MERCHANT HOUSE
GROUP PLC

Financial Statements

For the year ended 31 December 2009

Company Registration Number 04034645

Contents

CORPORATE DIRECTORY

Directors	Martin Eberhardt	(Chairman)
	James Holmes	
Secretary	Hugh Fleming	
Registered Office	Aldermary House 15 Queen Street London EC4N 1TX	
Nominated Adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU	
Broker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU	
Solicitors	McGuire Woods London LLP 15 – 19 Kingsway London WC2B 6UN	
Auditors	Sawin & Edwards 15 Southampton Place London WC1A 2AJ	
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey, GU9 7EN	
Bankers	Lloyds TSB Bank Plc St Paul's Branch 15 Cheapside London EC2V 6AJ	
	Anglo Irish Bank Corporation Plc 10 Old Jewry London EC2R 8DN	
Company Registration Number	04034645	

CHAIRMAN'S STATEMENT

for the year ended 31 December 2009

I present the report and accounts for the year ended 31st December 2009

In addition to the report and accounts, this report also includes preliminary details in relation to a series of proposals which shareholders will be asked to consider and vote on which the directors believe will reposition the Company Full details of these proposals will be contained in a separate circular to shareholders convening a general meeting to consider the proposals This circular will be posted to shareholders in due course

Financial results

- Revenues up 10 fold to £404,359 (2008 £41,668) and the increase in administrative expenses of £1,279,635 (2008 £671,814) charged in striking the loss from operations of £917,390 (2008 £990,656) reflects the year of transition that was 2009
- Revenues were £308,866 (2008 £34,668) in the second half of the year compared to £95,493 in the first half (2008 £7,000) reflecting the recovery of trading activity as new activities came on stream
- Merchant Capital returned to profit before tax of £11,287 (2008 loss of £82,095)

Achievements

You will know that Merchant House Group has faced significant challenges over the past few years, including a time of unprecedented market turmoil and this has been a difficult environment in which to reposition a company to exploit business opportunities going forward Through that time, the Board has concentrated on securing the long term future of the Company by minimising the fixed cost base, and extending Merchant Capital's regulated activities through a series of carefully planned strategic initiatives, including,

- becoming PLUS advisers with appointment as PLUS advisers to Pegasus Helicopter Group,
- receiving FSA authorisation to deal with retail clients and to act as Investment Managers In addition to an in house broking team we have established a structured product division by taking over the structured product book of ARC Capital and Income Plc In 2010 Merchant Capital added the Keydata Investment Services Limited's blue chip structured product book to the company's in-house administration systems This has boosted assets under management to £400 million and plans administered to approximately 28,000 The successful transfer of these plans is a major step towards achieving the company's ambition to be the largest independent provider of structured products to the UK retail investment market To date the division has raised £6 million for its new structured product and investment plans, with its most recent issue, the Merchant Capital Kick Out Plan· Emerging Markets having increased its issue size to cope with demand from independent advisers and their clients,
- securing FSA approval to trade options and futures The first team operating on this platform, using a high volume F-X trading strategy delivers a minimum monthly income of £20,000 to the Group Although trading is by its nature volatile, it now has a successful 9 month trading history and, in May, Merchant Capital earned gross revenue from its profit share of £177,000 The F-X trading team has agreed with JP Morgan that they will be appointed the second clearer as a way of growing this business The Company is now in discussions to attract

additional experienced trading teams and plans to develop a new investment management business designed to offer investors access to these trading returns which, if successful, could become a significant contributor to Group revenues, and most recently,

- being approved by the Irish Financial Services Regulatory Authority to establish and promote a Dublin based UCITS fund platform Merchant Capital has recently signed a distribution agreement with a global retail asset manager (currently subject to confidentiality agreements) and this will enable eligible clients to seek funding which will itself assist in attracting high quality clients to establish their funds on our UCITS III platform The Merchant European Equities Fund has invested its initial capital I am pleased to confirm the launch of a Green Tech Equity Long/Short Fund, expected to have US$20million under management, and the UCITS III version of the Galaxy China Opportunities Fund which will launch in July with up to $500 million dollars under management and in which Merchant Capital is partnering with Galaxy Asset Management As part of this development, Joe Chan and Johnson Cheung will work as part of Merchant Capital to develop and run the fund. Joe Chan was appointed in 1993 as a Managing Director of Morgan Stanley and Johnson Cheung worked for Goldman Sachs We look forward to working with both, and
- The recently announced Merchant Turnaround fund has already secured £1 8million raised by our in house broking team for suitable investment opportunities We plan to expand this area of business by recruiting more team members, broadening the products offered and the possible development of an online share trading platform
- Shareholders will be aware of Merchant Corporate Recovery Plc ("MCR") following announcements last year regarding its launch, fundraising, investment strategy and market background In the present environment, where (i) the availability of bank credit is severely limited, (ii) customers of businesses are in many cases, where possible, extending payment terms, and (iii) equity capital is unusually difficult to raise, many fundamentally sound private businesses are likely to experience financial difficulties An opportunity exists to provide essentially short-term finance for such businesses to give them the prospect of trading out of their difficulties on terms which provide good security for a new lender and with the possibility of obtaining substantial equity stakes in such businesses The Company seeks to provide finance for companies with significant turnover and a strong debtor book or other easily realisable assets over which security can be taken Businesses meeting similar criteria may also be acquired out of receivership, administration or other insolvency process

  MCR's first transaction was to make a working capital advance and acquire a 49% stake in Countryliner Group Limited, a group of transport companies that operates bus services for local authorities MCR invested £200,000 in a new investment company which has acquired 100% of the transport group MCR has provided a working capital facility of up to £300,000 to the group which is a market leader in its sector in the South of England MCR saw this as a well managed operation squeezed both by lack of credit availability and rising oil prices but with a fundamentally strong business

MCR has also invested £102,000 for a 49% shareholding in a new holding company which in turn has acquired 100% of LM Logistics Limited ("LM") and Syntex Logistics Limited ("Syntex") LM is a warehouse and transport group founded in 1973 and based in Felixstowe, Suffolk, Syntex specialises in container haulage MCR is also providing a £398,000 loan facility to the new group, secured against a first charge over its otherwise unencumbered assets

These group accounts are qualified in respect of the accounting treatment of Merchant Corporate Recovery Plc, owing to the circumstance that accounts for the investee companies are not yet due Shareholders should note that the Company's investment in Merchant Corporate Recovery Plc is carried at nil cost

These initiatives have enabled us to identify and negotiate a series of long-term revenue generating agreements as well as building an in-house sales team to take full advantage of the market opportunities open to the Company

As a result of this groundwork, we now believe that we have repositioned the Group with a firmly established business generating more stable monthly revenues and an in-house structured investment plan business, retail brokerage and re invigorated corporate finance team which John Newlands and Andrew Homewood have recently joined

Board changes

With the rebuilding of the Company's trading prospects, the Company is now clearly ready for a formal repositioning It is therefore the Board's view that the executive team should be strengthened to fully exploit the opportunities open to the Group Accordingly, I am delighted to announce that, subject to his appointment as director by shareholders, Chris Day will be appointed Group Chief Executive at the conclusion of the forthcoming AGM At that time, James Holmes will be appointed Chairman while I will step down as Chairman and assume the role of Finance Director Chris was formerly CEO of a company managing some US$2billion and prior to that was managing director of Dresdner Bank's Far East asset management business raising the funds under management from US$600million to US$2 2billion

Proposed fund raising and the forthcoming AGM

Any challenging situation such as that which faced the Company in the autumn of 2008 inevitably requires investment and support in nurturing new businesses in anticipation that revenue streams take time to build In this respect the group has benefitted from financial and other support from a number of businesses and individuals In particular, Liberty Capital Ltd and its subsidiaries and associates ("Liberty") which, in addition to subscribing for new equity, has provided management services and guarantees in respect of liabilities and contingencies which enabled the Group's current revenue streams to be established as well as settling a number of historic liabilities.

