Merchant Capital

MERCHANT CAPITAL LTD

Report and Financial Statements

31 December 2011

Registered number 04487961

Merchant Capital Ltd

Report and Financial Statements for the year ended 31 December **2011**

Company registered number: 04487961

Contents

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
34 Lime Street
London
EC3M 7AT
Registered number
04487961

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2011.

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 results for the year are set out on page 8. No dividend was declared and paid to Merchant House Group Plc during the year (2010 £nil).

Future developments

The company has significantly increased its revenue base during the year compared with 2010 following the acquisition of a structured products business at the end of 2010 and as a result of organic growth

Directors

The directors who served during the period were as follows

J Holmes (Chairman)

C Day

M Eberhardt

Hugh Fleming

No directors held any interest in the share capital of the Company which 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 34 Lime Street, London EC3M 7AT

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 112 days (2010. 23 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

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 accounting 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

H Fleming

Hugh Fleming
Company Secretary
24 July 2012

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 2011, which comprise the Income Statement, the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the related notes numbered 1 to 18 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' Responsibilities Statement set out on pages 3 to 4 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 on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss 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

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

Sawin & Edwards

Keeley Edwards - Senior Statutory Auditor

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

24 July 2012

Statement of Comprehensive Income

For the year ended 31 December

	Note	2011	2010
		£	£
Revenue	2	**2,921,754**	1,874,526
Cost of sales		**(1,694,073)**	(530,875)
Gross profit		**1,227,681**	1,343,651
Administrative expenses		**(1,276,286)**	(1,056,909)
Doubtful debts		**(21,960)**	(2,500)
Impairment Loss on intangible		**(500,000)**	-
Total Expenses		**(1,798,246)**	(1,059,409)
(Loss)/Profit from operations		**(570,565)**	284,242
Net financial income	3	**176,364**	96,482
(Loss)/Profit before Taxation	4	**(394,201)**	380,724
Income tax expense	5	**(61,265)**	-
Total comprehensive (deficit)/income for the year attributable to the parent's equity holders		**(455,466)**	380,724

The notes on pages 13 to 25 are an integral part of these financial statements

Statement of Financial Position

At 31 December

	Note	2011	2010
		£	£
ASSETS			
Current Assets			
Investments	7	-	500,000
Trade and other receivables	8	**1,238,653**	707,810
Taxation receivable		**42,415**	50,722
Cash and cash equivalents	9	**38,988**	305,216
Total current assets		**1,320,056**	1,563,748
TOTAL ASSETS		**1,320,056**	1,563,748
EQUITY AND LIABILITIES			
Current Liabilities:			
Taxation Payable		**61,265**	-
Trade and other payables	10	**572,889**	422,380
Total current liabilities		**634,154**	422,380
Non current liabilities:			
Subordinated loan	11	**100,000**	100,000
Total Liabilities		**734,154**	522,380
Equity and Reserves			
Equity attributable to equity holders of the company	12	**641,000**	641,000
Retained Earnings		**(55,098)**	400,368
Total Equity		**585,902**	1,041,368
TOTAL EQUITY AND LIABILITIES		**1,320,056**	1,563,748

The notes on pages 13 to 25 are an integral part of these financial statements

These financial statements were approved by the Directors on 24 July 2012 and are signed on their behalf by

J Holmes

Director

Company registered number 04487961

Statement of changes in Equity

For the year ended 31 December

	Note	Share Capital	Retained Profit	Total
		£	£	£
Balance at 1 January 2010		**641,000**	19,644	660,644
Total Comprehensive Income for the year		-	380,724	380,724
Balance at 31 December 2010		**641,000**	400,368	1,041,368
Total Comprehensive Loss for the year		-	(455,466)	(455,466)
Balance at 31 December 2011	12	**641,000**	**(55,098)**	**585,902**

The notes on pages 13 to 25 are an integral part of these financial statements

Statement of Cash Flows

For the year ended 31 December

	Note	2011 £	2010 £
Reconciliation of operating profit to net cash (outflow) / inflow from operating activities			
Operating (loss)/profit		**(570,565)**	284,242
Increase in trade and other receivables		**(522,536)**	(451,983)
Increase in trade and other payables		**150,509**	376,232
Impairment of investment		**500,000**	-
Net cash (outflow)/inflow from operating activities		**(442,592)**	208,491
Cash flows from investing activities			
Interest received		**176,364**	96,482
Net cashflow from investing activities		**176,364**	96,482
(Decrease) / Increase in cash and cash equivalents		**(266,228)**	304,973
Cash and cash equivalents at 1 January 2011		**305,216**	243
Cash and cash equivalents at 31 December 2011	9	**38,988**	305,216

The notes on pages 13 to 25 are an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2011

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 accounting policies and future developments

Accounting standards applied for the first time in these financial statements

Revised IAS 24 *Related Party Disclosure*, mandatory for periods commencing on or after 1 January 2011 The changes introduced by IAS 24 (2009) relate mainly to the related party disclosure requirements for government-related entities, and the definition of a related party.

