

**MERCHANT CAPITAL PLC**

**Report and Accounts**

**31 December 2004**

**Registered number 4487961**



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COMPANIES HOUSE**

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08/04/05**

**MERCHANT CAPITAL PLC**

**REPORT AND ACCOUNTS**

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

Peter Redmond  
Oliver Rayner  
Hugh Fleming (appointed 24 May 2004)

**Secretary**

Hugh Fleming

**Auditors**

Sawin & Edwards  
15 Southampton Place  
London  
WC1A 2AJ

**Bankers**

Lloyds TSB  
St Paul's Branch  
15 Cheapside  
London  
EC2V 6AJ

**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 accounts for the year ended 31 December 2004.

**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 2004.

**Results and dividends**

The profit for the year before taxation amounted to £90,816 (2003, loss £7,587). No dividends were declared or paid.

**Future developments**

The company has a number of prospective mandates, one of which was successfully executed after the year-end.

**Directors**

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

		<b>£1 Ordinary Shares</b>	
		<b>2004</b>	<b>2003</b>
Peter Redmond		-	-
Oliver Rayner		-	-
Hugh Fleming	(Appointed 24 May 2004)	-	-
Peter Cotgrove	(Resigned 21 May 2004)	-	-
James Fleming	(Resigned 21 May 2004)	-	-

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, Aldermay House, 15 Queen Street, London, EC4N 1TX.

**Share Options**

On 4 February 2004 share options on the Ordinary £0.05 shares in Merchant House Group Plc were granted to Oliver Rayner as follows:

<b>Number</b>	<b>Exercise Price</b>	<b>Date from which Exercisable</b>	<b>Latest Expiry Date</b>
50,000	£0.1225	At any time	03 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 nil days (2003: 23 days).

**MERCHANT CAPITAL PLC****DIRECTORS' REPORT (continued)****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:

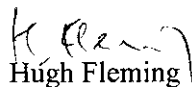
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 29<sup>th</sup> March 2005.



Hugh Fleming  
Company Secretary

**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 2004 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.

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 whether it is consistent with the audited accounts. We consider the implications for our report if we become aware for any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted 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.

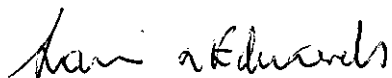
**MERCHANT CAPITAL PLC**

**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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Sawin & Edwards**  
Chartered Accountants  
& Registered Auditors

15 Southampton Place  
London  
WC1A 2AJ

31 March 2005

**MERCHANT CAPITAL PLC**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	Year to 31 December 2004 £	Year to 31 December 2003 £
Turnover	2	138,882	33,756
Direct Expenses		(2,600)	-
<b>Gross Profit</b>		<b>136,282</b>	<b>33,756</b>
Administrative expenses		(45,818)	(41,772)
<b>Operating profit/(loss)</b>	<b>3</b>	<b>90,464</b>	<b>(8,016)</b>
Interest receivable		352	429
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>90,816</b>	<b>(7,587)</b>
Tax on results on ordinary activities	4	-	-
<b>Profit/(Loss) for the period</b>		<b>90,816</b>	<b>(7,587)</b>
<b>Retained Profit/(Loss) for the period</b>	<b>9</b>	<b><u>90,816</u></b>	<b><u>(7,587)</u></b>

**Continuing operations**

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

**Statement of total recognised gains and losses**

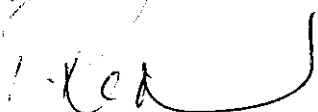
The company has no recognised gains or losses other than the results for the year as set out above.



**MERCHANT CAPITAL PLC****BALANCE SHEET****AS AT 31 DECEMBER 2004**

	Note	2004 £	2003 £
<b>Current assets</b>			
Debtors	6	67,945	23,846
Cash at bank and in hand		<u>67,107</u>	<u>5,427</u>
		135,052	29,273
<b>Creditors: amounts falling due within one year</b>			
	7	<u>(18,546)</u>	<u>(3,583)</u>
<b>Net current assets</b>			
		<u>116,506</u>	<u>25,690</u>
<b>Total Assets less current liabilities</b>			
		<u>116,506</u>	<u>25,690</u>
<b>Capital and reserves</b>			
Called up share capital	8	50,000	50,000
Profit and loss account	9	66,506	(24,310)
<b>Shareholders' funds</b>			
Equity	10	<u>116,506</u>	<u>25,690</u>

These financial statements were approved by the directors on 29 March 2005 and are signed on their behalf by:



Peter Redmond  
Director

**MERCHANT CAPITAL PLC****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2004****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 profit/(loss) before tax are attributable to the principal activity of the company.