Liberty has undertaken to provide financial support for the Group for a period of at least 12 months from the date of this report This undertaking is conditional upon

1) Shareholder approval for the change in conversion terms of the convertible loans detailed in note 16 ("2005 Convertible Debt") and further described below under "2005 Convertible Debt",

2) Shareholder approval for a fundraising to raise up to £650,000 at a price of 0 05p, and

3) Shareholder approval for the issue of shares to settle certain liabilities in particular, loans and other debts amounting to £175,000 and settling unpaid directors' contractual remuneration totalling £168,750 in shares, to be issued at the share price at the time of issue. This has been agreed with the directors concerned and is subject only to the shareholders approving the issue of shares to settle the transaction As part of the agreement the Company will account for PAYE and NI on the share payments, and, net of such PAYE and NI issue shares to a value of £168,750.

2005 Convertible Debt
As shareholders are aware, the 2005 Convertible Debt falls due for repayment on 25th August 2010 unless 2005 Loan Note Holders choose to convert the debt into Ordinary Shares at a price of 2p per share Recognising that the share price has not been at that level for some time, the Board is negotiating with the 2005 Loan Note Holders that they will, subject to approval by shareholders, convert all of the 2005 Loan Notes at 0 5p per share This would represent a material change to the conditions attaching to the original loan notes which were approved by shareholder resolution and the Board intends therefore to seek shareholder approval for the issue of the shares pursuant to the revised terms that are agreed

In the light of the imminent requirement to repay the 2005 Loan Notes and of the other financial obligations incurred by the Company earlier this year, Liberty indicated to the Company that it would be prepared to invest up to £650,000 in Merchant House through a combination of a subscription for ordinary shares at a price of 0 05p per share and a subscription for convertible debt with the right to convert into ordinary shares at the same price to ensure that Liberty's shareholding remained below 30% at any time together with 1 warrant for every two shares or 0 1p of convertible debt up to £468,000, exercisable at 0 05p The proceeds of such investment would be used to repay the 2005 Loan Note Holders if revised terms for payment of the 2005 Convertible Debt cannot be agreed (or in the event that agreement is reached with the 2005 Loan Note Holders on revised conversion terms but shareholders do not thereafter approve those changed terms) If revised terms of the 2005 Convertible Debt are approved, the proposed investment from Liberty Capital referred to above would be applied to settle certain outstanding liabilities and provide additional working capital for the Group

Preference share investment by Liberty
Finally, Liberty have transferred £500,000 of 10% preference shares in Tixway UK Limited, a wholly owned subsidiary of Liberty, to the Company, which were in turn transferred to Merchant Capital Ltd, a wholly-owned subsidiary of the group, in consideration for the issue of £500,000 of ordinary shares This investment holding of preference shares strengthens the subsidiary's balance sheet and capital position, which will allow Merchant Capital to continue to comply with the continuing capital adequacy requirements of the Irish Financial Services Regulatory Authority for the establishment of the Dublin based UCITS fund platform In consideration of the transfer the Company has issued an unsecured convertible loan note of £500,000 carrying no interest and which shall mature in 2015 (the Tixway Convertible Loan Note) The terms of the

Tixway Convertible Loan Note provide for conversion into Ordinary Shares at 0 5p each at any time As noted above, shareholder approval for the issue of New Ordinary Shares will be required for this loan note to convert In the event that shareholders do not authorise the issue of shares sufficient to fulfil this agreement, the preference shares in Tixway UK Limited will need to be returned to Liberty and the Company will need to seek alternative arrangements to satisfy the capital adequacy requirements

The directors recognise that 0 05p is substantially lower than the prevailing market price and with the support of Liberty are, in conjunction with their advisers, considering options to raise the funds the Company requires in a way that will give shareholders the opportunity of participating at the same price should they so wish The Company expects to update shareholders on this shortly, together with a notice for the 2010 AGM

Going concern

At this time, the Company remains dependent upon the ongoing support of Liberty Capital An undertaking has been received from Liberty Capital Ltd to continue to provide financial support until at least 30 June 2011 provided that shareholders approve the resolution at the forthcoming AGM which will empower the directors to issue shares to raise up to £650,000 cash, repay loans and salaries in shares of £344,000 in aggregate and to issue the Tixway Convertible loan note.

Future prospects

The board would point shareholders, when considering future prospects to the fact that Merchant Capital returned to profit in the year 2009 There are now a series of exciting businesses, showing considerable progress this year despite being early stage and the board considers the teams recruited to be particularly important Shareholders should note the depth of their experience, their track record of success at major banks, financial institutions [and corporate] and their decision to join Merchant House where they evidently believe they can be contribute to the success of the business The Board remains cautious and cashflow remains tight but we are now of the view, firstly, that elements exist that are required to significantly grow the revenues of the company and secondly that the new teams have now demonstrated their ability to make real progress on the agreed business strategies This should, in time, allow shareholder value to grow

Martin Eberhardt
Chairman
30 June 2010

REPORT OF THE DIRECTORS

for the year ended 31 December 2009

The Directors present their report together with the audited Group financial statements for the year ended 31 December 2009

Principal Activities
The principal activity of the Company and the Group during the year was the provision of financial services The company is domiciled in England and was incorporated in England and Wales

Business Review and Future Developments
A review of the Group's businesses and future developments is contained within the Chairman's Statement on page 2

Results and Dividends
The loss for the year on ordinary activities before tax amounted to £915,263 (2008 £1,113,872) The Directors do not recommend the payment of a dividend

Share Capital
Details of the share capital are given in note 18 to the financial statements

Directors and their Interests
The Directors who served during the year and their interests in the Company's Ordinary Shares were as follows

	At 31 December 2009 No.	At 31 December 2008 No.
M Eberhardt	-	-
J Holmes	-	-

Warrants
Warrants previously granted to Lochinsh Limited (formerly Stokewell Limited), of which James Holmes is a Director, have now lapsed

Directors' interests in contracts are disclosed in Note 20 of the financial statements

Share Options
At the balance sheet date there are no Options granted to the Directors

REPORT OF THE DIRECTORS *Continued*

Substantial Shareholdings

On 1 June 2010 the following shareholders held 3% or more of the issued share capital of the Company