IAS 32 *Financial Instruments. Presentation*, mandatory for periods commencing on or after 1 February 2010 Amends the classification of rights issues to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments

Improvements to IFRSs (2010), effective for annual periods beginning on or after 1 January 2011. The adoption of these standards has had no material effect on the financial statements

IFRIC 19 *Extinguishing Liabilities with Equity Instruments*, mandatory for periods commencing on or after 1 July 2010 Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the instrument issued and the carrying value of the liability extinguished being recognised in profit or loss

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

Accounting standards not yet applied

The following standards were available for early application but have not been applied by the Group in these financial statements The adoption is not expected to have a material effect on the financial statements unless otherwise indicated

IAS 27 *Separate Financial Statements (2011)*, mandatory for periods commencing on or after 1 January 2013, dealing with the requirements for separate financial statements, recognition of dividends, certain group reorganisations and includes a number of disclosure requirements

IAS 28 *Investments in Associates and Joint Ventures (2011)*, mandatory for periods commencing on or after 1 January 2013 This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 9 *Financial Instruments (2009)*, mandatory for periods commencing on or after 1 January 2015 IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss

- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines

IFRS 9 *Financial Instruments (2010)*, mandatory for periods commencing on or after 1 January 2015 A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments· Recognition and Measurement.*

IFRS 10 *Consolidated Financial Statements*, mandatory for periods commencing on or after 1 January 2013. Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities* The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements

IFRS 11 *Joint Arrangements, applicable to accounting periods commencing on or after 1 January 2013.* Replaces IAS 31 *Interests in Joint Ventures.* Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement

IFRS 12 *Disclosure of Interests in Other Entities*, mandatory for periods commencing on or after 1 January 2013 Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows

IFRS 13 *Fair Value Measurement*, mandatory for periods commencing on or after 1 January 2013 Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard

Amendments to IFRS 7 *Financial Instruments: Disclosures*, mandatory for periods commencing on or after 1 July 2011. Makes amendments to IFRS 7 *Financial Instruments. Disclosures* resulting from the IASB's comprehensive review of off balance sheet activities

Amendments to IAS 12 *Deferred Tax Recovery of Underlying Assets,* mandatory for periods commencing on or after 1 January 2012 Amends IAS 12 *Income Taxes* to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 *Investment Property* will, normally, be through sale

IAS 19 *Employee Benefits* (2011), mandatory for periods commencing on or after 1 January 2013 An amended version of IAS 19 *Employee Benefits* with revised requirements for pensions and other post retirement benefits, termination benefits and other changes

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, mandatory for periods commencing on or after 1 July 2012 Amends IAS 1 *Presentation of Financial Statements* to revise the way other comprehensive income is presented

(Amendments to IFRS 7) *Disclosures — Offsetting Financial Assets and Financial Liabilities*, mandatory for periods commencing on or after 1 January 2014 Amends the disclosure requirements in IFRS 7 *Financial Instruments Disclosure* to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 *Financial Instruments Presentation*

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

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

Operating lease agreements
Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the income statement on a straight line basis over the term of the lease

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 Taking account of the forecast for the following year, the directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

2. Revenue

The revenue and profit before tax are attributable to the principal activity of the company and relates wholly to continuing activities

Analysis by geographical market

	2011	2010
	£	£
Turnover		
United Kingdom & Europe	**2,921,754**	1,871,026
USA	-	3,500
	2,921,754	1,874,526

3. Net Investment Income

	2011	2010
	£	£
Interest on bank deposits	**176,364**	96,482

4. (Loss) / Profit before taxation

	2011	2010
	£	£
This is stated after charging / (Crediting)		
Auditors' remuneration - auditing of the financial statements of the Company pursuant to legislation	**6,600**	6,250
Auditors' remnuneration - other services	**915**	4,513
Foreign exchange gains/(losses)	**10,394**	(1,413)

5. Income tax expense

	2011	2010
	£	£
Analysıs of tax charge ın year		
Corporatıon Tax	(61,265)	-
Factors affectıng tax charge for the year		
(Loss)/Profit before taxatıon	(394,201)	380,724
(Loss)/Profit multıplıed by standard rate of UK corporatıon tax of 26 5% (2010 28%)	104,463	106,603
Prıor year tax change	61,265	-
Utılısatıon of losses	-	(40,715)
Group losses surrendered	-	(65,888)
Losses carrıed forward	(104,463)	-
Tax charge	61,265	-

