

Merchant Capital

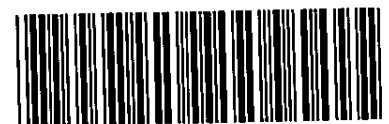
MERCHANT CAPITAL LTD

Report and Financial Statements

31 December 2007

Registered number 4487961

TUESDAY



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

Peter Redmond
Hugh Fleming
James Holmes
Martin Eberhardt

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

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 2007

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 2007.

The company reregistered as a private company under the name Merchant Capital Limited on 12 April 2007.

Results and dividends

The loss for the year before taxation amounted to £63,674 (2006 profit £132,615). A dividend amounting to £111,000 (2006 £nil) was declared and paid to Merchant House Group Plc during the year.

Future developments

The company has significantly reduced its overheads since the final quarter of 2007 and is planning to recruit an experienced team of brokers to complement its corporate finance activity and provide a more regular income stream in 2008 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	
	2007	2006
Peter Redmond	-	-
Dan Edelman (resigned 30th September 2007)	-	-
Oliver Rayner (resigned 30th September 2007)	-	-
Hugh Fleming	-	-
James Holmes (appointed 1 st October 2007)	-	-
Martin Eberhardt (appointed 1 st October 2007)	-	-

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

James Holmes and Martin Eberhardt are also directors of Merchant House Group Ltd 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	
	2007	2006
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 65 days (2006 10 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 16 to the Financial Statements

Principal Risks and Uncertainties

The principal risk is that 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 on page 10

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.

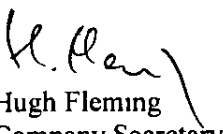
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 254za) of 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 23 April 2008


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 2007 on pages 6 to 16. 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 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.

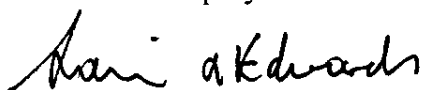
MERCHANT CAPITAL LTD**INDEPENDENT AUDITORS' REPORT (continued)****TO THE SHAREHOLDERS OF MERCHANT CAPITAL LTD****Opinion**

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 2007 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 £63,674 for the year ended 31 December 2007. As explained in Note 1, the directors believe that the generation of additional business and support from its parent company will enable the company to continue trading for at least another twelve months. 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

23 April 2008

MERCHANT CAPITAL LTD**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	Year to 31 December 2007 £	Year to 31 December 2006 £
Revenue	2	501,144	390,622
Cost of sales		97,707	72,425
Gross Profit		403,437	318,197
Administrative expenses		308,501	196,181
Doubtful debts	3	162,550	-
Total Expenses		471,051	196,181
(Loss)/profit from operations	4	(67,614)	122,016
Investment Income	5	3,940	10,599
(Loss)/profit before taxation		(63,674)	132,615
Income Tax expense	6	-	-
(Loss)/profit for the year		(63,674)	132,615

MERCHANT CAPITAL LTD**BALANCE SHEET****AS AT 31 DECEMBER 2007**

	Note	2007 £	2006 £
ASSETS			
Current Assets			
Trade and other receivables	8	102,430	285,498
Cash and cash equivalents		<u>61,281</u>	<u>79,668</u>
Total current assets		<u>163,711</u>	<u>365,166</u>
TOTAL ASSETS		<u>163,711</u>	<u>365,166</u>
EQUITY and LIABILITIES			
Current Liabilities			
Taxation payables	9	8,719	-
Trade and other payables	10	<u>14,540</u>	<u>50,040</u>
Total current liabilities		<u>23,259</u>	<u>50,040</u>
Total Liabilities		<u>23,259</u>	<u>50,040</u>
EQUITY			
Equity attributable to equity holders of the company	11	50,000	50,000
Retained profit		<u>90,452</u>	<u>265,126</u>
Total Equity		<u>140,452</u>	<u>315,126</u>
TOTAL EQUITY AND LIABILITIES		<u>163,711</u>	<u>365,166</u>

These financial statements were approved by the directors on 23 April 2008 and are signed on their behalf by



James Holmes
Chairman

MERCHANT CAPITAL LTD
STATEMENT OF CHANGES IN EQUITY
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>

FOR THE YEAR ENDED 31 DECEMBER 2006

	Share Capital £	Retained Profit £	Total £
Balance at 1 January 2006	50,000	132,511	182,511
Profit for the year	-	132,615	132,615
Balance at 31 December 2006	<u>50,000</u>	<u>265,126</u>	<u>315,126</u>