	No. of Ordinary Shares	Percentage of issued Ordinary Shares
Prism Nominees Limited	33,179,174	12 58
TD Waterhouse Nominees (Europe) Limited	23,960,249	9 08
Barclayshare Nominees Limited	22,754,996	8 62
Oliver Jakob	22,700,000	8 60
Jim Nominees Limited	17,060,014	6 47
WB Nominees Limited	14,725,000	5 58
HSDL Nominees Limited	14,653,031	5 55
Westward Consultants Limited	13,700,000	5 19
Pershing Nominees Limited	12,859,050	4 87

Corporate Governance

As Merchant House Group Plc is not a fully listed Company, it is not required to comply with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance ("the Combined Code") However, the Directors do place a high degree of importance on ensuring that high standards of corporate governance are maintained As a result, most of the relevant principles set out in the Combined Code have been adopted during the period and these are summarised below

Directors

The Company supports the concept of an effective Board leading and controlling the Company The Board is responsible for approving the Company's policy and strategy It meets frequently and receives and reviews on a timely basis financial and operating information appropriate to being able to discharge its duties Directors are free to seek any further information they consider necessary Directors submit themselves for re-election every two years by rotation in accordance with the Articles of Association Given the size of the Company it is not considered appropriate that there should be a separate nomination committee It is the view of the Board that the appointment of new Directors should be a matter for consideration by the Board as a whole All appointments to the Board are subject to confirmation by shareholders at the following AGM

Relations with Shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance The Board is available to discuss current events with its institutional and private shareholders and positively encourages attendance at General Meetings

Audit Committee

The principal functions of the Audit Committee are to review the interim and annual financial statements before they are presented to the Board and to review the effectiveness of the Company's internal control and risk management systems The Audit Committee comprises the Company's Directors Currently it comprises M Eberhardt (Chairman) and J Holmes

Remuneration Committee
The Remuneration Committee comprises the Company's Directors Currently it comprises J Holmes (Chairman) and M Eberhardt Details of the Directors' emoluments are set out in the financial statements However, there is no separate report of the Remuneration Committee It is the Company's policy that the remuneration of Directors should be commensurate with services provided by them to the Company

Internal Financial Control and Risk Management
The Directors are responsible for the Company's system of internal financial control and also for identifying the major business risks faced by the Company The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control The Directors have established procedures for planning, budgeting and for monitoring, on a regular basis, the performance of the Company and for determining the appropriate course of action to manage any major business risks The Board has considered the need for an internal audit function but has decided the size of the Company does not justify it at present However it will keep the decision under annual review

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 223 days (2008 135 days)

Political and Charitable Donations
There were no political or charitable donations made during the year.

Financial Instruments and Risk Management
See Note 21 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 group's trading activities to the extent that this involves arranging finance and the matter dealt with in the final paragraph of Note 1

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 in accordance with Section 489 of the Companies Act 2006

Subsequent events
Subsequent events have been disclosed in note 23

By order of the Board
Hugh Fleming
Company Secretary
30 June 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 December 2009

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that 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 Group at the end of the year and of the Group's profit or loss for the year then ended

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,

- 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 group will continue in business

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006 The Directors are also responsible for safeguarding the assets of the Company and of the Group 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 418(3) of the Companies Act 2006) 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

for the year ended 31 December 2009

We have audited the Group and parent company financial statements of Merchant House Group Plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes numbered 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006 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 explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Qualified opinion arising from limitation in audit scope

The share of the profit or loss for the associated company Merchant Corporate Recovery Plc for the period ended 31 December 2009 is not disclosed because we were unable to obtain any financial information for the purpose of our audit The financial year end of Merchant Corporate Recovery Plc is 31 January 2010 and there are therefore no financial statements available for the period ended 31 December 2009, nor have the financial statements for the year ended 31 January 2010 yet been prepared We were unable to obtain sufficient appropriate audit evidence as to the existence of the Associate's accounting records by using other audit procedures Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the results of the associated company, in our opinion the financial statements

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended, and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (continued)

- the parent company's financial statements have been properly prepared in accordance with the IFRSs adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared 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 Group and Company's ability to continue as a going concern The Group incurred a net loss of £915,263 for the year ended 31 December 2009 The financial statements have been prepared on a going concern basis In applying the going concern basis, the directors have considered the current financial position of the Group and Company, its trading prospects and the financial support provided by Liberty Capital, an investor in the Company They have considered all of the above factors in relation to a period of at least the next 12 months Taking all these factors into account, the directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis 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

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the associate company, described above

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit, and
- we are unable to determine whether adequate accounting records have been kept

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all of the information and explanations we require for our audit

Keeley Edwards – Senior Statutory Auditor

For and on behalf of Sawin & Edwards
Statutory Auditors
15 Southampton Place
London WC1A 2AJ

30 June 2009

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2009

	Note	Year to 31 December 2009 £	Year to 31 December 2008 £
Revenue	2	**404,359**	41,668
Cost of sales		**(59,264)**	(42,143)
Gross profit /(loss)		**345,095**	(475)
Administrative expenses		**(1,279,635)**	(671,814)
Loss on disposal of associate		**-**	(137,822)
Impairment of associate		**(23,700)**	(67,492)
Impairment of intangible assets		**-**	(88,496)
Other operating income		**36,140**	27,770
Realised gain /(loss) on current asset investments		**2,500**	(11,287)
Unrealised gain /(loss) on current asset investments		**2,210**	(41,040)
(Loss) from operations	3	**(917,390)**	(990,656)
Share of operating loss in associate undertakings		**-**	(107,222)
Finance expense		**(8,776)**	(27,170)
Investment income		**10,903**	11,176
(Loss) Before Taxation		**(915,263)**	(1,113,872)
Income tax expense	6	**-**	-
(Loss) for the financial period		**(915,263)**	(1,113,872)
(Loss) per share (pence)	8	**(0.77p)**	(1 16p)
Diluted loss per share (pence)	8	**(0.29p)**	(0 35p)

The Company has taken advantage of Section 408 of the Companies Act 2006 not to publish its income statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Year to 31 December 2009 £	Year to 31 December 2008 £
(Loss) for the year attributable to the parent's equity holders	(915,263)	(1,113,872)
Total comprehensive (expense) for the year attributable to the parent's equity holders	(915,263)	(1,113,872)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Note	2009 £	2008 £
ASSETS			
Non Current Assets			
Intangible assets	10	-	-
Property, plant and equipment	11	**1,844**	3,461
Investment in group undertakings	9	-	-
		1,844	3,461
Current Assets			
Trade and other receivables	12	**311,444**	89,517
Cash and cash equivalents	13	**5,267**	97,783
Investments	14	**507,310**	10,100
Total current assets		**824,021**	197,400
TOTAL ASSETS		**825,865**	200,861
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and other payables	15	**1,810,854**	399,587
Convertible loan notes	15	**449,318**	-
		2,260,172	399,587
Non current liabilities:			
Convertible loan notes	17	-	419,654
Subordinated loan	17	**100,000**	-
		2,360,172	819,241
Equity and Reserves			
Called up share capital	18	**542,350**	539,350
Convertible loan notes	16	**18,682**	48,346
Share premium		**1,031,924**	1,005,924
Retained Earnings		**(3,127,263)**	(2,212,000)
Total Equity		**(1,534,307)**	(618,380)
TOTAL LIABILITIES		**825,865**	200,861

