

**Merchant Capital**

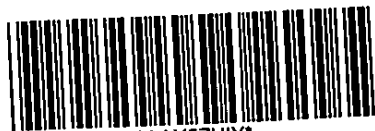
**MERCHANT CAPITAL LTD**

**Report and Financial Statements**

**31 December 2010**

**Registered number 04487961**

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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  
Hugh Fleming  
Christopher Day

**Secretary**

Hugh Fleming

**Auditors**

Sawin & Edwards  
15 Southampton Place  
London  
WC1A 2AJ

**Bankers**

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

**Solicitors**

McGuire Woods London LLP  
15 – 19 Kingsway  
London  
WC2B 6UN

**Registered office**

Aldermay House  
15 Queen Street  
London  
EC4N 1TX

**Registered number**

04487961

**MERCHANT CAPITAL LTD**

**DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 December 2010

**Principal Activity and review of business**

The company's principal activity is the provision of financial services. 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 profit for the year before taxation amounted to £380,724 (2009 profit £11,287). No dividend was declared and paid to Merchant House Group Plc during the year (2009 £nil).

**Future developments**

The company has significantly increased its revenue base during the year compared with 2009 following the establishment during the latter part of 2009 of Investment Management activity and the acquisition of a Structured Products business to complement its traditional corporate finance and specialist broking activity both of which have provided more regular income in 2010 and these revenue streams are expected to increase significantly in 2011 and beyond, as a result of organic growth and the acquisition of an additional Structured Products business in 2010, which will significantly underpin the Company's continued development.

**Directors**

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

	<b>0.5p Ordinary Shares</b>	
	<b>2010</b>	<b>2009</b>
James Holmes	-	-
Martin Eberhardt	-	-
Peter Redmond (Resigned 31 May 2010)	-	-
Hugh Fleming	-	-
Christopher Day	-	-

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

James Holmes, Chris Day 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, Aldermay House, 15 Queen Street, London, EC4N 1TX.

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

	<b>0.01p Ordinary Shares</b>	
	<b>2010</b>	<b>2009</b>
Peter Redmond	16,000,000	16,000,000

**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 23 days (2009 59 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 15 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 trading activity to the extent that this involves arranging finance

**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 that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 418 (3) of the Companies Act 2006) 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.



Hugh Fleming  
Company Secretary  
27 April 2011

**MERCHANT CAPITAL LTD**  
**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF MERCHANT CAPITAL LTD**

We have audited the financial statements of Merchant Capital Ltd for the year ended 31 December 2010, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes numbered 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibility Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all of the information and explanations we require for our audit



Keeley Edwards – Senior Statutory Auditor

For and on behalf of Sawin & Edwards  
Statutory Auditors  
15 Southampton Place  
London WC1A 2AJ

27 April 2011

**MERCHANT CAPITAL LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

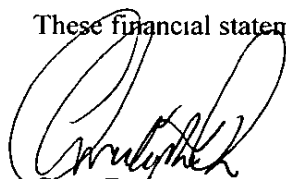
	Notes	Year to 31 December 2010 £	Year to 31 December 2009 £
Revenue	2	1,874,526	404,265
Cost of sales		(530,875)	(45,604)
<b>Gross Profit</b>		<b>1,343,651</b>	<b>358,661</b>
Administrative expenses		1,056,909	339,569
Doubtful debts		2,500	18,703
<b>Total Expenses</b>		<b>1,059,409</b>	<b>358,272</b>
<b>Profit from operations</b>		<b>284,242</b>	<b>389</b>
Investment Income	3	96,482	10,898
<b>Profit before taxation</b>	<b>4</b>	<b>380,724</b>	<b>11,287</b>
Income Tax expense	5	-	-
<b>Total comprehensive income for the year attributable to The parent's equity holders</b>		<b>380,724</b>	<b>11,287</b>



**MERCHANT CAPITAL LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

	Note	2010 £	2009 £
<b>ASSETS</b>			
<b>Current Assets</b>			
Investments	7	500,000	500,000
Trade and other receivables	8	707,810	306,549
Taxation receivable		50,722	-
Cash and cash equivalents		<u>305,216</u>	<u>243</u>
<b>Total current assets</b>		<b><u>1,563,748</u></b>	<b><u>806,792</u></b>
<b>TOTAL ASSETS</b>		<b><u>1,563,748</u></b>	<b><u>806,792</u></b>
<b>EQUITY and LIABILITIES</b>			
<b>Current Liabilities</b>			
Taxation payables		-	7,655
Trade and other payables	9	<u>422,380</u>	<u>38,493</u>
<b>Total current liabilities</b>		<b><u>422,380</u></b>	<b><u>46,148</u></b>
<b>Long term Liabilities</b>	10	<b><u>100,000</u></b>	<b><u>100,000</u></b>
<b>Total Liabilities</b>		<b><u>522,380</u></b>	<b><u>146,148</u></b>
<b>EQUITY</b>			
Equity attributable to equity holders of the company	11	641,000	641,000
Retained earnings		<u>400,368</u>	<u>19,644</u>
<b>Total Equity</b>		<b><u>1,041,368</u></b>	<b><u>660,644</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,563,748</u></b>	<b><u>806,792</u></b>

