

Registered number
4487961

MERCHANT CAPITAL PLC

Report and Accounts

31 December 2002



SAWIN & EDWARDS

CHARTERED ACCOUNTANTS



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MERCHANT CAPITAL PLC
Report and accounts
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MERCHANT CAPITAL PLC
Company Information

Directors

Paul Harris
Peter Cotgrove
Peter Redmond

Secretary

Nigel O Driscoll

Auditors

Sawin and Edwards
15 Southampton Place
London
WC1A 2AJ

Bankers

Lloyds TSB
19 Church Green
East Redditch
Worcestershire
B98 8BZ

Solicitors

Wallace and Partners
1 Portland Place
London
W1B 1PN

Registered office

7th Floor 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 period ended 31 December 2002.

The company was incorporated on 17 July 2002 as Burkane Limited. On 21 August 2002 it changed its name to Novation Capital Limited, on 29 August 2002 it changed its name to Merchant Capital Corporate Finance Limited and on 13 November 2002 it registered as a public limited Company under the name of Merchant Capital Corporate Finance Plc. On 19 May 2002 the company changed its name to Merchant Capital Plc.

Principal Activity and review of business

The company's principal activity is corporate finance advice. During the period to 31 December 2002, the company incurred start up costs in connection with its application to the Financial Services Authority to be a regulated provider of Corporate Finance And Investment advice.

Results and dividends

The loss for the period to 31 December before taxation, amounted to £16,723. No dividends were declared nor paid.

Future developments

The company is now registered with the Financial Services Authority and is actively pursuing a number of corporate finance activities.

Events since the balance sheet date

The company became registered with the Financial Services Authority for corporate finance activities on 9 May 2003.

Directors

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

	Appointed	£1 Ordinary shares	
		2002	2002
Peter Cotgrove	21/08/2002	-	-
Paul Harris	21/08/2002	-	-
Peter Redmond	26/09/2002	-	-

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.

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 period end trade creditors amounted to 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

Sawin and Edwards were appointed as auditors during the period to 31 December 2002. 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 27 June 2003.



Nigel O Driscoll

MERCHANT CAPITAL PLC

Independent auditors' report to the shareholders of MERCHANT CAPITAL PLC

We have audited the accounts of Merchant Capital Plc for the period ended 31 December 2002 which comprise pages 5 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 for our report if we become aware of any apparent misstatements within it.

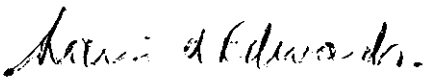
Basis of audit opinion

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 also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Sawin and Edwards
Chartered Accountants and Registered Auditors
15 Southampton Place
London
WC1A 2AJ

27 June 2003

MERCHANT CAPITAL PLC
Profit and Loss Account
for the period from 17 July 2002 to 31 December 2002

	Notes	Period to 31 December 2002 £
Administrative expenses		(16,779)
Operating loss	2	<u>(16,779)</u>
Interest receivable		56
Loss on ordinary activities before taxation		<u>(16,723)</u>
Tax on loss on ordinary activities	3	-
Loss for the period		<u>(16,723)</u>
Retained loss for the period	7	<u>(16,723)</u>

Continuing operations

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

Statement of total recognised gains and losses

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

MERCHANT CAPITAL PLC
Balance Sheet
as at 31 December 2002

	Notes	2002 £
Current assets		
Cash at bank and in hand	45,701	
Creditors: amounts falling due within one year	5 (12,424)	
Net current assets	<hr/>	33,277
		<hr/>
		33,277
Capital and reserves		
Called up share capital	6	50,000
Profit and loss account	7	(16,723)
Shareholders' funds:		
Equity	8	<hr/>
		33,277

Directors

Peter Cotgrove

Peter Redmond

Paul Harris

Approved by the board on 27 June 2003

MERCHANT CAPITAL PLC
Cash Flow Statement
for the period from 17 July 2002 to 31 December 2002

	Notes	2002 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating loss		(16,779)
Increase in creditors		12,424
Net cash outflow from operating activities		<u>(4,355)</u>

CASH FLOW STATEMENT

Net cash outflow from operating activities		(4,355)
Returns on investments and servicing of finance	9	56
		<u>(4,299)</u>

Financing	9	50,000
Increase in cash		<u>45,701</u>

Reconciliation of net cash flow to movement in net debt

Increase in cash in the period		45,701
Change in net debt	10	<u>45,701</u>
Net funds at 17 July 2002		<u>-</u>
Net funds at 31 December 2002		<u>45,701</u>

MERCHANT CAPITAL PLC
Notes to the Accounts
for the period from 17 July 2002 to 31 December 2002

1 Accounting policies

Accounting convention

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

2 Operating profit	2002
	£
This is stated after charging:	
Directors' remuneration	-
Auditors' remuneration	1,000

3 Tax on loss on ordinary activities

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

4 Directors' emoluments

No emoluments were paid to the directors in the year.

5 Creditors: amounts falling due within one year	2002
	£
Trade creditors	4,000
Amounts owed to group undertakings and undertakings in which the company has a participating interest	2,000
Other creditors	700
Accruals and deferred income	5,724
	<u>12,424</u>

6 Share capital	2002
	£
Authorised:	
Ordinary shares of £1 each	<u>50,000</u>
	2002
	£
Allotted, called up and fully paid:	
Ordinary shares of £1 each	<u>50,000</u>

MERCHANT CAPITAL PLC
Notes to the Accounts
for the period from 17 July 2002 to 31 December 2002

Movement in share capital					2002
					£
Shares issued					50,000
At 31 December 2002					<u>50,000</u>
7 Profit and loss account					2002
					£
Retained loss					(16,723)
At 31 December 2002					<u>(16,723)</u>
8 Reconciliation of movement in shareholders' funds					2002
					£
Loss for the financial period					(16,723)
Shares issued					50,000
At 31 December 2002					<u>33,277</u>
9 Gross cash flows					2002
					£
Returns on investments and servicing of finance					
Interest received					<u>56</u>
Financing					
Issue of share capital					<u>50,000</u>
10 Analysis of changes in net debt					
	At 17 Jul	Cash flows	Non-cash	At 31 Dec	
	2002		changes	2002	
	£	£	£	£	
Cash at bank and in hand	-	45,701		45,701	
Total	<u>-</u>	<u>45,701</u>	<u>-</u>	<u>45,701</u>	

11 Ultimate controlling party

The company is a 100% subsidiary of Merchant House Group Plc. The immediate controlling party of Merchant House Group Plc is Delphic Global Opportunities Fund Ltd, a company incorporated in The British Virgin Islands. The directors have been informed that the company's ultimate parent company is 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.

MERCHANT CAPITAL PLC

Notes to the Accounts

for the period from 17 July 2002 to 31 December 2002

12 Related Party Transactions

The director Paul Harris is also a director of Harrell Hospitality Inc. Details of transactions by the holding company Merchant House Group Plc with Harrell Hospitality Inc are disclosed in the consolidated financial statements of the group.