These financial statements were approved by the Directors on 30 June 2009 and are signed on their behalf by

J Holmes
Director

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2009

	Note	2009 £	2008 £
ASSETS			
Non Current Assets			
Intangible assets	10	-	-
Property, plant and equipment	11	1,844	3,461
Investment in group undertakings	9	641,001	115,001
		642,845	118,462
Current Assets			
Trade and other receivables	12	25,389	38,156
Cash and cash equivalents	13	5,024	2,036
Investments	14	7,310	10,100
Total current assets		37,723	50,292
TOTAL ASSETS		680,568	168,754
EQUITY AND LIABILITIES			
Current Liabilities:			
Trade and other payables	15	1,785,201	375,837
Convertible loan notes	15	449,318	-
	15	2,234,519	375,837
Non current liabilities:			
Convertible loan notes	17	-	419,654
		2,234,519	795,491
Equity and Reserves			
Called up share capital	18	542,350	539,350
Convertible loan notes	16	18,682	48,346
Share premium		1,031,924	1,005,924
Retained Earnings		(3,146,907)	(2,220,357)
Total Equity		(1,553,951)	(626,737)
TOTAL LIABILITIES		680,568	168,754

These financial statements were approved by the Directors on 30 June 2009 and are signed on their behalf by

J Holmes
Director

Company Registration Number 04034645

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

Group

	Convertible Loan Note £	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 January 2009	48,346	539,350	1,005,924	(2,212,000)	(618,380)
Total Comprehensive Expense for the year	-	-	-	(915,263)	(915,263)
Movement in Equity	(29,664)	-	-	-	(29,664)
	18,682	539,350	1,005,924	(3,127,263)	(1,563,307)
Transactions with owners recorded directly in equity					
Contribution by owners					
Share issue	-	3,000	26,000	-	29,000
Balance at 31 December 2009	18,682	542,350	1,031,924	(3,127,263)	(1,534,307)

Company

	Convertible Loan Note £	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 January 2009	48,346	539,350	1,005,924	(2,220,357)	(626,737)
Total Comprehensive Expense for the year	-	-	-	(926,550)	(926,550)
Movement in Equity	(29,664)	-	-	-	(29,664)
	18,682	539,350	1,005,924	(3,146,907)	(1,582,951)
Transactions with owners recorded directly in equity					
Contribution by owners					
Share issue	-	3,000	26,000	-	29,000
Balance at 31 December 2009	18,682	542,350	1,031,924	(3,146,907)	(1,553,951)

STATEMENT OF CHANGES IN EQUITY *Continued*

for the year ended 31 December 2008

Group

	Convertible Loan Note	Share Capital	Share Premium	Retained Earnings	Total
	£	£	£	£	£
Balance at 1 January 2008	38,214	271,733	501,389	(1,098,128)	(286,792)
Total Comprehensive Expense for the year	-	-	-	(1,113,872)	(1,113,872)
Movement in Equity	10,132	-	-	-	10,132
	48,346	271,733	501,389	(2,212,000)	(1,390,532)
Transactions with owners recorded directly in equity					
Contribution by owners					
Share issue	-	267,617	504,535	-	772,152
Balance at 31 December 2008	48,346	539,350	1,005,924	(2,212,000)	(618,380)

Company

	Convertible Loan Note	Share Capital	Share Premium	Retained Earnings	Total
Balance at 1 January 2008	38,214	271,733	501,389	(1,166,441)	(355,105)
Total Comprehensive Expense for the year	-	-	-	(1,053,916)	(1,053,916)
Movement in Equity	10,132	-	-	-	10,132
	48,346	271,733	501,389	(2,220,357)	(1,398,889)
Transactions with owners recorded directly in equity					
Contribution by owners					
Share issue	-	267,617	504,535	-	772,152
Balance at 31 December 2008	48,346	539,350	1,005,924	(2,220,357)	(626,737)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2009

	2009	2008
	£	£
Reconciliation of operating loss to net cash flow from operating activities		
Operating loss	**(917,390)**	(990,656)
Associated company losses written off	**-**	(139,666)
(Increase)/Decrease in trade & other receivables	**(221,927)**	152,442
Increase in trade & other payables	**1,422,328**	92,514
Depreciation	**2,082**	6,589
Impairment of associate	**23,700**	49,505
Impairment of intangible assets	**-**	88,496
Realised (gain)/loss on current asset investments	**(2,500)**	11,287
Unrealised (gain)/loss on current asset investments	**(2,210)**	41,040
Net cash inflow/(outflow) from operating activities	**304,083**	(688,449)
Investing Activities		
Interest received	**10,903**	11,176
Purchase of investments	**(500,000)**	(260,400)
Sales of investments	**7,500**	234,598
Purchase of plant & equipment	**(465)**	(1,566)
Investment in associate	**(23,700)**	51
Net cashflow from investing activities	**(505,762)**	(16,141)
Financing activities		
Proceeds from share issue	**29,000**	683,656
Loan	**100,000**	-
Interest paid	**(8,776)**	(27,170)
Net cash inflow from financing activities	**120,224**	656,486
Decrease in cash & cash equivalents	**(81,455)**	(48,104)
Reconciliation of net cash flow to movement in net debt		
Decrease in cash in the period	(81,455)	(48,104)
Movement in year	**(81,455)**	(48,104)
Net (debt) brought forward	**(381,278)**	(333,174)
Net (debt) carried forward	**(462,733)**	(381,278)

CONSOLIDATED CASH FLOW STATEMENT *Continued*

Reconciliation of net cash flow to movement in net (debt)/funds	Year to 31 December 2009 £	Year to 31 December 2008 £
(Decrease) in cash in the period	**(81,455)**	(48,104)
Movement in year	**(81,455)**	(48,104)
Net (debt) at 1 January	**(381,278)**	(333,174)
Net (debt) at 31 December	**(462,733)**	(381,278)

Analysis of changes in net (debt)	At 1 January 2009 £	Cashflows £	Other non cash changes £	At 31 December 2009 £
Cash at bank and in hand	97,783	(92,516)	-	5,267
Bank overdraft	(10,816)	10,816	-	-
Cash held in stockbroker's client accounts	(245)	245	-	-
Cash and cash equivalents	86,722	(81,455)	-	5,267
Debt due within one year				
Secured loan notes	(408,000)	-	-	(408,000)
Unsecured loan notes	(60,000)	-	-	(60,000)
	(381,278)	(81,455)	-	(462,733)

Other non cash changes

During the year the company incurred development expenditure cost amounting to £Nil (2008 £88,496 when the consideration was paid in shares)