CASH FLOW STATEMENT

for the year ended 31 December 2007

	Note	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Reconciliation of operating loss to net cash (outflow) from operating activities			
Operating (loss)/profit		(67,614)	122,016
Decrease /(Increase) in trade and other receivables		183,068	(196,172)
(Decrease)/Increase in trade & other payables		(26,781)	(217,897)
Net cash inflow/(outflow) from operating activities		<u>88,673</u>	<u>(292,053)</u>
Cash flows from investing activities			
Interest received		3,940	10,599
Dividend paid		(111,000)	-
Net cashflow from investing activities		<u>(107,060)</u>	<u>10,599</u>
(Decrease) in cash and cash equivalents		(18,387)	(281,454)
Cash and cash equivalents at 1 January 2007	12	<u>79,668</u>	<u>361,122</u>
Cash and cash equivalents at 31 December 2007		<u>61,281</u>	<u>79,668</u>

Other non cash changes

The exceptional bad debt write offs are included in the decrease in trade and other receivables above

MERCHANT CAPITAL LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS1 concerning the transition from UK GAAP to IFRS are given in note 17 to the financial statements.

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

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.

MERCHANT CAPITAL LTD**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007****1. Accounting policies (continued)****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 Company incurred a loss of £174,674 of which £162,550 is doubtful debts and non recurring in the year to 31 December 2007.

The financial statements have been prepared on a going concern basis because the directors believe it is appropriate to prepare the financial report on this basis based upon the company's business plan. The main assumptions underlying the business plan are that the company will be able to obtain additional funding from its parent if necessary through a placing by its parent of new equity and will generate additional business as stated in the business plan. The company's parent has confirmed its support for this business plan.

2. Turnover

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

Analysis by geographical market

	2007	2006
	£	£
UK	489,593	370,622
Asia	<u>11,551</u>	<u>20,000</u>
	<u>501,114</u>	<u>390,622</u>

3. Doubtful debts

The charge relates to the write off of trade debts in respect of two clients.

4. (Loss)/profit before taxation

	2007	2006
	£	£
This is stated after charging Auditors' remuneration	<u>6,750</u>	<u>6,000</u>

5. Investment income

	2007	2006
	£	£
Interest on bank deposit	<u>3,940</u>	<u>10,599</u>

MERCHANT CAPITAL LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

6. Income tax expense

	2007 £	2006 £
Analysis of tax charge in year	2007 £	2006 £
Corporation Tax	<u>-</u>	<u>-</u>
Factors affecting tax charge for the year		
(Loss)/profit before taxation	<u>(63,674)</u>	<u>132,615</u>
(Loss)/profit multiplied by standard rate of UK Corporation Tax 30%	(19,102)	39,785
Group losses surrendered	=	<u>(39,785)</u>
Tax charge	<u>-</u>	<u>-</u>
Potential UK tax credits available for carry forward	<u>19,102</u>	<u>-</u>

7. Particulars of employees and directors

	2007 £	2006 £
Directors' fees	=	=
The company had no employees during the year (2006 Nil)		

8. Trade and other receivables

	2007 £	2006 £
Amounts owed by group undertakings and undertakings in which the company has a participating interest	60,819	54,006
Trade receivables	38,341	227,063
Prepayments and accrued income	<u>3,270</u>	<u>4,429</u>
	<u>102,430</u>	<u>285,498</u>

9. Taxation payable

	2007 £	2006 £
Value added tax	<u>8,719</u>	-

10. Trade and other payables

	2007 £	2006 £
Trade creditors	8,040	1,750
Taxation	-	36,907
Accruals	<u>6,500</u>	<u>11,383</u>
	<u>14,540</u>	<u>50,040</u>

MERCHANT CAPITAL LTD**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007****11. Share capital**

	2007 Number	2007 £	2006 Number	2006 £
Authorised				
Ordinary shares of 0 5p each	10,000,000	50,000	50,000	50,000
Issued				
Ordinary shares of 0 5p each	10,000,000	50,000	50,000	50,000

On 6th March 2007 the company reorganised its share capital 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

12. Cash and cash equivalents

	2007 £	2006 £
Cash at bank and in hand	26,139	15,196
Short term deposits	35,142	64,472
	<u>61,281</u>	<u>79,668</u>

13. Controlling party

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

14. Related Party Transactions**Group Companies**

The balance owed by Merchant House Group Plc to the Company as at 31 December 2007 was £60,819 (2006 £54,006) Included in administrative expenses is an amount of £258,060 (2006 £177,540) 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, £4,700 (2006 £Nil) Included in sales is an amount of £8,813 (2006 £Nil) invoiced in the year to Merchant House Finance Ltd and included in cost of sales is an amount of £9,400 (2006 £Nil) invoiced in the year by Merchant House Finance Ltd

During the year a dividend amounting to £111,000 (2006 £nil) was declared and paid to Merchant House Group Plc

Other Related Parties

During the year ended 31 December 2007, P Redmond was also a director of BWA Group Ltd, Weatherly International 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 2007

During the year transactions took place as follows

	Sales (Gross) 2007 £	Sales included in debtors at year end 2007 £	Sales (Gross) 2006 £	Sales included in debtors at year end 2006 £
BWA Group	17,609	11,000	12,569	14,768
Weatherly International Ltd	-	-	35,190	-
Fortfield Investments Ltd	5,141	734	-	8
KP Renewables Plc	268,194	-	-	-
Stokewell Ventures Ltd	(61,746)	-	-	-
Synigence Plc	5,875	5,875	-	-

16. 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 2007.