Analysis by geographical market:

	2004 £	2003 £
UK	128,882	33,756
Asia	<u>10,000</u>	<u>-</u>
	<u><b>138,882</b></u>	<u><b>33,756</b></u>

**3. Operating profit/(loss)**

	2004 £	2003 £
This is stated after charging:		
Auditors' remuneration	<u>7,225</u>	<u>2,000</u>

**4. Taxation**

	2004 £	2003 £
Analysis of tax charge in year		
Corporation Tax	<u>-</u>	<u>-</u>
<b>Factors affecting tax charge for the year</b>		
Profit/(loss) on ordinary activities before tax	<u>90,816</u>	<u>(7,587)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of UK Corporation Tax 30%	27,245	(2,276)
Effects of:		
Expenses not deductible for tax purposes	150	-
Utilisation of losses	(7,293)	-
Group losses surrendered	(20,102)	-
Increase in UK tax losses	-	2,276
	<u>-</u>	<u>-</u>
Tax Charge	<u><b>-</b></u>	<u><b>-</b></u>
UK tax losses carried forward multiplied by standard UK Corporation Tax 30%	<u><b>-</b></u>	<u>7,293</u>

**MERCHANT CAPITAL PLC****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2004****5. Directors' emoluments**

	2004	2003
	£	£

Directors' fees	<u>1,333</u>	<u>1,500</u>
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The company had no employees during the year.

**6. Debtors**

	2004	2003
	£	£

Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	16,862
Trade and sundry debtors	52,315	-
Other debtors	14,262	-
Prepayments and accrued income	<u>1,368</u>	<u>6,984</u>
	<u>67,945</u>	<u>23,846</u>

**7. Creditors: amounts falling due within one year**

	2004	2003
	£	£

Trade creditors	-	208
Amounts owed to group undertakings in which the company has a participating interest	8,058	-
Taxation and social security	6,488	875
Accruals and deferred income	4,000	2,500
	<u>18,546</u>	<u>3,583</u>

**8. Share capital**

	2004	2003
	£	£

Authorised: Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
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	2004	2003
	£	£

Allotted, called up and fully paid: Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
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**9. Profit and loss account**

	2004	2003
	£	£

At 1 January 2004	(24,310)	(16,723)
Retained profit/(loss)	90,816	(7,587)
At 31 December 2004	<u>66,506</u>	<u>(24,310)</u>

**MERCHANT CAPITAL PLC****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2004****10. Reconciliation of movement in shareholders' funds**

	2004 £	2003 £
At 1 January 2004	25,690	33,277
Profit/(loss) for the financial period	90,816	(7,587)
At 31 December 2004	<u>116,506</u>	<u>25,690</u>

**11. Ultimate controlling party**

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

Merchant House Group Plc was notified on 12 October 2004 that, following the transfer of shares previously owned by Delphic Global Opportunities Fund, there was no 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.

**MERCHANT CAPITAL PLC**  
**DETAILED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

*for the information of the directors only*

	2004 £	2003 £
Turnover	138,882	33,756
Direct Expenses	(2,600)	-
	————	————
Gross Profit	136,282	33,756
Administrative expenses	(45,818)	(41,772)
	————	————
Operating profit/(loss)	90,464	(8,016)
Interest receivable	352	429
Profit/(Loss) before tax	<u>90,816</u>	<u>(7,587)</u>

**MERCHANT CAPITAL PLC****SCHEDULE TO THE DETAILED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2004***for the information of the directors only*

	2004 £	2003 £
<b>Turnover</b>		
Fees	135,008	33,756
Reimbursements	3,874	-
	<u>138,882</u>	<u>33,756</u>
<b>Direct Expenses</b>		
Printing & mailing Weatherly & Synigence R & A	2,600	-
	<u>136,282</u>	<u>33,756</u>
<b>Gross Profit</b>		
<b>Administrative expenses</b>		
Directors' fees	1,333	1,500
Travelling (recoverable)	1,044	-
Stationery and printing	-	1,260
Irrecoverable VAT	424	192
Bank charges	85	12
Insurance	4,444	32,426
Bad debts	(199)	-
	<u>7,131</u>	<u>35,390</u>
<b>Legal and professional costs:</b>		
Audit fees	7,225	2,000
Accountancy fees	-	2,000
Consultancy fees	26,320	733
FSA & other professional charges	5,142	1,649
	<u>38,687</u>	<u>6,382</u>
<b>Total administrative expenses</b>	<u>45,818</u>	<u>41,772</u>