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2009

	2009	2008
	£	£
Reconciliation of operating loss to net cash (outflow) from operating activities		
Operating loss	**(917,779)**	(1,035,483)
Decrease in trade & other receivables	**12,767**	162,191
Increase in trade & other payables	**1,420,425**	31,203
Depreciation	**2,082**	6,589
Impairment of associate	**23,700**	57,188
Impairment of intangible assets	**-**	88,496
Realised (gain)/loss on current asset investments	**(2,500)**	11,287
Unrealised (gain)/loss on current asset investments	**(2,210)**	41,040
Net cash flow from operating activities	**536,485**	(637,489)
Investing Activities		
Interest received	**5**	8,737
Purchase of investments	**-**	(260,400)
Sales of investments	**7,500**	234,598
Purchase of plant & equipment	**(465)**	(1,566)
Investment in associate	**(23,700)**	(17,937)
Investment in subsidiary	**(526,000)**	(65,000)
Net cashflow from investing activities	**(542,660)**	(101,568)
Financing activities		
Proceeds from share issue	**29,000**	683,656
Interest paid	**(8,776)**	(27,170)
Net cash inflow from financing activities	**20,224**	656,486
Increase/(Decrease) in cash & cash equivalents	**14,049**	(82,571)

	At 1 January 2009	Cashflows	At 31 December 2009
	£		£
Cash at bank and in hand	2,036	2,988	5,024
Bank overdraft	(10,816)	10,816	-
Cash held in stockbroker's client accounts	(245)	245	-
Cash and cash equivalents	(9,025)	14,049	5,024

Other non cash changes

During the year the company incurred development expenditure cost amounting to £Nil (2008 £88,496 and the consideration was paid in shares)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

1. Accounting policies

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs)

The financial statements have been prepared on the historical cost basis except that certain financial instruments are accounted for at fair values The principal accounting policies adopted are set out below

Standards applied

The Group has adopted the following relevant standards which are effective for annual reporting periods beginning on or after 1 January 2009

IFRS 8 Operating segments
IAS 1 (revised and amended) Presentation of financial statements
IAS 16 (amended) Property, plant and equipment
IAS 23 (revised and amended) Borrowing costs
IAS 27 (amended) Consolidated and separate financial statements
IAS 28 (amended) Investments in associate
IAS 32 (amended) Financial instruments – presentation
IAS 36 (amended Impairment of assets
IAS 39 (amended) Financial instruments – recognition and measurement

New standards and interpretations not applied

The IASB has issued the following relevant standards which are not effective and have not been early adopted for these financial statements

IFRS 3 (revised) Business Combinations effective date 1st July 2009
IAS 27 (amended) Consolidated and separate Financial statements effective date 1st July 2009

The directors do not anticipate that adoption of these standards will have a material impact on the Group and Company's financial position or performance

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i e discount on

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Basis of consolidation (continued)

acquisition) is credited to profit and loss in the period of acquisition The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

Investments in Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments Losses of the associates in excess of the Group's interest in those associates are not recognised

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment

Revenue recognition

The group recognises revenue 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 Management fees are recognised at the end of each month for management and office services provided to the subsidiary undertaking in the normal course of business Work in progress is recognised at realisable invoice value where fees and commissions have been earned in respect of contracted periods

Intangible assets

Intangible assets consist of development expenditure and are capitalised at cost At each balance sheet date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated, in order to determine the extent of the impairment loss (if any)

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Property, plant and equipment
Office equipment and fixtures and fittings are stated at cost less accumulated depreciation and any recognised impairment loss Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method on the following bases

Office equipment	3 years straight line
Fixtures and fittings	3 years straight line

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

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 year 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 Group'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

1. Accounting policies (continued)

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

Investments
Non current asset investments are carried at cost less provisions for any permanent diminution in value Current asset investments are carried at market value

Cash and cash equivalents
Cash and cash equivalents comprise cash held at bank and on short term deposits

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 Group after deducting all of its liabilities

Convertible loan notes
Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity, where material

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue The portion relating to the equity component is charged directly against equity, where material

Trade payables
Trade payables are not interest bearing and are stated at their nominal value

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received The costs of issuing new equity are charged against the share premium account

Pensions
The Company does not operate a pension scheme but does make defined contributions to the personal pension schemes of two Directors

Operating lease agreements
Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the income statement on a straight line basis over the term of the lease

Foreign currencies
Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies

1. Accounting policies (continued)

are translated at the rate of exchange ruling at the balance sheet date The resulting exchange gain or loss is dealt with in the income statement

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

In applying the going concern basis, the directors have considered the current financial position of the Company and the Group and its trading prospects As set out in note 16, loan notes amounting to £468,000 fall due for repayment by 25th August 2010 unless converted into shares at a price of 2p per share Recognising that the share price has not been at that level for some time, the Board is negotiating with the 2005 Loan Note Holders that they will, subject only to approval by shareholders, convert at a price of 0 5p per share except that if the closing mid market price at 31 December 2010 is lower than 0 5p, additional shares will be issued credited as fully paid as if the 2005 Loan Notes had been converted at the closing mid market price on 31 December 2010 If shareholder approval is not gained, £468,000 will fall due for settlement on 25th August 2010 In light of the uncertainty as to the settlement of the loan notes, the Company has also received an offer from Liberty Capital to subscribe for £650,000 at a price of 0 05p per share subject to shareholder approval for the issue of sufficient shares in order for the Company to

1 issue shares to settle certain liabilities, in particular, loans and other debts amounting to £175,000 This has been agreed by the creditors concerned and is subject only to the shareholders approving the issue of shares to settle the transaction

2 settle unpaid directors' contractual remuneration totalling £168,750 in shares, to be issued at the share price at the time of issue. This has been agreed with the directors concerned and is subject only to the shareholders approving the issue of shares to settle the transaction As part of the agreement the Company will account for PAYE and NI on the share payments, and, net of such PAYE and NI issue shares to a value of £168,750 In addition, £85,000 of warrants will be issued to directors and management at the same price as that at which funds are raised

3 issue an unsecured convertible loan note of £500,000 carrying no interest and which shall mature in 2015 (the Tixway Convertible Loan Note) in consideration of the promissory note issued by the company to Liberty Capital on 30 December 2009

An undertaking has been received from Liberty Capital Ltd to continue to provide financial support until at least 30 June 2011 provided that shareholders approve the resolution at the forthcoming AGM to enable directors to implement the above proposals This indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Taking all these factors into account, the directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

2. Turnover

Segmental analysis for the group is given below

Geographical

	2009	2008
	£	**£**
Turnover		
United Kingdom	**394,359**	41,668
USA	**10,000**	-
	404,359	41,668
(Loss) before tax		
United Kingdom	**(892,628)**	(1,006,650)
USA	**(22,635)**	-
	(915,263)	(1,006,650)

Net Liabilities

	2009	2008
	£	**£**
United Kingdom	**(1,534,307)**	(618,380)
USA	**-**	-
	(1,534,307)	(618,380)

Due to limited activity in the group noted, the directors consider that this is the only segment which requires disclosure under IFRS 8

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Operating loss

Group operating loss is stated after charging/(crediting)

	2009	2008
	£	£
Auditors' remuneration - auditing of the financial statements of the company pursuant to legislation	**9,758**	31,849
- auditing of accounts of associates of the company pursuant to legislation	**4,750**	5,000
- other services relating to taxation	**770**	750
- other services	**4,513**	-
Operating leases - land and building	**74,940**	147,388
- other	**4,230**	4,357
Office services income received	**(24,609)**	(22,853)
Depreciation	**2,082**	6,589

4. Particulars of employees

The average number of staff employed by the group during the financial year amounted to

	2009	2008
	No.	No.
Number of administrative staff	**5**	1
Number of professional staff	**3**	2
	8	3

