

MERCHANT CAPITAL PLC

MERCHANT CAPITAL PLC

Report and Accounts

31 December 2006

Registered number 4487961

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MERCHANT CAPITAL PLC

REPORT AND ACCOUNTS

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MERCHANT CAPITAL PLC**COMPANY INFORMATION****Directors**

Peter Redmond
Dan Edelman
Oliver Rayner
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

Bircham Dyson Bell
50 Broadway
London
SW1H 0BL

Registered office

Aldermary House
15 Queen Street
London
EC4N 1TX

Registered number

4487961

MERCHANT CAPITAL PLC

DIRECTORS' REPORT

The directors present their report and financial statement for the year ended 31 December 2006

Principal Activity and review of business

The company's principal activity is the provision of corporate finance advice. The company is authorised and regulated by the Financial Services Authority and became a member of the London Stock Exchange during the year.

Results and dividends

The profit for the year before taxation amounted to £132,615 (2005 £141,005)

Future developments

The company has an increasing number of prospective mandates, which, if successful, will enable it to build on its solid performance in 2006.

Directors

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

	£1 Ordinary Shares	
	2006	2005
Peter Redmond	-	-
Dan Edelman (appointed 6 th April 2006)	-	-
Oliver Rayner	-	-
Hugh Fleming	-	-

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

Peter Redmond and Dan Edelman 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.

Share Options

Options previously granted to the other Directors and still in existence on Merchant House Group Plc ordinary 0.5p shares are as follows:

	Number	Exercise		Latest Expiry Date
		Price	Date from which Exercisable	
O Rayner	50,000	12.25p	At any time	3 February 2009

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 10 days (2005 8 days).

MERCHANT CAPITAL PLC

DIRECTORS' REPORT (continued)

Insurance Policy

Cover is provided to the company's directors and officers under a Certificate of Insurance underwritten by DUAL Corporate Risks Ltd on behalf of Arch Insurance Company (Europe) Ltd

Risk Management

See Note 13 to the Financial Statements

Post Balance Sheet Events

On 6th March 2007, the company was re-registered as Merchant Capital Limited. On the same date its share capital was reorganised, by subdividing each £1 ordinary share into two hundred 0 5p ordinary shares, the new 0 5p ordinary shares ranking pari passu with each other

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Practice

Company law requires the directors to prepare accounts for each financial year which 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 accounts, 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 accounts 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

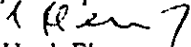
The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The directors confirm that so far as they are aware, there is no relevant audit information 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

A resolution to reappoint Sawin & Edwards for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985

This report was approved by the board on 28th March 2007


Hugh Fleming
Company Secretary

MERCHANT CAPITAL PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MERCHANT CAPITAL PLC

We have audited the financial statements of Merchant Capital Plc for the year ended 31 December 2006 on pages 6 to 11. 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 also 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 other transactions is not disclosed.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 PLC

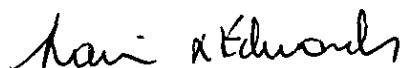
INDEPENDENT AUDITORS' REPORT (continued)

TO THE SHAREHOLDERS OF MERCHANT CAPITAL PLC

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit 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



Sawin & Edwards
15 Southampton Place
London
WC1A 2AJ

28th March 2007

MERCHANT CAPITAL PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year to 31 December 2006 £	Year to 31 December 2005 £
Turnover	2	390,622	651,850
Direct Expenses		72,425	(315,106)
		-----	-----
Gross Profit		318,197	336,744
Administrative expenses		196,181	(198,214)
		-----	-----
Operating profit	3	122,016	138,530
Interest receivable		10,599	2,475
		-----	-----
Profit on ordinary activities before taxation		132,615	141,005
Tax on results on ordinary activities	4	-	-
		-----	-----
Profit for the year		132,615	141,005
		-----	-----

Continuing operations

None of the company's activities were acquired or discontinued during the above two periods

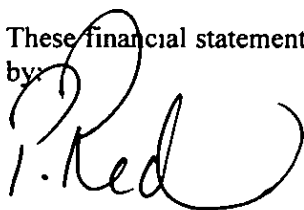
Statement of total recognised gains and losses

The company has no recognised gains or losses other than the results for the year as set out above

