Red Leopard Holdings Plc
Financial statements
For the year ended 31 December 2011

Company No. 05289187

Company information

Directors	J J May S H Michaels
Secretary	R M Coe
Company registration number	5289187
Registered office	233-237 Old Marylebone Road London NW1 5QT
Auditor	Grant Thornton UK LLP Chartered Accountants Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW
Bankers	Barclays Bank Plc Park House Newbrick Road Stoke Gifford Bristol BS34 8YU
Solicitors	Irwin Mitchell 40 Holborn Viaduct London EC1N 2PZ
Nominated Adviser	Northland Capital Partners Limited 60 Gresham Street London EC2V 7BB
Broker	Northland Capital Partners Limited 60 Gresham Street London EC2V 7BB
Website	www.redleopardholdings.com

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Chairman's statement

I am pleased to present the financial statements for the year to 31 December 2011 for Red Leopard Holdings Plc and its wholly owned subsidiaries, Harrell Hotels (Europe) Limited and Red Leopard Management Limited (together the “Group”).

Net deficit on equity of the Group as at 31 December 2011 was £78,342 (2010: £172,020) and the loss for the year attributable to the equity holders of the parent was £369,738 (2010: profit £256,758). The loss for the year can be attributed to additional costs incurred, including the establishment and running of a new office in the South West which was opened during the period and the costs associated with the capital reorganisation approved at the General Meeting held on 2 December 2011.

As at 31 December 2011 net cash for the Group was £10,129 (2010: £30,575).

Throughout the period the Board has continued to investigate and review investment opportunities, particularly in the property sector, given the current level of asset values and potential opportunity to achieve material upside in capital values. Whilst progress has been made in the identification of businesses with strong management teams, significant profit streams and no debt exposure, valuations of potential transactions has proved difficult in this uncertain market.

In respect of existing projects the most advanced is the previously announced proposed purchase of a site in the South West for £1.85 million through the Group’s subsidiary, Red Leopard Management Limited (RLML) The acquisition was originally expected to complete by the end of Q2 2012, however the Board expects this timescale will now be extended. Legal, financial and technical due diligence is underway in relation to the transaction but it remains subject to contract both in respect of its purchase and re-sale by RLML.

The Board remains hopeful that the deal will still complete but, given the current economic climate and its effect on the property and hospitality sector, the Board is now undertaking a broader strategic review of the options available for the Group’s future development.

With this in mind the Board believes it is in the best interests of the shareholders to consider other opportunities outside of the property and hospitality sector and specifically in the natural resources sector, where the Board has considerable experience, pursuing projects which could fulfill the criteria of near term production with further exploration potential. In the event that the Company does formally change its strategy and invest in or acquire an interest in a natural resources project or company it is likely to require shareholder approval under the AIM rules.

The Company will update shareholders as and when appropriate and, in any event, following completion of the strategic review which is expected to be by the end of the third quarter 2012.

J J May
Chairman
27 June 2012

Report of the directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the 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 to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 confirm that :

- in so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

PRINCIPAL ACTIVITY

The principal activity of Red Leopard Holdings plc and its subsidiaries (the "Group") during the period was looking for opportunities in the property, leisure and hospitality markets, in particular hotels.

BUSINESS REVIEW

Financial overview and performance
Loss before tax for the year was £369,738 (2010: profit £256,758).

Report of the directors (continued)

Strategy
The strategy adopted during the year has been to review potential investment opportunities available to the group. The strategy has involved particular focus on the property sector given current level of asset values and potential opportunity to achieve material upside on capital values. During the period, the Company made a short term speculative investment of £35,000 in a property related business which it hopes to realise within the next 12 months. (Note 11).

Future outlook

The directors recognise that capitalising on opportunities within the property sector remains difficult due to the uncertain market. The directors believe that continued focus on the current strategy will over time result in investments or acquisitions which will enable the group to increase shareholder value. However, the Board is now undertaking a broader strategic review of the options available for the Group's future development and believes it is in the best interests of the shareholders to consider other opportunities outside of the property and hospitality sector and specifically in the natural resources sector, where the Board has considerable experience, pursuing projects which could fulfill the criteria of near term production with further exploration potential.

Principal risks and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

Market risk
The success of the business is reliant on capitalising on opportunities within the property sector which remains an uncertain market. In response to this risk, the directors aim to keep abreast of changes to the market conditions. Should opportunities not arise in this sector strategy would be modified to seek suitable alternative investments.

Funding

In the short term the company is still focusing on undertaking fee-earning income through property related consultancy and value added services. A small amount of fundraising to accommodate this activity is currently underway. Should a small fund raise not be forthcoming within the near future the company's ability to continue these operations would be curtailed. The company continues to entertain a potential opportunity for material capital upside, which may not be directly property related and would need separate funding.

