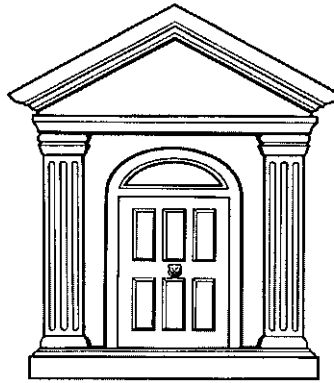


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MERCHANT CAPITAL PLC

MERCHANT CAPITAL PLC

Report and Accounts

31 December 2005

Registered number 4487961



MERCHANT CAPITAL PLC

REPORT AND ACCOUNTS

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

Peter Redmond
Oliver Rayner
Hugh Fleming

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

Aldermay House
15 Queen Street
London
EC4N 1TX

Registered number

4487961

MERCHANT CAPITAL PLC

DIRECTORS' REPORT

The directors present their report and financial statement for the year ended 31 December 2005.

Principal Activity and review of business

The company's principal activity is corporate finance advice.

Results and dividends

The profit for the year before taxation amounted to £141,005 (2004:£90,816). A final dividend of £1.50 per Ordinary share was declared.

Future developments

The company has an increasing number of prospective mandates, which, if successful, will enable it to build on its solid performance in 2005.

Directors

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

	£1 Ordinary Shares	
	2005	2004
Peter Redmond	-	-
Oliver Rayner	-	-
Hugh Fleming	-	-

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

Peter Redmond is also a director of Merchant House Group Plc and his 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.

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 8 days (2004: nil days).

MERCHANT CAPITAL PLC

DIRECTORS' REPORT (continued)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Practice.

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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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.

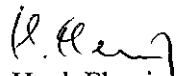
The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that so far as they are aware, there is no relevant audit information 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

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 2006.


Hugh Fleming

Company Secretary

MERCHANT CAPITAL PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MERCHANT CAPITAL PLC

We have audited the financial statements of Merchant Capital Plc for the year ended 31 December 2005 which comprise pages 6 to 10. 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 financial statements, 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 financial statements. We consider the implications for our report if we become aware for 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 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.


MERCHANT CAPITAL PLC

INDEPENDENT AUDITORS' REPORT *(continued)*

TO THE SHAREHOLDERS OF MERCHANT CAPITAL PLC

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended, and the financial statements have been properly prepared in accordance with the Companies Act 1985.



Sawin & Edwards
Chartered Accountants
& Registered Auditors

15 Southampton Place
London
WC1A 2AJ

30 March 2006

MERCHANT CAPITAL PLC**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	Year to 31 December 2005 £	Year to 31 December 2004 £
Turnover	2	651,850	138,882
Direct Expenses		(315,106)	(2,600)
Gross Profit		336,744	136,282
Administrative expenses		(198,214)	(45,818)
Operating profit	3	138,530	90,464
Interest receivable		2,475	352
Profit on ordinary activities before taxation		141,005	90,816
Tax on results on ordinary activities	4	-	-
Profit for the year		141,005	90,816

Continuing operations

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

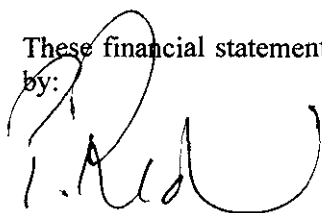
Statement of total recognised gains and losses

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 2005**

	Note	2005 £	2004 £
Current assets			
Debtors	6	89,326	67,945
Cash at bank and in hand		<u>361,122</u>	<u>67,107</u>
		450,448	135,052
Creditors: amounts falling due within one year			
	7	<u>(267,937)</u>	<u>(18,546)</u>
Net current assets		<u>182,511</u>	<u>116,506</u>
Total Assets less current liabilities		<u>182,511</u>	<u>116,506</u>
Capital and reserves			
Called up share capital	8	50,000	50,000
Profit and loss account	9	132,511	66,506
		<hr/>	<hr/>
Shareholder's funds	10	<u>182,511</u>	<u>116,506</u>

These financial statements were approved by the directors on 30 March 2006 and are signed on their behalf by:



Peter Redmond
Director

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2005****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 work done by the company, net of value added tax and trade discounts.

2. Turnover

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

Analysis by geographical market:

	2005 £	2004 £
UK	627,850	128,882
USA	24,000	-
Asia	-	10,000
	<u>651,850</u>	<u>138,882</u>

3. Operating profit

	2005 £	2004 £
This is stated after charging: Auditors' remuneration	<u>8,000</u>	<u>7,225</u>

4. Taxation

	2005 £	2004 £
Analysis of tax charge in year		
Corporation Tax	<u>-</u>	<u>-</u>
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	<u>141,005</u>	<u>90,816</u>
Profit on ordinary activities multiplied by standard rate of UK Corporation Tax 30%	42,302	27,245
Effects of:		
Expenses not deductible for tax purposes	-	150
Utilisation of losses	-	(7,293)
Group losses surrendered	(42,302)	(20,102)
	<u>-</u>	<u>-</u>
Tax Charge	<u>-</u>	<u>-</u>
UK tax losses carried forward multiplied by standard UK Corporation Tax 30%	<u>-</u>	<u>-</u>

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2005****5. Directors' emoluments**

	2005 £	2004 £
Directors' fees	=	<u>1,333</u>

The company had no employees during the year.

6. Debtors

	2005 £	2004 £
Amounts owed by group undertakings and undertakings in which the company has a participating interest	17,313	-
Trade and sundry debtors	47,329	52,315
Other debtors	256	14,262
Prepayments and accrued income	<u>24,428</u>	<u>1,368</u>
	<u>89,326</u>	<u>67,945</u>

7. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	8,636	-
Amounts owed to group undertakings in which the company has a participating interest	252,542	8,058
Taxation and social security	759	6,488
Accruals and deferred income	6,000	4,000
	<u>267,937</u>	<u>18,546</u>

8. Share capital

	2005 £	2004 £
Authorised: Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
	2005 £	2004 £
Allotted, called up and fully paid: Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

9. Profit and loss account

	2005 £	2004 £
At 1 January 2005	66,506	(24,310)
Profit for the year	141,005	90,816
Dividends	(75,000)	-
At 31 December 2005	<u>132,511</u>	<u>66,506</u>

MERCHANT CAPITAL PLC**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2005****10. Reconciliation of movement in shareholders' funds**

	2005 £	2004 £
At 1 January 2005	116,506	25,690
Profit for the financial year	141,005	90,816
Dividend payable	(75,000)	-
At 31 December 2005	<u>182,511</u>	<u>116,506</u>

11. Ultimate 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.

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.

Related party transactions with Directors of the group are disclosed in the group accounts.