

MERCHANT CAPITAL PLC

Report and Accounts

31 December 2003

Registered number 4487961



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MERCHANT CAPITAL PLC

REPORT AND ACCOUNTS

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

Peter Cotgrove
Peter Redmond
James Fleming
Oliver Rayner

Secretary

Hugh Fleming

Auditors

Sawin & Edwards
15 Southampton Place
London
WC1A 2AJ

Bankers

Lloyds TSB
19 Church Green
East Redditch
Worcestershire
B98 8BZ

Solicitors

Bircham Dyson Bell
50 Broadway
London
SW1H 0BL

Registered office

Aldermay House
15 Queen Street
London
EC4N 1TX

Registered number

4487961

MERCHANT CAPITAL PLC

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2003.

Principal Activity and review of business

The company's principal activity is corporate finance advice. The company became registered with the Financial Services Authority on 9 May 2003 and in the year to 31 December 2003 commenced to provide corporate finance advice.

Change of Name

On 19 May 2003 the Company changed its name from Merchant Capital Corporate Finance Plc to Merchant Capital Plc.

Results and dividends

The loss for the year before taxation amounted to £7,587. No dividends were declared nor paid.

Future developments

The company continues to actively pursue a number of corporate finance activities.

Directors

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

	£1 Ordinary Shares	
	2003	2002
Peter Cotgrove		
Paul Harris		
		(Resigned 30/06/2003)
Peter Redmond		
James Fleming		
		(Appointed 07/07/2003)
Oliver Rayner		
		(Appointed 10/07/2003)

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

The interests of the directors 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.

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 creditors amounted to 23 days (2002 : 87 days).

MERCHANT CAPITAL PLC**DIRECTORS' REPORT****Directors' responsibilities**

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
- 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 maintaining 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 accounts 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.

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 30 March, 2004.


Hugh Fleming

MERCHANT CAPITAL PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MERCHANT CAPITAL PLC

We have audited the accounts of Merchant Capital Plc for the year ended 31 December 2003 which comprise pages 6 to 10. These accounts have been prepared under the historical cost convention and 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 accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conduct our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the accounts.

MERCHANT CAPITAL PLC

INDEPENDENT AUDITORS' REPORT *(continued)*

TO THE SHAREHOLDERS OF MERCHANT CAPITAL PLC

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Sam Edwards

Sawin & Edwards
Chartered Accountants
& Registered Auditors

15 Southampton Place
London
WC1A 2AJ

30 March 2004

MERCHANT CAPITAL PLCPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	Year to 31 December 2003 £	Period 17 July 2002 to 31 December 2002 £
Turnover	2	33,756	-
Administrative expenses		(41,772)	(16,779)
Operating loss	3	(8,016)	(16,779)
Interest receivable		429	56
Loss on ordinary activities before taxation		(7,587)	(16,723)
Tax on loss on ordinary activities	4	-	-
Loss for the period		(7,587)	(16,723)
Retained loss for the period	9	(7,587)	(16,723)

Continuing operations

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

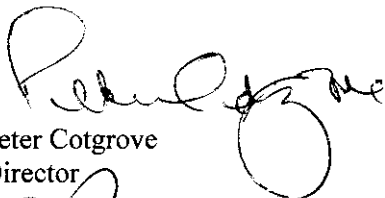
Statement of total recognised gains and losses

The company has no recognised gains or losses other than the loss for the above two periods.

MERCHANT CAPITAL PLC**BALANCE SHEET****AS AT 31 DECEMBER 2003**

	Note		2003 £	2002 £
Current assets				
Debtors	6	23,846	-	
Cash at bank and in hand		5,427	45,701	
		<u>29,273</u>	<u>45,701</u>	
Creditors: amounts falling due within one year				
	7	(3,583)	(12,424)	
Net current assets			25,690	33,277
			<u>25,690</u>	<u>33,277</u>
Capital and reserves				
Called up share capital	8	50,000		50,000
Profit and loss account	9	(24,310)		(16,723)
Shareholders' funds	10	<u>25,690</u>		<u>33,277</u>
Equity				

These financial statements were approved by the directors on *30 March* 2004 and are signed on their behalf by:


Peter Cotgrove
Director


Peter Redmond
Director

Peter Redmond
Director

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2003****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 the invoiced value of services supplied by the company, net of value added tax and trade discounts.

2. Turnover

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

Analysis by geographical market:

	2003 £	2002 £
UK	£33,756	£ -

3. Operating profit

	2003 £	2002 £
This is stated after charging:		
Auditors' remuneration	<u>2,000</u>	<u>1,000</u>

4. Tax on loss on ordinary activities

In view of tax losses in year, the directors are of the opinion that no provision for corporation tax is required.

5. Directors' emoluments

	2003 £	2002 £
Directors' fees	<u>1,500</u>	<u>-</u>

The company had no employees during the year.

6. Debtors

	2003 £	2002 £
Amounts owed by group undertakings and undertakings in which the company has a participating interest	16,862	-
Prepayments and accrued income	6,984	-
	<u>23,846</u>	<u>-</u>

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2003**

7. Creditors: amounts falling due within one year	2003	2002
	£	£
Trade creditors	208	4,000
Amounts owed to group undertakings in which the company has a participating interest	-	2,000
Other creditors	875	700
Accruals and deferred income	2,500	5,724
	<u>3,583</u>	<u>14,424</u>
 8. Share capital	 2003	 2002
	£	£
Authorised:		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
	2003	2002
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Movement in share capital	2003	2002
	£	£
At 1 January 2003 / 17 July 2002	50,000	-
Shares issued	-	50,000
At 31 December	<u>50,000</u>	<u>50,000</u>
 9. Profit and loss account	 2003	 2002
	£	£
At 1 January 2003 / 17 July 2002	(16,723)	-
Retained loss	(7,587)	(16,723)
At 31 December	<u>(24,310)</u>	<u>(16,723)</u>
 10. Reconciliation of movement in shareholders' funds	 2003	 2002
	£	£
At 1 January 2003 / 17 July 2002	33,277	-
Loss for the financial period	(7,587)	(16,723)
Shares issued	-	50,000
At 31 December	<u>£25,690</u>	<u>£33,277</u>

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2003****11. Ultimate controlling party**

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

The immediate controlling party of Merchant House Group Plc was Delphic Global Opportunities Fund Ltd, a company incorporated in The British Virgin Islands. The directors had been informed that the company's ultimate parent company was Turicum Fund Management Limited, a company incorporated in The British Virgin Islands and that Mr Beat Kalin is the ultimate controlling party of that company. Following a share issue of Merchant House Group Plc shares in January 2004, there is no longer a 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.