Key performance indicators (KPIs)
The directors have monitored the progress of the overall group strategy by reference to certain financial and non-financial key performance indicators.

	2011	**2010**
Cash	£10,129	£30,575
Number of pipeline opportunities	4	4

The pipeline projects within the property sector remain the same. However, due to the uncertain market and delay in bringing them to completion, the Board is now undertaking a broader strategic review and believes it is in the best interests of the shareholders to consider other opportunities outside of the property and hospitality sector and specifically in the natural resources sector.

Report of the directors (continued)

Financial Risk Management Objectives and Policies

Liquidity risk
The group manages its cash and borrowing requirements to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient resources to meet the operating needs of the business.

The directors have produced a cash flow forecast to June 2013 which indicates that the group can continue as a going concern and meet its liabilities as they fall due. In preparing this cash flow forecast the directors have assumed that directors' salaries will be accrued until the group is in a position to pay them. Further, the Group has taken steps to reduce its operating costs significantly. The directors are in advanced negotiations with a number of potential investors over the injection of sufficient new capital to meet any funding shortfall in the short term. The directors believe that the forecasted cash flows are achievable and therefore believe it is appropriate to prepare the accounts on the going concern basis.

The Group's approach to liquidity risk is to ensure that sufficient liquidity is available to meet foreseeable requirements, by having adequate reserves, banking and borrowing facilities and by investing funds securely and profitably. The board further manages its exposure to liquidity risk by ensuring that cash flow forecasts and budgets are produced annually and monitored on a regular basis.

Credit risk
The group's principal financial assets are bank balances, cash and trade and other receivables.

The group's credit risk is primarily attributable to receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The amounts presented in the statement of financial position are net of these allowances for doubtful receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Group. The Group manages the exposure to this risk by carrying out credit verification procedures on all clients and monitoring receivable balances on an ongoing basis. The Company's receivable balance principally comprises amounts due from other group companies for financing purposes.

DIRECTORS

The directors who served during the year, and their beneficial interests in the company's issued share capital as at 31 December 2011, were:

	Ordinary Shares of 0.02p each	
	2011	2010
J J May	**17,627,416**	4,940,832
S H Michaels	**8,533,333**	-

DIVIDENDS

The Directors are unable to recommend the payment of a dividend (2010: Nil).

DIRECTORS' INDEMNITY

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Report of the directors (continued)

GROUP'S POLICY FOR PAYMENT OF CREDITORS

It is the Group's policy to agree to the terms of transactions, including payment terms, with suppliers and that payment is made accordingly. At 31 December 2011 the average creditor payment period was 44 days (2010: 57 days) for both the group and company.

AUDITOR

Pursuant to section 489 of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as auditor will be proposed at the Companies next annual general meeting.

This report was approved by the board on 27 June 2012 and signed on its behalf.

J J May
Chairman

Report of the independent auditor to the members of Red Leopard Holdings Plc

We have audited the financial statements of Red Leopard Holdings plc for the year ended 31 December 2011 which comprise the consolidated and parent company statements of financial position, the consolidated statement of comprehensive income, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity and the related notes. 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 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 of 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 5, 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 and express an opinion on 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

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 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

Report of the independent auditor to the members of Red Leopard Holdings Plc (continued)

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 the information and explanations we require for our audit.

Giles Mullins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes
27 June 2012

Consolidated statement of comprehensive income

	Note	2011 £	2010 £
OVERHEADS			
Administrative expenses		**(369,728)**	(141,747)
OPERATING LOSS	2	**(369,728)**	(141,747)
Finance income	5	**3**	398,505
Finance cost	6	**(13)**	-
PROFIT/(LOSS) FROM CONTINUING ACTIVITIES BEFORE TAXATION		**(369,738)**	256,758
Tax expense	7	**-**	-
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(369,738)**	256,758
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(369,738)**	256,758
(Loss)/earnings per share - basic	8	**(0.09)p**	0.0
(Loss)/earnings per share –diluted	8	**(0.09)p**	0.0

Consolidated statement of financial position

	Note	2011 £	2010 £
CURRENT ASSETS			
Held for trading financial assets	11	**35,000**	-
Trade and other receivables	12	**27,920**	5,493
Cash and cash equivalents		**10,129**	30,575
TOTAL CURRENT ASSETS		**73,049**	36,068
TOTAL ASSETS		**73,049**	36,068
EQUITY			
Share capital	15	**1,350,334**	886,918
Share premium account		**3,097,263**	3,097,263
Share based payment reserve		**60,002**	60,002
Retained earnings		**(4,585,941)**	(4,216,203)
TOTAL EQUITY		**(78,342)**	(172,020)
CURRENT LIABILITIES			
Trade and other payables	13	**151,391**	208,088
TOTAL CURRENT LIABILITIES		**151,391**	208,088
TOTAL LIABILITIES		**151,391**	208,088
TOTAL EQUITY AND LIABILITIES		**73,049**	36,068