The effectıve rate of taxatıon has decreased to 26 5% from 28% ın 2011 due to legıslatıve changes

6. Employees and Dırectors

The company had no employees durıng the year (2010 Nıl) and the dırectors receıved no remuneratıon ın respect of theır dutıes as dırectors of the Company

7. Investments

	2011	2010
	£	£
Investments held at fair value	-	500,000

The ınvestment comprısed Preference shares ın an unrelated busıness The ınvestee company ıs ın lıquıdatıon and the dırectors, havıng made enquırıes, have concluded there ıs no reasonable lıkelıhood of any recovery Accordıngly thıs has resulted ın an ımpaırment of the ınvestment held amountıng to £500,000

8. Trade and other receivables

	2011	2010
	£	£
Receivables from related parties	**985,765**	506,459
Trade and other receivables	**67,668**	8,923
Prepayments and accrued income	**185,220**	192,428
	1,238,653	707,810

9. Cash and cash equivalents

	2011	2010
	£	£
Cash at bank and in hand	**35,869**	305,210
Short term deposits	**3,119**	6
	38,988	305,216

10. Trade and other payables

	2011	2010
	£	£
Trade and other payables	**505,008**	327,925
Accruals	**67,881**	94,455
	572,889	422,380

11. Long term loan

	2011	2010
	£	£
Subordinated loan	**100,000**	100,000

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

12. Share Capital

	2011 Number	2011 £	2010 Number	2010 £
Issued and authorised				
Ordinary shares of 0 5p each	**128,200,000**	641,000	128,200,000	641,000

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 and associated companies

The balance owed by Merchant House Group Plc to the Company as at 31 December 2011 was £635,318 (2010 £155,304). Merchant House Group Plc charged £986,000 in the year (2010 £986,000) relating to management fees

As at the same date, the Company was owed £325,622 (2010 £256,682) by Merchant Corporate Recovery Plc, an associate of Merchant House Group Plc and included in sales is an amount of £63,400 (2010 £237,622) in respect of fees and commission payable to the Company

As at the same date, the Company was owed £23,371 (2010· £Nil) by Merchant Strategic Renewal PLC, an associate of Merchant House Group Plc. The Company charged management fees and commissions of £66,240 (2010 £nil).

As at the same date, the Company was owed £1,454 (2010 £94,474) by Merchant Turnaround Plc, an associate of Merchant House Group Plc The Company charged Merchant Turnaround Plc commissions and management fees in the year of £18,734 (2010 £55,507)

As at the same date, the Company was owed £nil (2010 £83,097) by Merchant Trading LLP, in which the Company is a partner and included in sales is an amount of £131,843 (2010 £450,605) in respect of partnership distributions payable to the Company

Other Related Parties

James Holmes, Martin Eberhardt and Chris Day are directors of Merchant House Group PLC James Holmes was also a director of Merchant Corporate Recovery Plc, Merchant Strategic Renewal Plc and Merchant Turnaround Plc and he and Chris Day were members of Merchant Trading LLP

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 company's 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

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 2011

Extent and nature of Financial instruments

The company held the following financial assets at 31 December

	2011	2010
	£	£
Investments	-	500,000
Receivables from related parties	**985,765**	506,459
Trade and other receivables	**67,668**	8,923
Prepayments and accrued income	**185,220**	192,428
Taxation receivable	**42,415**	50,722
Short term deposits	**3,119**	6
Cash at bank and in hand	**35,869**	305,210
	1,320,056	1,563,748

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% (2010 0 75%) No funds are held on fixed rate terms

The company held the following financial liabilities at 31 December

	2011	2010
	£	£
Trade and other payables	**505,008**	327,925
Accruals	**67,881**	94,455
Taxation Payable	**61,265**	-
Long term loan	**100,000**	100,000
	734,154	522,380

16. Contingent liability

There is a contingent liability amounting to £50,132 (2010 £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

£130,500 is included in prepayments and accrued income in respect of an amount due from a client which is in dispute The directors, having taken legal advice, are confident that the amount plus any costs of recovery incurred will be recovered in full and have accordingly not made any provision

17. Post balance sheet event

On 9th May 2012, the Company issued 50,000,000 ordinary shares of 0 5p each for a consideration of £250,000 payable in cash

18. Authorisation of financial Statements

The board of directors has authorised the issue of these financial statements as set out in the Statement of Financial Position