These financial statements were approved by the directors on 27 April 2010 and are signed on their behalf by



Chris Day  
Director

Company Registration Number 04487961

**MERCHANT CAPITAL LTD**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Share Capital £</b>	<b>Retained Profit £</b>	<b>Total £</b>
Balance at 1 January 2010	641,000	19,644	660,644
Total Comprehensive Income for the year	<u>-</u>	<u>380,724</u>	<u>380,724</u>
Balance at 31 December 2010	<u>641,000</u>	<u>400,368</u>	<u>1,041,368</u>

**FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>Share Capital £</b>	<b>Retained Profit £</b>	<b>Total £</b>
Balance at 1 January 2009	115,000	8,357	123,357
Total Comprehensive Income for the year	<u>-</u>	<u>11,287</u>	<u>11,287</u>
	115,000	19,644	134,644
<b>Transactions with owners recorded directly in equity</b>			
Contribution by owners			
Issue of shares	<u>526,000</u>	<u>-</u>	<u>526,000</u>
Balance at 31 December 2009	<u>641,000</u>	<u>19,644</u>	<u>660,644</u>

## MERCHANT CAPITAL LTD

STATEMENT OF CASH FLOWS  
for the year ended 31 December 2010

	Note	Year ended 31 December 2010 £	Year ended 31 December 2009 £
<b>Reconciliation of operating profit to net cash inflow/ (outflow) from operating activities</b>			
Operating profit		284,242	389
Increase in trade and other receivables		(451,983)	(202,189)
Increase in trade and other payables		376,232	22,398
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities		208,491	(179,402)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Interest received		96,482	10,898
		<hr/>	<hr/>
Net cashflow from investing activities		96,482	10,898
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from loan		-	47,000
Issue of shares		-	526,000
Purchase of Investments		-	(500,000)
		<hr/>	<hr/>
Net cashflow from financing activities		-	73,000
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b>304,973</b>	<b>(95,504)</b>
		<hr/>	<hr/>
Cash and cash equivalents at 1 January 2010		243	95,747
		<hr/>	<hr/>
Cash and cash equivalents at 31 December 2010	12	<b>305,216</b>	243
		<hr/> <hr/>	<hr/> <hr/>

**MERCHANT CAPITAL LTD****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2010****1. Accounting policies****Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) The financial statements cover the individual entity only and the presentation currency is pounds sterling

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

IFRS 3 (amended) Business Combinations effective date 1 July 2010

IFRS 7 (amended) Disclosures effective 1 January 2011

IFRS 9 Financial Instruments effective 1 January 2013

IAS 1 (amended) Presentation of financial statements effective 1 January 2011

IAS 12 (amended) Income taxes effective 1 January 2012

IAS 24 (revised) Related party disclosure effective 1 January 2011

IAS 27 (amended) Consolidated and separate Financial statements effective date 1 July 2010

IAS 32 (amended) Financial instruments effective 1 February 2010

The directors do not anticipate that the adoption of these standards will have a material impact on the Company's financial position or performance

**Revenue recognition**

The company recognises revenue from its corporate finance activities when it has performed the services corresponding to agreed fees Income from retainer fees, profit shares and commissions is recognised when these fall due under the contracted terms Work in progress is recognised at realisable invoice value where fees and commissions have been earned in respect of contracted periods Any proportion of client money no longer treated as client money in accordance with the FSA Handbook is only treated as income following a prudent assessment, based on experience, of likely claims to be made good

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date All differences are taken to the Statement of Comprehensive income

**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

**MERCHANT CAPITAL LTD****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2010****Taxation (continued)**

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

**Investments**

Investments held as current assets are stated at fair value, determined by the directors as representing their net realisable value

**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

**2. Revenue**

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

Analysis by geographical market

	2010	2009
	£	£
USA	3,500	10,000
UK & Europe	<u>1,871,026</u>	<u>394,265</u>
	<u>1,874,526</u>	<u>404,265</u>