These financial statements were approved by the directors on 27June 2012 and are signed on their behalf by:

J J May
Director

Company statement of financial position

	Note	**Year ended 31 December 2011 £**	Year ended 31 December 2010 £
NON-CURRENT ASSETS			
Investments	10	**100**	100
TOTAL NON-CURRENT ASSETS		**100**	100
CURRENT ASSETS			
Held for trading financial assets	11	**35,000**	-
Trade and other receivables	12	**26,877**	7,957
Cash and cash equivalents		**9,107**	20,483
TOTAL CURRENT ASSETS		**70,984**	28,440
TOTAL ASSETS		**71,084**	28,540
EQUITY			
Share capital	15	**1,350,334**	886,918
Share premium account		**3,097,263**	3,097,263
Share based payment reserve		**60,002**	60,002
Retained earnings		**(4,593,507)**	(4,223,831)
TOTAL EQUITY		**(85,908)**	(179,648)
CURRENT LIABILITIES			
Trade and other payables	13	**156,992**	208,188
TOTAL CURRENT LIABILITIES		**156,992**	208,188
TOTAL LIABILITIES		**156,992**	208,188
TOTAL EQUITY AND LIABILITIES		**71,084**	28,540

These financial statements were approved by the directors on 27 June 2012 and are signed on their behalf by:

J J May
Director

Registered number:05289187

Consolidated statement of changes in equity

	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2011	886,918	3,097,263	60,002	(4,216,203)	(172,020)
Loss for the year	-	-	-	(369,738)	(369,738)
Total comprehensive income	-	-	-	(369,738)	(369,738)
Transactions with owners:					
Issue of share capital	463,416	-	-	-	463,416
Total transactions with owners	463,416	-	-	-	463,416
At 31 December 2011	1,350,334	3,097,263	60,002	(4,585,941)	(78,342)

	Share capital	Share premium account	Share based payment reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2010	798,227	2,723,241	60,002	72,414	(4,074,474)	(420,590)
Profit for the year	-	-	-	-	256,758	256,758
Total comprehensive income	-	-	-	-	256,758	256,758
Transactions with owners:						
Issue of share capital	88,691	374,022	-	(72,414)	(398,487)	(8,188)
Total transactions with owners	88,691	374,022	-	(72,414)	(398,487)	(8,188)
At 31 December 2010	886,918	3,097,263	60,002	-	(4,216,203)	(172,020)

Company statement of changes in equity

	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2011	886,918	3,097,263	60,002	(4,223,831)	(179,648)
Loss for the year	-	-	-	(369,676)	(369,676)
Total comprehensive income	-	-	-	(369,676)	(369,676)
Transactions with owners:					
Issue of share capital	463,416	-	-	-	463,416
Total transactions with owners	463,416	-	-	-	463,416
At 31 December 2011	1,350,334	3,097,263	60,002	(4,593,507)	(85,908)

	Share capital	Share premium account	Share based payment reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2010	798,227	2,723,241	60,002	72,414	(4,082,194)	(428,310)
Profit for the year	-	-	-	-	256,850	256,850
Total comprehensive income	-	-	-	-	256,850	256,850
Transactions with owners:						
Issue of share capital	88,691	374,022	-	(72,414)	(398,487)	(8,188)
Total transactions with owners	88,691	374,022	-	(72,414)	(398,487)	(8,188)
At 31 December 2010	886,918	3,097,263	60,002	-	(4,223,831)	(179,648)

Consolidated statement of cash flows

	Note	**2011** **£**	2010 £
CASH FLOWS USED IN OPERATING ACTIVITIES	17	**(448,851**	(77,005)
INVESTING ACTIVITIES			
Purchase of held for sale financial assets	11	**(35,000**	-
Interest received		**3**	18
Interest paid		**(13**	(2,295)
CASH FLOWS USED IN INVESTING ACTIVITIES		**(35,010**	(2,277)
FINANCING ACTIVITIES			
Issue of share capital	15	**229,415**	-
Proceeds from issue of convertible loan note	14,15	**154,000**	-
Proceeds from issue of short term loans	14	**80,000**	-
CASH FLOWS USED IN FINANCING ACTIVITIES		**463,415**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(20,446**	(79,282)
Cash and cash equivalents brought forward		**30,575**	109,857
CASH AND CASH EQUIVALENTS CARRIED FORWARD	20	**10,129**	30,575