MERCHANT CAPITAL PLC**BALANCE SHEET****AS AT 31 DECEMBER 2006**

	Note	2006 £	2005 £
Current assets			
Debtors	6	285,498	89,326
Cash at bank and in hand		<u>79,668</u>	<u>361,122</u>
		365,166	450,448
Creditors: amounts falling due within one year			
	7	<u>(50,040)</u>	<u>(267,937)</u>
Net current assets			
		<u>315,126</u>	<u>182,511</u>
Total Assets less current liabilities			
		<u>315,126</u>	<u>182,511</u>
Capital and reserves			
Called up share capital	8	50,000	50,000
Profit and loss account	9	265,126	132,511
		-----	-----
Shareholder's funds			
	10	<u>315,126</u>	<u>182,511</u>

These financial statements were approved by the directors on 28th March 2007 and are signed on their behalf by:



Peter Redmond
Chairman

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2006****1. Accounting policies****Accounting convention**

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

Turnover

Turnover represents work done by the company, net of value added tax and trade discounts

Cash Flow Statement

The Company has taken advantage of the exemption provided in FRS1 not to prepare a cash flow statement

2. Turnover

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

Analysis by geographical market

	2006 £	2005 £
UK	370,622	627,850
USA	-	24,000
Asia	<u>20,000</u>	<u>-</u>
	<u>390,622</u>	<u>651,850</u>

3. Operating profit

	2006 £	2005 £
This is stated after charging Auditors' remuneration	<u>6,000</u>	<u>8,000</u>

4. Taxation

	2006 £	2005 £
Analysis of tax charge in year		
Corporation Tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

Profit on ordinary activities before tax	<u>132,615</u>	<u>141,005</u>
Profit on ordinary activities multiplied by standard rate of UK Corporation Tax 30%	39,785	42,302
Group losses surrendered	<u>(39,785)</u>	<u>(42,302)</u>
Tax Charge	<u>-</u>	<u>-</u>
UK tax losses carried forward multiplied by standard UK Corporation Tax 30%	<u>-</u>	<u>-</u>

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2006****5. Directors' emoluments**

	2006 £	2005 £
Directors' fees	=	=
The company had no employees during the year		

6. Debtors

	2006 £	2005 £
Amounts owed by group undertakings and undertakings in which the company has a participating interest	54,006	17,313
Trade and sundry debtors	227,063	47,329
Other debtors	-	256
Prepayments and accrued income	4,429	24,428
	<u>285,498</u>	<u>89,326</u>

7. Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	1,750	8,636
Amounts owed to group undertakings in which the company has a participating interest	-	252,542
Taxation and social security	36,907	759
Accruals and deferred income	11,383	6,000
	<u>50,040</u>	<u>267,937</u>

8. Share capital

	2006 £	2005 £
Authorised Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
	2006 £	2005 £
Allotted, called up and fully paid Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

9. Profit and loss account

	2006 £	2005 £
At 1 January 2006	132,511	66,506
Profit for the year	132,615	141,005
Dividends	-	(75,000)
At 31 December 2006	<u>265,126</u>	<u>132,511</u>

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2006****10. Reconciliation of movement in shareholders' funds**

	2006 £	2005 £
At 1 January 2006	182,511	116,506
Profit for the financial year	132,615	141,005
Dividend payable	-	(75,000)
At 31 December 2006	<u>315,126</u>	<u>182,511</u>

11. Ultimate 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

In accordance with the exemption stated in Financial Reporting Standard number 8, no details are shown of related party transactions with group companies, as 90% or more of the voting rights of the company are controlled within the group

During the year ended 31 December 2006, P Redmond was also a director of BWA Group Plc, Weatherly International Plc and Fortfield Investments Plc

During the year transactions took place as follows

	Sales (Gross) 2006 £	Sales included in debtors at year end 2006 £	Sales (Gross) 2005 £	Sales included in debtors at year end 2005 £
BWA Group	12,569	14,768	-	-
Weatherly International Plc	35,190	-	43,375	1,512
Fortfield Investments Plc	-	7.76	-	7.76

12. Post Balance Sheet events

On 6th March 2007, the company was re-registered as Merchant Capital Limited. On the same date its share capital was reorganised by subdividing each £1 ordinary share into two hundred 0.5p ordinary shares, the new 0.5p ordinary shares ranking pari passu with each other.

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2006****13. Financial Instruments**

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 debtors and trade creditors which arise directly from normal trading.

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

The disclosures below, with the exception of currency risk, exclude short term debtors and creditors as permitted by Financial Reporting Standard 13.

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. The interest rate exposure of the company's cash deposits was as follows -

	2006	2005
Sterling cash deposit	£79,668	£361,122

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 2006.