The aggregate payroll costs of the above (excluding directors) were

	2009	2008
	£	£
Wages and salaries	**309,387**	45,000
Social security costs	**34,718**	6,177
	344,105	51,177

5. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were

	2009 £	2008 £
Directors' emoluments	**65,000**	65,000
Social security costs	**8,320**	7,931
Healthcare	-	1,887
Pension – defined contribution	-	(3,600)
Compensation for loss of office	-	6,500
	73,320	77,718
Highest paid director - Emoluments	**35,000**	35,000
	35,000	35,000

No Directors' emoluments were paid in the year ended 31 December 2009 (2008 £5,417)

6. Taxation

	2009 £	2008 £
Analysis of tax year in charge		
Corporation Tax	-	-
Factors affecting tax charge for the year		
Loss on ordinary activities before tax – group	**(915,263)**	(1,136,011)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 28% (2008 28%)	**(256,274)**	(318,083)
Effects of		
Expenses not deductible for tax purposes	**6,782**	54,362
Increase in UK tax losses	**249,492**	263,721
Tax charge	-	-
Potential UK Tax credits available multiplied by standard rate of UK corporation tax of 28% (2008 28%)	**(1,447,812)**	(1,198,320)

No recognition has been made of the deferred tax asset in respect of the losses shown above as the directors are of the opinion that this may not be realisable in the foreseeable future

7. Loss attributable to members of the parent Company

The loss before dividends dealt with in the accounts of the parent company was £(926,550) (2008 (£1,053,916)

8. Loss per share

	2009	2008
Loss per ordinary share (pence)	**(0.77p)**	(1 16p)
Diluted loss per ordinary share (pence)	**(0.29p)**	(0 35p)

The loss per share has been calculated on the net basis on the group deficit excluding associate for the financial year, after taxation, of £(915,263) (2008 £(1,006,650)) using the weighted average number of ordinary shares in issue of 118,555,080 (2008 86,870,886) Subsequent to the year end, a further 143,083,868 shares have been issued, as disclosed in note 23

Diluted earnings per share have been calculated using the weighted average number of ordinary shares in issue, diluted for the effect of loan conversion rights, convertible preference shares and warrants There were unexercised loan conversion rights, convertible preference shares and warrants on 200,066,667 shares in existence at the year end (2008 200,066,667)

9. Non Current Asset Investments (Unlisted)

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Subsidiary Undertakings				
Cost				
At 1 January	-	115,001	-	50,001
Additions	-	526,000	-	65,000
At 31 December	-	641,001	-	115,001
Net Book Value				
At 31 December	-	641,001	-	115,001

9. Non Current Asset Investments (Unlisted) *Continued*

Associate Undertakings	Group 2009	Company 2009	Group 2008	Company 2008
Cost				
At 1 January	-	-	17,112	39,251
Additions	23,700	-	-	17,988
Disposals	-	-	(51)	(51)
Losses in associated undertaking written off	-	-	139,666	-
Impairment	(23,700)	-	(49,505)	(57,188)
Share of loss in associate undertaking	-	-	(107,222)	-
At 31 December	-	-	-	-
Net Book Value				
At 31 December	-	641,001	-	115,001

The investment in associate undertakings consists of a 49% holding in Merchant House Finance Limited, a company incorporated in the UK, which was acquired during 2006 and whose principal business is that of asset leasing, a 49% holding in Merchant Corporate Limited, a company incorporated in the UK on 6 September 2007, which was acquired during 2007 and whose principal business is that of share trading and a 29% holding in Merchant Corporate Recovery Plc, a company incorporated in the UK on 30 January 2009, which was acquired during 2009 for a nil consideration and whose principal business is that of providing turnaround finance

On 30 April 2008, Merchant House Group Plc disposed of its entire interest in Merchant Corporate Limited, incurring a loss on disposal of £137,822

At 31 December 2009, following an impairment review, the directors considered that an impairment adjustment of £23,700 (Company £23,700) should be recognised in relation to the investment in Merchant House Finance Limited

Subsidiary undertaking	Country of Incorporation	Holding	Proportion of voting shares held	Nature of business
Merchant Capital Ltd	UK	Ordinary Shares	100%	FSA Regulated Business
Merchant House Securities Ltd	UK	Ordinary Shares	100%	Not Trading
Aldermary Secretaries Ltd	UK	Ordinary Shares	100%	Not Trading
Aldermary Securities	UK	Ordinary Shares	100%	Not Trading

Aldermary Securities was dissolved on 31 March 2009

The results and net assets of the subsidiaries for the year ended 31 December 2009 are as follows

9. Non Current Asset Investments (Unlisted) *Continued*

	Profit/(Loss) in year	Net assets at 31 December 2009
Merchant Capital Limited	£11,287	£660,644
Merchant House Securities Limited	-	£1
Aldermary Secretaries Limited	-	£1

The above subsidiaries have all been included in the consolidated financial statements

10. Intangible assets - Company and Group

Development expenditure	**2009**	**2008**
Cost	**£**	**£**
Additions	-	88,496
Balance carried forward	-	88,496
Impairment		
Additions	-	88,496
Balance carried forward	-	88,496
Net book value	-	-

The development expenditure amounting to £88,496 in 2008, the consideration of which was paid in shares, related to the cost of a share trading platform which the company planned to acquire At 31 December 2008, following an impairment review, the directors considered that an impairment adjustment of £88,496 was recognised in relation to this development expenditure

11. Non current assets - Property, plant and equipment

Company and Group	**Office Equipment £**	**Fixtures and Fittings £**	**Total £**
Cost			
At 1 January 2009	29,130	11,972	41,102
Additions	465	-	465
At 31 December 2009	29,595	11,972	41,567
Depreciation			
At 1 January 2009	25,669	11,972	37,641
Charge for the year	2,082	-	2,082
At 31 December 2009	27,751	11,972	39,723
Net book value			
At 31 December 2009	1,844	-	1,844

11. Non current assets - Property, plant and equipment (continued)

Company and Group	Office Equipment £	Fixtures and Fittings £	Total £
Cost			
At 1 January 2008	27,564	11,972	39,536
Additions	1,566	-	1,566
At 31 December 2008	29,130	11,972	41,102
Depreciation			
At 1 January 2008	19,786	11,266	31,052
Charge for the year	5,883	706	6,589
At 31 December 2008	25,669	11,972	37,641
Net book value			
At 31 December 2008	3,461	-	3,461

12. Current assets - trade and other receivables

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Trade receivables	**8,057**	**1,181**	14,625	5,956
Other receivables	**65,659**	**12,659**	22,826	21,482
Prepayments and accrued income	**198,617**	**11,549**	52,066	10,718
Receivables from related parties	**39,111**	**-**	-	-
	311,444	**25,389**	89,517	38,156

13. Current Assets - Cash and Cash Equivalents

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Cash held at bank and in hand	**5,267**	**5,024**	97,783	2,036
	5,267	**5,024**	97,783	2,036

14. Current assets - Investments

Quoted investments held as current assets are as follows

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Investments at fair value	507,310	7,310	10,100	10,100

The fair value of these investments is based on quoted market price, when quoted, or cost