Company statement of cash flows

	Note	Year to 31 December 2011 £	Year to 31 December 2010 £
CASH FLOWS USED IN OPERATING ACTIVITIES	17	**(439,781**	(69,131)
INVESTING ACTIVITIES			
Purchase of held for sale financial assets	11	**(35,000**	-
Interest received		**3**	16
Interest paid on loans		**(13**	(2,295)
CASH FLOWS USED IN INVESTING ACTIVITIES		**(35,010**	(2,279)
FINANCING ACTIVITIES			
Issue of share capital	15	**229,415**	-
Proceeds from issue of convertible loan note	14,15	**154,000**	
Proceeds from issue of short term loans	14	**80,000**	-
CASH FLOWS USED IN FINANCING ACTIVITIES		**463,415**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,376**	(71,410)
Cash and cash equivalents brought forward		**20,483**	91,893
CASH AND CASH EQUIVALENTS CARRIED FORWARD	20	**9,107**	20,483

Notes to the financial statements

1. ACCOUNTING POLICIES

a. Basis of preparation of financial statements

The financial statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards ('IFRSs'), IFRIC interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared under the historical cost convention

The financial statements are presented on the going concern basis and the Directors believe there are sufficient resources to continue trading for at least twelve months from the date of approval of these financial statements. Note 1(i) explains this key judgement.

The Group has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2011:

• Revised IAS 24 (revised), Related party disclosures (effective 1 January 2011)
• Revised IAS 24 (revised), Related party disclosures (issued in November 2009)

There are no significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement. An overview of standards, amendments and interpretations to IFRSs issued but not yet effective is given in note 1(j).

b. Basis of consolidation

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

The accounting policies of all subsidiaries are uniform with the parent company. The results of all subsidiaries are included in the consolidated financial statements.

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

c. Segment reporting

In identifying its operating segments management generally follows the Group's service lines, which represent the main products and services provided by the Group.

Management consider that all activities undertaken by the Group are from one operating segment.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

d. 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 the 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 initial recognition (other than in a business combination) 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 recognised to the extent that it is 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, based on rates that are substantively enacted at the balance sheet date.

e. Investments

Subsidiary Undertakings
Investments in subsidiaries are valued at cost less provision for impairment.

f. Operating leases

Rent applicable to operating leases where substantially all of the benefits and risks of ownership are not transferred to the lessee are charged to the income statement on a straight line basis over the term of the lease.

g. Financial assets and liabilities

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade and other receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements 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.

(iv) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method.

(v) Convertible loan notes

The convertible loan notes carry an option for the issuer to convert the liability into a variable number of equity shares.

Contracts which result in the entity delivering a variable number of its own equity instruments are classed as financial liabilities.

The conversion option is an embedded derivative and is carried at fair value through profit and loss. The convertible loan is also classified as a financial liability. It is recorded initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

When shares are issued in consideration for extinguishment of debt any difference between the face value of the loan notes and the fair value of shares issued is recognised in the income statement.

(vi) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(vii) Equity instruments

Equity instruments issued by the group or company are recorded at the proceeds received, net of direct issue costs.

(viii) Held for trading financial assets

Assets held in this category are measured at fair value with gains or losses recognised in profit or loss. The fair value of financial assets in this category are determined with reference to active market transactions.

h. Equity and reserves

(i) Share capital

Share capital represents the nominal value of shares that have been issued.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

(ii) Share premium

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, to the extent there is a premium on that issue, net of any related income tax benefits.

(iii) Equity-settled share based payment

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to equity reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

(iv) Other reserve

The other reserve represented the fair value adjustment on initial recognition of the convertible loan notes which were advanced on below market rate terms.

i. Key estimates and judgements

The directors have identified the following as key judgements in the preparation of the group accounts:

- impairment of financial assets (note 11)
- estimation of fair values of share options (note 16)
- adoption of going concern as basis of preparation
- deferred tax asset (note 7)

Share-based payment expenses are calculated by reference to the estimated fair values of share options as at their date of grant. These fair values have been estimated using a Black-Scholes option valuation model. The inputs to the model are disclosed in note 16.

The directors have produced a cash flow forecast to June 2013 which indicates that the group can continue as a going concern and meet its liabilities as they fall due. In preparing this cash flow forecast the directors have assumed that directors' salaries will be accrued until the group is in a position to pay them. Further, the Group has taken steps to reduce its operating costs significantly. The directors are in advanced negotiations with a number of potential investors over the injection of sufficient new capital to meet any funding shortfall in the short term. The directors believe that the forecasted cash flows are achievable and therefore believe it is appropriate to prepare the accounts on the going concern basis.

The group has a potential deferred tax asset of £574,712 in respect of losses. This asset has not been recognised at 31 December 2011 due to the history of trading losses in the group.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

j. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The following standards, amendments and interpretations to existing standards, relevant to the financial statements of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but the Group has not adopted them early:
IFRS 9, 'Financial Instruments' (effective from 1 January 2015). In November 2009, the IASB issued IFRS 9 'Financial Instruments' as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied for all accounting periods beginning on or after 1 January 2015 (once endorsed by the EU), with early adoption permitted. Of particular relevance to the Group will be the measurement of equity instruments. All equity investments within the scope of IFRS 9 are to be measured at fair value in the balance sheet, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to report value changes in 'other comprehensive income'. There will be no 'cost exception' for unquoted equities. From 1 January 2015, there will be no exemption from the requirement to measure such instruments at fair value where the underlying securities are unquoted.