MERCHANT CAPITAL LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

Extent and nature of Financial instruments

The company held the following financial assets at 31 December 2007

	2007 £	2006 £
Trade and other receivables	102,479	285,498
Short term deposits	35,142	64,472
Cash at bank and in hand	<u>26,139</u>	<u>15,196</u>
	<u>163,760</u>	<u>365,166</u>

Short term deposits are held at Anglo Irish Bank Corporation Plc. The weighted average rate of interest earned on these deposits was 5.76% (2006 4.72%). No funds are held on fixed rate terms.

The company held the following financial liabilities at 31 December 2007

	2007 £	2006 £
Trade and other payables	14,540	50,040
Taxation payable	8,719	-
	<u>23,259</u>	<u>50,040</u>

MERCHANT CAPITAL LTD**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007****17. First time adoption of IFRS**

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) for the first time

A reconciliation between the 2006 Income Statement and Balance Sheet as shown under UK GAAP and IFRS is shown below. There are however no reconciling items

INCOME STATEMENT

	Year ended 31 December 2006 IFRS £	Reconciling item £	Year ended 31 December 2006 UK GAAP £
Revenue	390,622		390,622
Cost of sales	72,425		72,425
Gross Profit	318,197		318,197
Administrative expenses	(196,181)		(196,181)
Profit from operations	122,016		122,016
Investment income	10,599		10,599
Profit Before Taxation	132,615		132,615
Income tax expense	-	-	-
Profit for the financial period	132,615	-	132,615

BALANCE SHEET

	Year ended 31 December 2006 IFRS £	Reconciling item £	Year ended 31 December 2006 UK GAAP £
ASSETS			
Current Assets			
Trade and other receivables	285,498		285,498
Cash and cash equivalents	79,668		79,668
Total Current Assets	365,166		365,166
TOTAL ASSETS	365,166		365,166

MERCHANT CAPITAL LTD**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007**

	Year ended 31 December 2006 IFRS £	Reconciling item £	Year ended 31 December 2006 UK GAAP £
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and other payables	50,040		50,040
Total Liabilities	50,040		50,040
Equity and Reserves			
Called up share capital	50,000		50,000
Retained Earnings	265,126		265,126
Total Equity	315,126		315,126
TOTAL EQUITY AND LIABILITIES	365,166		365,166

BALANCE SHEET

	As at 1 January 2006 IFRS £	Reconciling item £	As at 1 January 2006 UK GAAP £
ASSETS			
Current Assets			
Trade and other receivables	89,326		89,326
Cash and cash equivalents	361,122		361,122
Total Current Assets	450,448		450,448
TOTAL ASSETS	450,448		450,448
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and other payables	267,937		267,937
Total Liabilities	267,937		267,937

MERCHANT CAPITAL LTD**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2007**

	As at 1 January 2006 IFRS	Reconciling item £	As at 1 January 2006 UK GAAP
Equity and Reserves			
Called up share capital	50,000		50,000
Retained Earnings	<u>132,511</u>		<u>132,511</u>
Total Equity	182,511		182,511
TOTAL EQUITY AND LIABILITIES	<u>450,448</u>		<u>450,448</u>

MERCHANT CAPITAL LTD
DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

for the information of the directors only

		2007 £	2006 £
Revenue		501,144	390,622
Cost of sales		(97,707)	(72,425)
Gross Profit		403,437	318,197
Administrative expenses		308,501	196,181
Exceptional items	3	162,550	-
Total Expenses		471,051	196,181
Operating (loss)/profit		(67,614)	122,016
Interest receivable		3,940	10,599
(Loss)/profit before tax		<u>(63,674)</u>	<u>132,615</u>

MERCHANT CAPITAL LTD**SCHEDULE TO THE DETAILED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2007***for the information of the directors only*

	2007 £	2006 £
Revenue		
Fees	499,591	388,365
Reimbursements	1,553	2,257
	<u>501,144</u>	<u>390,622</u>
Cost of Sales	97,707	72,425
Gross Profit	<u>403,437</u>	<u>318,197</u>
Administrative expenses		
Bank charges	107	183
Bad debts	15,000	256
Management charge	258,060	177,540
	<u>273,167</u>	<u>177,979</u>
Legal and professional costs:		
Audit fees	6,750	6,000
FSA & other professional charges	28,584	12,202
	<u>35,334</u>	<u>18,202</u>
Total administrative expenses	<u>308,501</u>	<u>196,181</u>