15. Trade and other payables: Amounts falling due within one year

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Trade payables	619,210	604,654	200,743	198,993
Other payables	776,233	761,559	70,261	70,261
Accruals	203,504	194,241	113,505	91,505
Taxation and social security	152,385	144,730	4,262	4,262
Payables to related parties	59,522	80,017	-	-
Bank overdraft	-	-	10,816	10,816
	1,810,854	1,785,201	399,587	375,837
Convertible loan notes (note 16)	449,318	449,318	-	-
	2,260,172	2,234,519	399,587	375,837

16. Convertible Loan notes - Group and Company

	Unsecured Convertible Loan Notes £	Secured Convertible Loan Notes £	Total Convertible Loan Notes £
Balance at 1 January 2009	60,000	408,000	468,000
Balance at 31 December 2009	60,000	408,000	468,000

Total convertible loan notes amounting to £468,000 (2008 £468,000) are analysed as

	2009 £	2008 £
Liability component	449,318	419,654
Equity component	18,682	48,346
	468,000	468,000

16. Convertible Loan notes - Group and Company (Continued)

The Unsecured and Secured convertible loan notes 2010 bear interest at a floating rate of 100 basis points above Barclays Bank plc base rate, and are convertible at the option of the holder in units of 2p into Ordinary 0 01p shares at a price of 2p per share at any time up to 25 August 2010 The loan notes were previously convertible into Ordinary 0.5p shares, but the nominal value of the Ordinary shares became 0 01p following a capital reorganisation on 2 August 2009, as disclosed in note 18 The Unsecured and Secured 2010 loans are repayable on or before 25 August 2010, unless previously converted The Secured 2010 loan is secured by a first debenture over all the assets and undertakings of the Company Full details of the Unsecured and Secured loans 2010 were set out in the circular to shareholders dated 1 August 2005

17. Non current liabilities – Group and Company

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Subordinated Loan	**100,000**	-	-	-
Convertible loan notes (note 16)	-	-	419,654	419,654
	100,000	-	419,654	419,654

The subordinated loan was made on 24 July 2009, is repayable after five years and one day and the principal amount bears interest at 10% per annum and it is unsecured.

18. Share capital – Group and Company

	2009 £	2008 £
Authorised share capital:		
2,362,247,600 Ordinary shares of 0 01p each	**11,811,238**	11,811,238
4,000,000 Preference shares of £1 each	**4,000,000**	4,000,000
	15,811,238	15,811,238

At an Extraordinary General Meeting of the Company held on 7 April 2008 resolutions were passed increasing the company's authorised share capital from £10,436,238 to £15,811,238 by the creation of 275,000,000 ordinary shares of 0 5p each and 4,000,000 8 per cent convertible cumulative redeemable preference shares of £1 00 each The convertible preference shares are convertible into ordinary shares at any time after 30 June 2011 at an effective conversion price of 2 5p per share Full details of the convertible preference shares were set out in the circular to shareholders dated 12 March 2008

18. Share capital – Group and Company (continued)

	2009		2008	
	No.	£	No.	£
Allotted, called up and fully paid				
Ordinary shares of 0 01p/0 5p each	**137,870,148**	**13,787**	107,870,148	539,350
Deferred shares of 0 49p/- each	**107,870,148**	**528,563**	-	-
		542,350		539,350

At a General meeting held on 21 August 2009, shareholders approved resolutions concerning the reorganisation of the Company's Ordinary share capital, the effect of which was to subdivide each of the Company's Ordinary shares of 0 5p into one new Ordinary share of 0 01p and one Deferred share of 0 49p each The Deferred shares have no voting rights, no rights to a dividend and negligible rights on a return of capital

On 24 August 2009 the Company issued 30,000,000 Ordinary 0 01p shares at a price of 0 25p per share

The Company has warrants in issue as follows

Number	Exercise Price	Date from which Exercisable	Latest Expiry Date
16,666,667	0 5p	29 October 2008	29 October 2013

19. Ultimate controlling party

The Company has not been notified of any immediate controlling party

20. Related party transactions

During the year ended 31 December 2009, M Eberhardt was also a director of Merchant Capital Ltd and Hollywood Media Services Plc

During the year ended 31 December 2009, J Holmes was also a director of Stokewell Ltd, Ricen B Plc (formerly Stokewell Ventures Plc), Hollywood Media Services Plc, Microcap Equities Plc and Merchant Corporate Recovery Plc

At the year end current asset investments held by the company at market value was

	2009	2008
	£	£
Microcap Equities Plc	**7,310**	5,100

20. Related party transactions (continued)

During the year transactions took place as follows

	Sales (Gross) 2009	Sales included in debtors at year end 2009	Sales (Gross) 2008	Sales included in debtors at year end 2008
	£	£	£	£
Ricen B Plc	-	-	-	61,746
Catering 4 Events Plc	-	387	387	387
Hollywood Media Services Plc	30,510	23,142	5,569	5,569
Merchant House Finance Ltd	23,700	-	17,988	-

Merchant House Finance Ltd is an associate company

Merchant Corporate Recovery Plc is an associate company, in which the Company acquired a 29% shareholding for nil consideration during 2009, and the principal activity of which is providing turnaround finance At the year end the Company owed Merchant Corporate Recovery Plc and its wholly owned subsidiary MCR Support Services Limited £59,522 (2008 £Nil) During the year ended 31 December 2009, Merchant House Group Plc recovered expenses totalling £94,816 (2008 £nil) in respect of transactions with Merchant Corporate Recovery Plc

On 30 April 2008, Merchant House Group Plc disposed of its entire interest in Merchant Corporate Limited, an associated company, incurring a loss on disposal of £137,822 During the year, Merchant House Group Plc advanced Merchant Corporate Ltd, an associated company, a total of £Nil (£2008 113,196 in cash) At 31 December 2008, a loan balance due from Merchant Corporate Ltd amounting to £277,488 was written off

During the year ended 31 December 2009, Merchant House Group Plc received £295,000 (2008 £55,800) in management fees from Merchant Capital Limited, a wholly owned subsidiary At the period end the balance it owed to Merchant Capital Ltd was £20,495 (2008 £Nil)

On 30 March 2009, Merchant Capital Limited issued 2,000,000 0 5p ordinary shares fully paid, on 1 May 2009 it issued 3,200,000 0 5p ordinary shares fully paid and on 30 November 2009 it issued 100,000,000 0 5p ordinary shares fully paid to the parent company, Merchant House Group Plc In 2008, Merchant Capital Limited issued 13,000,000 0 5p ordinary shares fully paid to Merchant House Group Plc

During 2008 Merchant Capital Ltd incurred Group indebtedness from one of its clients The C4E Group Plc of £161,515 At 31 December 2008 the amount due to Merchant House Group Plc was £Nil During 2008 The C4E Group Plc advanced Merchant House Group Plc loans totalling £98,000 At the year end the amount due to Catering 4 Events Plc was £5,015 (2008 £5,015)

20. Related party transactions (continued)

On 11 and 18 January 2008 MHG announced that a total of 27,100,000 of the Company's ordinary shares had been placed at an average price of 1 797p per share, raising £487,133 Both Merchant Corporate Limited and The C4E Group Plc, of which Martin Eberhardt was a director, participated in these placings as nominees for other investors, who have paid these nominee companies in full. Martin Eberhardt does not hold, and has not held, any interest in the ordinary shares of the Company