IFRS 10, 'Consolidated Financial Statements' (effective 1 January 2013). IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. We do not expect the adoption of this standard to have a significant impact on the financial statements of the Group.

IFRS 11, 'Joint Arrangements' (effective 1 January 2013). IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. As the Group has no joint arrangements the adoption of this standard will not have an impact on the financial statements of the Group.

IFRS 12, 'Disclosure of Interests in Other Entities' (effective 1 January 2013). IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. We do not expect the adoption of this standard to have a significant impact on the financial statements of the Group.

IFRS 13, 'Fair Value Measurement' (effective 1 January 2013). IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

IAS 28 (Revised), 'Investments in Associates and Joint Ventures' (effective 1 January 2013). Prior to the publication of this package of new Standards, the accounting for joint ventures was addressed solely by IAS 31 'Interests in Joint Ventures'. Following the publication of the new Standards, an entity should now apply IFRS 11 to determine the type of joint arrangement in which it is involved. Consequential changes have been made to the scope of IAS 28 so that once an entity has determined that it has an interest in a joint venture, it accounts for it using the equity method in accordance with IAS 28 (Revised). The mechanics of equity accounting set out in the revised version of IAS 28 remain the same as in the previous version.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011). This amendment amends the disclosures required under IFRS 7, to help users of financial statements evaluate the risk exposures relating to more complex transfers of financial assets and the effect of those risks on an entity's financial position.

Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012). In December 2010, the IASB published some limited scope amendments to IAS 12 'Income Taxes'. These are relevant when an entity elects to use the fair value model in IAS 40 Investment Property'.

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012). The main change is a requirement for entities to group items presented in other comprehensive income into those that, in accordance with other IFRSs: a) will not be reclassified subsequently to profit or loss b) will be reclassified subsequently to profit or loss when specific conditions are met.

Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013). The Amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014). The Amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is: not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

2. OPERATING LOSS

Operating loss is stated after charging:

	2011	2010
	£	£
Auditor's remuneration		
- fees payable to the company's auditors for the audit of the company's annual accounts	**10,850**	10,700
Operating lease rentals:		
- other operating leases	**2,193**	18,000

Notes to the financial statements

3. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2011	2010
	£	£
Wages and salaries	**50,000**	50,000
	50,000	50,000

The average monthly number of employees during the year, including directors was as follows:

	No.	No.
Directors	**2**	2

4. DIRECTORS' REMUNERATION

Directors' emoluments were as follows:

Director	**Salary**	**Total emoluments**
	£	**£**
J J May	25,000	25,000
S H Michaels	25,000	25,000
Total	50,000	50,000

The directors have chosen for the Company to accrue £13,207 (2010: £32,750) of their salaries until such time as they believe it is in a position to pay them. Directors' fees accrued to date amount to £13,207 (2010: £164,501). Following the Company's general meeting on 2 December 2011, it was approved that a portion of Directors' fees accruing since 2007 be paid with the allotment of 21,441,666 ordinary shares of 1 pence. (Note 15)

No retirement benefits were accruing to directors at 31 December 2011 (2010: £ nil).The directors received £nil (2010: £nil) in respect of share based payments.

5. FINANCE INCOME

	2011	2010
	£	£
Bank interest	**3**	15
Gain on extinguishment of debt (Note 14)	**-**	398,490
	3	398,505

On 22 February 2010 ordinary shares were issued in consideration for extinguishment of debt resulting in a gain to the income statement of £398,490, which reflects the difference between the carrying value of the loan notes, including accrued interest, and the fair value of the shares issued on the date of extinguishment. The fair value of the shares issued is based on quoted market price immediately preceding the transaction.

Notes to the financial statements

6. FINANCE COST

	2011 £	2010 £
Total interest expense for financial liabilities	**13**	-
Finance costs	**13**	-

7. TAX EXPENSE

Recognised in the statement of comprehensive income

	2011 £	2010 £
(Loss)/profit on ordinary activities before tax	**(369,738)**	256,758
(Loss)/profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 25% (2010: 28%)	**(92,434)**	71,892
Effects of:		
Income not taxable	**-**	(111,577)
Increase in tax losses	**92,434**	39,685
Current charge for the year	**-**	-

Factors that may affect future tax charges
The group has tax losses carried forward of £2,298,847 (2010: £1,929,109) that are available for offset against future taxable profits.

If the group pays tax at a rate of 25% on profits in future periods, the current tax losses represent a potential deferred tax asset of £574,712 (2010: £540,150). This asset has not been anticipated at 31 December 2011 due to the history of trading losses in the group.