**3. Investment income**

	2010	2009
	£	£
Interest on bank deposits	<u>96,482</u>	<u>10,898</u>

**MERCHANT CAPITAL LTD**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

<b>4. Profit before taxation</b>	<b>2010</b>	2009
	<b>£</b>	<b>£</b>
This is stated after charging		
Auditors' remuneration – auditing of the financial statements of the company pursuant to legislation	6,250	4,750
– other services	-	4,513
– foreign exchange gains	(1,413)	-
	<u>          </u>	<u>          </u>
<b>5. Income tax expense</b>		
Analysis of tax charge in year	<b>2010</b>	2009
	<b>£</b>	<b>£</b>
Corporation Tax	<u>          </u>	<u>          </u>
<b>Factors affecting tax charge for the year</b>		
Profit before taxation	<u><b>380,724</b></u>	<u><b>11,287</b></u>
Profit multiplied by standard rate of UK Corporation Tax 28% (2009 28%)	<b>106,603</b>	3,160
Effects of		
Utilisation of losses	(40,706)	(108)
Group losses surrendered	(65,897)	(3,052)
Tax charge	<u>          </u>	<u>          </u>
<b>6. Particulars of employees and directors</b>		
	<b>2010</b>	2009
	<b>£</b>	<b>£</b>
Directors' fees	=	=
The company had no employees during the year (2009 Nil)		
<b>7. Investments</b>		
	<b>2010</b>	2009
	<b>£</b>	<b>£</b>
Investments held at fair value	<u><b>500,000</b></u>	<u><b>500,000</b></u>
<b>8. Trade and other receivables</b>		
	<b>2010</b>	2009
	<b>£</b>	<b>£</b>
Receivables from related parties	506,459	59,605
Trade and other receivables	8,923	59,876
Prepayments and accrued income	<u><b>192,428</b></u>	<u><b>187,068</b></u>
	<u><b>707,810</b></u>	<u><b>306,549</b></u>

**MERCHANT CAPITAL LTD**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

<b>9. Trade and other payables</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade and other payables	327,925	29,230
Accruals	<u>94,455</u>	<u>9,263</u>
	<b><u>422,380</u></b>	<b><u>38,493</u></b>

<b>10. Long term loan</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Subordinated loan	<u>100,000</u>	<u>100,000</u>

The loan was made on 24 July 2009, is repayable after five years and one day and the principal amount bears interest at 10% per annum

**11. Share capital**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
<b>Issued</b>				
Ordinary shares of 0.5p each	<u>128,200,000</u>	<u>641,000</u>	<u>128,200,000</u>	<u>641,000</u>

<b>12. Cash and cash equivalents</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	305,210	243
Short term deposits	6	-
	<b><u>305,216</u></b>	<b><u>243</u></b>

**13. 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

**14. Related Party Transactions**

**Group Companies**

The balance owed by Merchant House Group Plc to the Company as at 31 December 2010 was £155,304 (2009 £20,495). Included in administrative expenses is an amount of £986,000 (2009 £295,000) relating to management charges levied by Merchant House Group Plc. As at the same date, the Company was owed £256,682 (2009 £39,110) by Merchant Corporate Recovery Plc, an associate of Merchant House Group Plc and included in sales is an amount of £237,622 (2009 £7,750) in respect of fees and commission payable to the Company. As at the same date, the Company was owed £94,474 (2009 £Nil) by Merchant Turnaround Plc, an associate of Merchant House Group Plc and included in sales is an amount of £55,507 (2009 £Nil) in respect of fees and commission payable to the Company. As at the same date, the Company was owed £83,097 (2009 £Nil) by Merchant Trading LLP, in which the Company is a partner and included in sales is an amount of £450,605 (2009 £Nil) in respect of partnership distributions payable to the Company.

**MERCHANT CAPITAL LTD**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

**14. Related Party Transactions (continued)**

Other Related Parties

Martin Eberhardt and James Holmes were also directors of Hollywood Media Services Plc James Holmes was also a director of Merchant Corporate Recovery Plc Chris Day was also a member of Merchant Trading LLP

During the year transactions took place as follows

	Sales (Gross) 2010 £	Sales included in debtors at year end 2010 £	Sales (Gross) 2009 £	Sales included in debtors at year end 2009 £
Hollywood Media Services Plc	-	-	17,250	4,313

Included in cost of sales is an amount of £Nil (2009 £7,353) paid to Peter Redmond, who was a director of the Company until 31 May 2010

**15. 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

**Market risk**

Market risk is the risk that changes in market prices, foreign exchange rates, interest rates and equity prices will affect the company's income or value of its holdings in financial instruments



**MERCHANT CAPITAL LTD****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2010****15. Financial assets and liabilities (continued)****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 2010

**Extent and nature of Financial instruments**

The company held the following financial assets at 31 December 2010

	2010 £	2009 £
Receivables from related parties	506,459	59,605
Trade and other receivables	8,923	59,876
Taxation receivable	50,722	-
Short term deposits	6	-
Cash at bank and in hand	<u>305,210</u>	<u>243</u>
	<b><u>871,320</u></b>	<b><u>119,724</u></b>

Short term deposits have been held at Anglo Irish Bank Corporation Plc. The weighted average rate of interest earned on these deposits was 0.75% (2009 0.75%). No funds are held on fixed rate terms.

The company held the following financial liabilities at 31 December 2010

	2010 £	2009 £
Trade and other payables	327,925	29,230
Taxation payable	-	7,655
Long term loan	100,000	100,000
	<u>427,925</u>	<u>136,885</u>

**15. Contingent liability**

There is a contingent liability amounting to £147,432 in respect of client monies which have ceased to be treated as client monies in accordance with the FSA Handbook and in respect of which Merchant House Group Plc has given an undertaking to make good any valid claims against released balances. Based on the experience of such claims during the year to 31 December 2010 and subsequently, the directors consider the probability of the amounts being claimed to be remote.