21. Financial instruments

The Group's principal financial instruments comprise cash and short term deposits and equity shares Together with the issue of equity share capital and convertible loan notes, the main purpose of these is to finance the Group operations and expansion The Group has other financial instruments such as trade receivables, inventory which consists of quoted investments and trade payables which arise directly from normal trading

The Group has not entered into any derivative or other hedging instruments

The Company holds shares as current investments In addition the Company also deals in shares Share trading is accounted for at the trade date

The main risks arising from the Group'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 secured and unsecured convertible loan notes which bear interest at a floating rate of 100 basis points above Barclays Bank Plc base rate

The Company also 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 Group's need

Liquidity risks

The Group's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital The interest rate exposure of the Group's cash deposits and overdraft facility was as follows -

	2009	2008
Sterling cash deposit	£-	£97,783

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company and Group, and arises principally from trade receivables and VAT refund due which are considered by the directors to be recoverable in full

21. Financial instruments (continued)

The carrying amounts of the financial assets recognised in the balance sheet best represents the Company and Group's maximum exposure to credit risk at the reporting date In respect of these financial assets and the credit risk embodied within them, the Company and Group hold no collateral as security and there are no other significant credit enhancements in respect of these assets The credit quality of all financial assets that are neither past due nor impaired is appropriate and is consistently monitored in order to identify any potential adverse changes in credit quality There are no financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired

Fair Values

The directors have given serious consideration and have reached the conclusion that there is no significant difference between book values and fair values of the assets and liabilities of the company as at 31 December 2009

Currency risks

The Group, wherever possible invoices in sterling, but in the rare instances when the Group invoices in a foreign currency the Group does not hedge the asset and converts the currency received into sterling at the earliest opportunity

Extent and nature of financial instruments

The Group held the following financial assets at the year end

	2009 £	2008 £
Trade and other receivables	**311,444**	89,517
Investments held as current assets	**507,310**	10,100
Cash and cash equivalents	**5,267**	97,783
Total	**824,021**	197,400

Short-term deposits are held at Anglo Irish Bank Corporation Plc, Lloyds TSB Plc and Custodian client money bank accounts The weighted average rate of interest earned on these deposits was 0 5% (2008 5 25 %) No funds are held on fixed rate terms

The Group held the following financial liabilities at the year end

	2009 £	2008 £
Trade and other payables – current	**2,260,172**	399,587
Other payables - non current	**100,000**	419,654
	2,360,172	819,241

22. Operating lease commitments – Group and Company

The total rentals of commmitted operatng leases at 31 December 2009 are as follows

Company and Group	2009 Land and Buildings	2009 Other	2008 Land and Buildings	2008 Other
Withn 1 year	-	**£1,058**	-	£4,230
Withn 1-2 years	-	-	-	£1,058

23. Subsequent events

On 18th February 2010 the Company issued in aggregate 39,556,507 new ordinary shares of 0 01p each in the capital of the Company 15,000,000 were issued at an effective price of 0 15p per share 24,556 507 were issued at an effective price of 0 2p per share, in settlement of a trade creditor amounting to £49,113

On 24th March 2010 the Company issued 50,000,000 new ordinary shares of 0 01p each in the capital of the Company at a price of 0 5p per share

On 29th April 2010 the Company's subsidiary Merchant Capital Ltd took over an additional structured product investment book previously administered by KeyData Investment Services Limited ("KeyData") (in administration) for nil consideration

On 13th May 2010 the Company issued 13,700,000 new ordinary shares of 0 01p each in the capital of the Company at a price of 0 45p per share

On 27th May 2010 the Company issued 22,700,000 new ordinary shares of 0 01p each in the capital of the Company at a price of 0 30p per share

Following a recommendation from the remuneration committee, the Company resolved on 19 March 2010 to issue Ordinary 0 01p shares in the Company in settlement of the amount after statutory deductions due to two directors as arrears of salary totalling £109,571 as at 31 December 2009 included in accruals and as accrued subsequently to 31 March 2010 The issue price per share will be determined by the average mid market closing price of the Ordinary shares on the three days immediately preceding the date the shares are issued

On 23 June 2010 the Company issued a Convertible Loan Note to Liberty Capital Ltd in the principal amount of £500,000 which carries no interest and which is repayable in full on or before 9 June 2015, unless converted into the Company's ordinary shares at the conversion rate of 200 Ordinary shares at a price of 0 5p per share per £1 of principal loan

24. Contingent liability

There is a contingent liability in respect of premises dilapidations amounting to £41,543 inclusive of VAT, and to pay a former director £13,000 under the terms of a compromise agreement

25. Associate Undertakings

Merchant House Finance Limited

In November 2005 the Company acquired 49% of the issued £1 ordinary share capital of Merchant House Finance Limited, a company incorporated in the UK and whose principal business is that of asset leasing

At 31 December 2008, the directors of Merchant House Group Plc carried out an impairment review and wrote down its investment in Merchant House Finance Limited to £Nil The company had a history of losses and there was no indication or evidence that the company would incur a profit in the future During 2009, Merchant House Finance Limited incurred further losses and no further write down was considered necessary in this respect, as the investment was already fully impaired A further investment was made in 2009 for which the directors carried out an impairment review and wrote down the investment to £Nil

Merchant Corporate Limited

On 6 September 2007 the Company acquired 49% of the issued £1 ordinary share capital of Merchant Corporate Limited, a company incorporated in the UK and whose principal business is that of share trading

On 30 April 2008, Merchant House Group Plc disposed of its entire interest in Merchant Corporate Limited, incurring a loss on disposal of £137,822

The Company's share of the results, assets and liabilities of Merchant Corporate Limited at 30 April 2008 was as follows

	2008 Restated
	£
Income	**531,326**
Loss before tax	**314,127**
Taxation	**-**
Loss after tax	**314,127**
Current assets	**126,866**
Current liabilities	**(59,576)**
	67,290

The restatement arose following the writing off of the intercompany balance with the Company on 30 April 2008

25. Associate Undertakings (continued)

Merchant Corporate Recovery Plc

In January 2009 the Company acquired 29% of the issued 0 1p ordinary share capital of Merchant Corporate Recovery Plc, a company incorporated in the UK and whose principal business is that of providing turnaround finance, for £nil consideration

The Company's share of the results, assets and liabilities of Merchant Corporate Recovery Plc at 31 December 2009 is not disclosed The financial year end of Merchant Corporate Recovery Plc is 31 January 2010 and there are therefore no financial statements available for the period ended 31 December 2009, nor have financial statements for the period ended 31 January 2010 yet been prepared The Company ascribes no value to its investment in Merchant Corporate Recovery Plc's issued ordinary share capital at 31 December 2009

26. Share based payments

On 24 August 2009 the Company issued 30,000,000 Ordinary 0 01p shares at a price of 0 25p per share in settlement of a loan owed by the Company in the amount of £50,000 The total value of the shares issued amounted to £75,000 which was £46,000 in excess of the value of the loan outstanding