8. (LOSS)/EARNINGS PER SHARE

Basic earnings per ordinary share for the year is based on the loss of £369,738 (2010:profit £256,758) and a weighted average of 414,215,286 (2010: 443,458,630) ordinary shares.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. Items included in the calculation are options for ordinary shares.

The effect of conversion of all potential dilutive ordinary shares would have an anti-dilutive effect on earnings per share and therefore they have not been incorporated in the diluted earnings per share calculation. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease profit per share or increase loss per share.

Notes to the financial statements

9. SEGMENT REPORTING

Management currently considers that the group has one operating segment as described in accounting policy 1 (c). Segment information can be analysed as follows for the reporting periods under review.

	Leisure & Hospitality 2011 £	Leisure & Hospitality 2010 £
Revenue		
From external customers	**-**	-
Segment revenues	**-**	-
Segment operating loss	**(369,728)**	(141,747)
Segment assets	**73,049**	36,068

The group's operations are limited to the United Kingdom and there are no major customers.

10. INVESTMENTS

	Company 2011 £	Company 2010 £
Non-current		
At 1 January and 31 December	**100**	100

Subsidiaries are listed in note 23.

11. HELD FOR TRADING FINANCIAL ASSETS

During the year the Company invested £35,000 in a short term investment related to the property industry (Note 20). The value attributable to the investment is stated at fair value. There has been no material change in the fair value of the investment since acquisition. The Directors intend to sell the asset within the next twelve months.

Notes to the financial statements

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Current				
Other receivables	**27,920**	5,493	**26,877**	4,450
Amounts owed by group undertakings	**-**	-	**-**	3,507
	27,920	5,493	**26,877**	7,957

Trade and other receivables have been reviewed for indicators of impairment. No receivables were found to be impaired (2010: £nil).

No impairment (2010: £nil) has been recorded at the company level.

The age of receivables past their due date but not impaired is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Not more than three months	**12,920**	5,493	**11,877**	4,450
More than three months but not more than six months	-	-	**-**	-
More than six months but not more than one year	15,000	-	**15,000**	3,507
More than one year	-	-	**-**	-
	27,920	5,493	**26,877**	7,957

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Current				
Trade payables	**53,186**	35,718	**53,186**	35,718
Loans	**85,000**	-	**85,000**	-
Amounts owed to group undertakings	**-**	-	**5,601**	100
Accruals and deferred income	**13,205**	172,370	**13,205**	172,370
	151,391	208,088	**156,992**	208,188

The Company received short term loans in the period amounting to £85,000 (note 20). Following the year end, £5,000 of these loans have been converted into ordinary shares. With the exception of accrued directors' salaries, which are being accrued until the group is in a position to pay them, all amounts are short term. The carrying values are considered to be a reasonable approximation to fair value.

Notes to the financial statements

14. BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Current				
Short term loans	**80,000**	-	**80,000**	-
Convertible Loan Note	**5,000**	-	**5,000**	-
Loans	**85,000**	-	**85,000**	-

The Company received short term loans in the period amounting to £80,000 repayable on demand with interest payable quarterly at 6% per annum above base rate (Notes 13, 20). Under the loan note instrument issued in September 2011 (Note 15), a further £5,000 was received which was converted into ordinary shares of 1pence following the year end.

15. SHARE CAPITAL

	2011	2010
	£	£
Allotted, called up and fully paid		
90,687,529 ordinary shares of 1 pence (2010: 443,458,630 ordinary shares of 0.2p each)	**906,875**	886,918
443,458,630 deferred shares of 0.1 pence (2010: nil)	**443,459**	-
	1,350,334	886,918

In December 2011 the Company held a General Meeting at which it was approved that there would be a capital re-organisation. Each Ordinary Share in issue was subdivided into one New Ordinary Share of £0.001 (0.1 pence) in the capital of the Company and one Deferred Share of £0.001 (0.1 pence). The purpose of the issue of Deferred Shares was to ensure that the reduction in the nominal value of the Existing Ordinary Shares does not result in a reduction in the capital of the Company. Each Shareholder's proportionate interest in the Company's issued ordinary share capital remained unchanged as a result of the Subdivision. Aside from the change in nominal value, the New Ordinary Shares (including the voting and dividend rights and rights on a return of capital attaching to them) are identical in all respects to the Existing Ordinary Shares. The Deferred Shares created pursuant to the Subdivision have no voting or dividend rights and, on a return of capital or on a winding up of the Company, will have the right to receive the amount paid up thereon only after Ordinary shareholders have received, in aggregate, any amounts paid up thereon plus £10 million per ordinary share.

