63,674)</u>
(Loss) multiplied by standard rate of UK Corporation Tax 28% (2007: 30%)	(22,987)	(19,102)
Tax charge	<u>-</u>	<u>-</u>
Potential UK tax credits available multiplied by standard UK Corporation Tax 28% (2007: 30%)	<u>22,987</u>	<u>19,102</u>

No recognition has been made by the directors of the deferred tax asset in respect of the losses shown above as the directors are of the opinion that this may not be realisable in the foreseeable future.

6. Particulars of employees and directors

	2008	2007
	£	£
Directors' fees	=	=

The company had no employees during the year (2007: Nil).

7. Trade and other receivables

	2008	2007
	£	£
Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	60,819
Trade and other receivables	10,012	38,341
Prepayments and accrued income	<u>41,348</u>	<u>3,270</u>
	<u>51,360</u>	<u>102,430</u>

8. Trade and other payables

	2008	2007
	£	£
Trade creditors	1,750	8,040
Accruals	<u>22,000</u>	<u>6,500</u>
	<u>23,750</u>	<u>14,540</u>

MERCHANT CAPITAL LTD**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2008****9. Share capital**

	2008 Number	2008 £	2007 Number	2007 £
Authorised				
Ordinary shares of 0.5p each	35,000,000	175,000	10,000,000	50,000
Issued				
Ordinary shares of 0.5p each	23,000,000	115,000	10,000,000	50,000

On 2nd May 2008, the company issued 7,000,000 0.5p ordinary shares fully paid, on 9th October it issued 3,000,000 0.5p ordinary shares fully paid and on 25th November 2008 3,000,000 0.5p ordinary shares fully paid to the parent company, Merchant House Group Plc.

10. Cash and cash equivalents

	2008 £	2007 £
Cash at bank and in hand	26,621	26,139
Short term deposits	69,126	35,142
	<u>95,747</u>	<u>61,281</u>

11. Controlling party

The company is a 100% subsidiary of Merchant House Group Plc.
The company is not aware of any immediate controlling party of Merchant House Group Plc.

12. Related Party Transactions**Group Companies**

The balance owed by Merchant House Group Plc to the Company as at 31 December 2008 was £Nil (2007: £60,819). Included in administrative expenses is an amount of £55,800 (2007: £258,060) relating to management charges levied by Merchant House Group Plc. As at the same date, the Company owed Merchant House Finance Ltd, an associate of Merchant House Group Plc, £Nil (2007: £4,700). Included in sales is an amount of £Nil (2007: £8,813) and included in cost of sales an amount of £Nil (2007: £9,400) invoiced by Merchant House Finance Limited.

During the year a dividend of £Nil (2007: £111,000) was declared and paid to Merchant House Group Plc. The Company also issued shares to Merchant House Group Plc as per note 9.

Other Related Parties

During the year ended 31 December 2008, P Redmond was also a director of BWA Group Ltd, Fortfield Investments Ltd, Synigence Plc and KP Renewables Plc. James Holmes was also a director of Stokewell Ventures Ltd.

MERCHANT CAPITAL LTD**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2008****12. Related Party Transactions (continued)**

During the year transactions took place as follows:

	Sales (Gross) 2008 £	Sales included in debtors at year end 2008 £	Sales (Gross) 2007 £	Sales included in debtors at year end 2007 £
BWA Group	-	-	17,609	11,000
Fortfield Investments Ltd	-	-	5,141	734
KP Renewables Plc	-	-	268,194	-
Stokewell Ventures Ltd	-	-	(61,746)	-
Synigence Plc	(5,875)	-	5,875	5,875

Included in cost of sales is an amount of £24,250 (2007: £Nil) payable to Peter Redmond, a director of the Company. At 31 December 2008 the Company owed Peter Redmond £16,250 (2007: £Nil).

13. Financial assets and liabilities

The company's principal financial instruments comprise cash and short term deposits, the main purpose of which is to finance the company's operations and expansion. The company has other financial instruments such as trade receivables and trade payables which arise directly from normal trading.

The main purpose of these financial instruments is to finance the companies operations.

The company has not entered into any derivative or other hedging instruments.

The main risks arising from the company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

Interest rate risks

The Company finances its operations through the use of cash deposits at variable rates of interest for a variety of short term periods, depending on cash requirements. The rates are reviewed regularly and the best rate obtained in the context of the company's need.

Liquidity risks

The company's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital.

Currency risks

The company, wherever possible invoices in sterling, but in the rare instances when the company invoices in a foreign currency the company does not hedge the asset and converts the currency received into sterling at the earliest opportunity.

Fair values

The Directors have given serious consideration and have reached the conclusion that there is no significant difference between the book values and the fair values of the assets and liabilities of the company as at 31 December 2008.

MERCHANT CAPITAL LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

Extent and nature of Financial instruments

The company held the following financial assets at 31 December 2008:

	2008 £	2007 £
Trade and other receivables	10,012	102,479
Short term deposits	69,132	35,142
Cash at bank and in hand	<u>26,615</u>	<u>26,139</u>
	<u>105,759</u>	<u>163,760</u>

Short term deposits are held at Anglo Irish Bank Corporation Plc. The weighted average rate of interest earned on these deposits was 5.27% (2007: 5.76%). No funds are held on fixed rate terms.

The company held the following financial liabilities at 31 December 2008:

	2008 £	2007 £
Trade and other payables	23,750	14,540
Taxation payable	-	8,719
	<u>23,750</u>	<u>23,259</u>