Following the subdivision, the company consolidated the issue of 1 New Ordinary Share of 1pence for every 10 new ordinary shares of 0.1 pence. The New Consolidated Ordinary Shares have the same voting rights as to voting, dividends and return on capital as the Existing Ordinary Shares. The Deferred Shares created subject to the Subdivision were not be consolidated The resulting issued share capital of the company following the subdivision and consolidation was 44,345,863 shares.

In September 2011, the Company entered into a convertible loan note instrument of up to £300,000, at an interest rate of 8% secured against the Company’s assets, repayable in 2012 unless otherwise converted, pursuant to which it raised £154,000. Loan Notes for £149,000 were automatically converted into new ordinary shares in the Company upon the capital reorganisation of the share capital of the Company and immediately following the capital reorganisation, 14,900,000 shares were issued in satisfaction of these loan notes. The remaining £5,000 Loan Note was converted into 500,000 shares following the year end (Note 14).

A further 21,441,666 shares were issued to Directors and former Directors in lieu of fees accrued since 2007; and 10,000,000 shares were issued to external third party in lieu of fees.

Notes to the financial statements

16. SHARE-BASED PAYMENTS

Outstanding options at the start of the year amount to 60,574,432 exercisable at 0.2 pence. Following the capital reorganisation in December 2011 (Note 15), the shares subject to these options were consolidated as to 10:1. The amount to be paid under these instruments is now 2 pence.

A reconciliation of option movements is shown below:

	Year ended 31 December 2011		Year ended 31 December 2010	
	No share options	**Weighted average exercise price**	No. share options	Weighted average exercise price
Outstanding at the beginning of year	**80,364,772**	**0.21p**	80,364,772	0.20p
Expired during the year	**(19,790,340)**	**(0.2p)**	-	-
Cancelled on capital reorganisation	**(54,516,990)**	**(0.1p)**	-	-
Outstanding at the end of the year	**6,057,442**	**2.0p**	80,364,772	0.21p
Exercisable at the end of the year	**6,057,442**	**2.0p**	80,364,772	0.21p

Details of options at 31 December are set out below:

Date of Grant	**Date of expiry**	**Exercise price**	**Outstanding options 2011**	Outstanding options 2010
22 November 2004 (10-year period)	22/11/2014	2.0p	**4,179,843,**	41,798,436
22 November 2004 (10-year period)	22/11/2014	2.0p	**1,629,034**	16,290,340
23 March 2005 (10-year period)	23/03/2015	2.0p	**248,565**	2,485,656
11 February 2008 (3-year period)	11/02/2011	0.2p	**-**	16,290,340
23 April 2008 (3-year period)	23/04/2011	1p	**-**	3,500,000
			6,057,442	80,364,772

Until the options have been exercised in full the consent of the option holders will be required if the company proposes to issue a class of share with any right which is preferential to the ordinary shares.

Options issued to external parties
On 23 April 2008 options to subscribe for 3,500,000 0.2p ordinary shares at 1p each were issued to external parties. These options expired on 23 April 2011.

Options issued to directors
On 11 February 2008 options to subscribe for 16,290,340 0.2p ordinary shares at 0.2p each were issued to the following directors:

Clive Russell (retired 30 June 2008)	8,145,170
John May	8,145,170

These options expired on 11 February 2011.

Notes to the financial statements

16. SHARE-BASED PAYMENTS (continued)

In accordance with IFRS 2 Share Based Payments, options granted during 2008 were valued using the Black-Scholes options-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted during 2008 and the assumptions used in the calculation are as follows:

	Directors	**External parties**
Number of options granted	16,290,340	3,500,000
Share price at grant date (pence)	0.5p	0.5p
Exercise price (pence)	0.2p	1p
Expected volatility (%)	40	40
Option life (years)	3	3
Expected dividends	-	-
Risk-free interest rate (%)	5.5	5.5
Fair-value of options	£57,800	£2,202

The underlying expected volatility was determined by reference to historical data of the Company's shares.

17. RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Group	**2011 £**	2010 £
Operating loss	**(369,728)**	(141,747)
(Increase)/decrease in receivables	**(7,427)**	902
(Decrease)/increase in payables	**(71,696)**	63,840
Net cash outflow used in operations	**(448,851)**	(77,005)
Company		
Operating loss	**(219,299)**	(141,656)
(Increase)/decrease in receivables	**(154,286)**	8,683
(Decrease)/increase in payables	**(66,196)**	63,842
Net cash outflow used in operations	**(439,781)**	(69,131)

18. PARENT COMPANY RESULT

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the company was £369,676 (2010: profit £256,850).

Notes to the financial statements

19. COMMITMENTS UNDER OPERATING LEASES

The Group's and Company's future minimum operating lease payments are as follows:

	Within one year £	1 to 5 years £	After 5 years £	Total £
31 December 2011	-	-	-	-
31 December 2010	-	-	-	-

Lease payments recognised as an expense during the period amount to £2,193 (2010: £18,000). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. The rental contract for the office ended on 19 January 2010. No further operating lease agreements have been entered into.

20. FINANCIAL INSTRUMENTS

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Group	**2011 £**	**2010 £**
Financial assets		
Loans and receivables		
Held for trading financial assets	**35,000**	-
Trade and other receivables	**27,920**	5,493
Cash and cash equivalents	**10,129**	30,575
	73,049	36,068
Financial liabilities		
Financial liabilities measured at amortised cost:		
Current:		
Loans	**(85,000)**	-
Trade and other payables	**(66,391)**	(208,088)
	(151,391)	(208,088)

Company	**2011 £**	**2010 £**
Financial assets		
Loans and receivables		
Held for trading financial assets	**35,000**	
Trade and other receivables	**26,877**	7,957
Cash and cash equivalents	**9,107**	20,483
	70,984	28,440
Financial liabilities		
Financial liabilities measured at amortised cost:		
Current:		
Loans	**(85,000)**	-
Trade and other payables	**(71,992)**	(208,188)
	(156,992)	(208,188)

The carrying values of the Group's financial assets and liabilities approximate to their fair values.

The financial assets held for trading (Note 11) represent a 30% equity interest in Warm Welcome (UK) Limited, an unlisted company. The Group has acquired the asset for the purpose of repurchasing in the near term. This has not been accounted for as an associate as there are no common directors represented on the board and no participation in the policy making process, therefore the Group does

Notes to the financial statements

not have significant influence.

20. FINANCIAL INSTRUMENTS (continued)

Risk management
The board is charged with managing the various risk exposures, including those which arose through holding the following financial instruments:

(a) Capital risk
The Group manages its capital to ensure that all the companies within the Group will be able to continue as a going concern while maximising the return to equity holders, through optimisation of debt equity balance. The capital structure of the Group includes debt, consisting of bank borrowings, cash and cash equivalents and equity attributable to the equity holders of the parent.

Capital for the reporting period under review is summarised as follows:

	2011 **£**	2010 £
Total equity	**(78,342)**	(172,020)
Borrowings	**(85,000)**	-
Cash and cash equivalents	**10,129**	30,575
Capital	**(153,213)**	(141,445)

(b) Interest rate risk
The Group is exposed to interest rate risk as it has bank borrowings and cash and cash equivalent balances that are subject to variable interest rates. The Group does not enter into hedging transactions for the purposes of minimising its exposure to interest rate risk, but manages its exposure by monitoring the levels of interest payable and receivable on a regular basis.

At 31 December 2011 amounts on short term deposits totalled £10,129. If UK interest rates increased by 4% net finance income would increase by approximately £405 with a corresponding increase to equity.

Loans receivables and loan notes are contracted at a fixed rate of interest.

(c) Liquidity rate risk
The Group's approach to liquidity risk is to ensure that sufficient liquidity is available to meet foreseeable requirements, by having adequate reserves, banking and borrowing facilities and by investing funds securely and profitably. The board further manages its exposure to liquidity risk by ensuring that cash flow forecasts and budgets are produced annually and monitored on a regular basis.

(d) Credit rate
Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Group. The Group manages the exposure to this risk by carrying out credit verification procedures on all clients and monitoring receivable balances on an ongoing basis. The Company's receivable balance principally comprises amounts due from other group companies for financing purposes.

Notes to the financial statements

21. RELATED PARTY TRANSACTIONS

During the period the company received unsecured loans of £85,000 payable on demand. Of these, £50,000 was received from John May, Chairman. £20,000 was received by City & Westminster Corporate Finance LLP, in which John May is a partner. A further £10,000 was received from a family member of Robert Coe, the Company Secretary. Following the year end, £5,000 of the loans outstanding at 31 December 2011 were converted into ordinary shares.

In December 2011, the Company carried out a capital reorganisation (Note 15) having entered into a loan note instrument pursuant to which it raised £149,000. Following the capital reorganisation, 6,100,000 and 1,600,000 shares were issued in satisfaction of the loan note to John May, Chairman and Clive Russell, former director, respectively. A further 11,033,333 shares were issued to John May, 8,533,333 shares to Simon Michaels and 1,875,000 shares to Clive Russell in lieu of fees accrued since 2007.

Transactions between the company and its subsidiaries are summarised below:

		2010
		£
Intra-group receivable outstanding at year end	**-**	3,507
Intra-group payable outstanding at year end	**5,601**	100

22. ULTIMATE CONTROLLING PARTY

As at 31 December 2011 and 31 December 2010 there is no single ultimate controlling party.

23. PRINCIPAL SUBSIDIARIES

Company name	**Country**	**Percentage shareholding**	**Description**
Harrell Hotels (Europe) Limited	England & Wales	100%	Hotel management
Red Leopard Management Limited	England & Wales	100%	Property management