

Red Leopard Holdings Plc

Financial statements

For the year ended 31 December 2009

Company No. 5289187

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
Auditors	Grant Thornton UK LLP Chartered Accountants Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW
Bankers	Barclays Bank Plc 7 th Floor United Kingdom House 180 Oxford Street London W1D 1EA
Solicitors	Irwin Mitchell 40 Holborn Viaduct London EC1N 2PZ
Nominated Adviser	Astaire Securities 46 Worship Street London EC2A 2EA
Broker	Astaire Securities 46 Worship Street London EC2A 2EA

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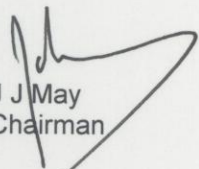
Chairman's statement

I am pleased to present the financial statements for the year to 31 December 2009 for Red Leopard Holdings Plc and its wholly owned subsidiaries, Harrell Hotels (Europe) Limited and Red Leopard Management Limited (the "Group").

Net deficit on equity of the Group as at 31 December 2009 was £420,590 (2008: £239,776) and, with no revenue generated from operations, the loss for the year attributable to the equity holders of the parent was £180,814 (2008: £532,228).

As at 31 December 2009, net cash for the Group was £109,857 (2008: £189,667).

The Board has continued to investigate and review investment opportunities, particularly in the property, leisure and hospitality sectors. On 22 February 2010, the Company announced that a loan note instrument dated 6 March 2007 for £421,874 had been satisfied and redeemed in full by the issue of 44,345,296 new ordinary shares. As a result of this transaction, the balance sheet is now free from borrowings and the Board believes that this will increase the likelihood of concluding a successful transaction in the near term.



J J May
Chairman

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 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 prepared financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 profit or loss of the company for that period. The financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and 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 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.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are 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 auditors are 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 leisure and hospitality markets, in particular hotels.

BUSINESS REVIEW

A review of the year and future prospects is given in the Chairman's statement.

Key performance indicators have not been commented on due to a change in the Group's direction as discussed in the principal activity above.

The Directors note the performance of the Company during the year but anticipate the Company becoming profitable in future periods.

Report of the directors (continued)

Principal risks and uncertainties

The principal risks which the Group face are:

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 30 June 2011 which indicate 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. The directors have also assumed that funds will be received from warrant holders as needed. 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.

Interest rate risk

The principal financial market risk faced by the group is the risk of interest rate movements.

The principal indebtedness of the company is a debenture loan which requires repayment in 2015. This indebtedness has a fixed interest rate and therefore the group is not exposed to variable interest rate movements. This was redeemed on 22nd February 2010. Therefore the directors consider no short term risk arises.

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.

Market risk

Currently the Group's principal business activity is involved in the development of new residential properties. This market is presently experiencing adverse conditions which may limit the availability and viability of opportunities. By partnering with experienced property development groups and by targeting a specific niche within the residential property development sector the Directors consider that exposure to market risk has been reduced.

Report of the directors (continued)

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital as at 31 December 2009 were:

	Ordinary Shares of 0.02p each	
	2009	2008
C S Russell (retired 30 June 2008)	8,200,480	8,200,480
J J May	4,940,832	4,940,832
S H Michaels (appointed 5 May 2008)	-	-
	<u>13,141,312</u>	<u>13,141,312</u>

DIVIDENDS

The Directors are unable to recommend the payment of a dividend (2008: 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.

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 2009 the average creditor payment period was 8 days (2008: 12 days).

AUDITORS

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

This report was approved by the board on 25 June 2010 and signed on its behalf.


J J May
Chairman

Independent auditors' report 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 2009 which comprise the group and parent company statement of financial position, the group statement of comprehensive income, the group and parent company statement of cash flows, the group 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 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/UKNP.

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 2009 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRS 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.

Grant Thornton UK LLP

Malcolm A Gomersall
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes
30 June 2010

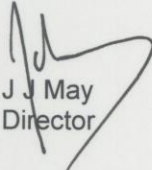
Consolidated statement of comprehensive income

	Note	2009 £	2008 £
OVERHEADS			
Administrative expenses		<u>(161,747)</u>	<u>(263,948)</u>
OPERATING LOSS BEFORE FINANCE	2	<u>(161,747)</u>	<u>(263,948)</u>
Finance income	5	224	66,093
Finance cost	6	<u>(19,291)</u>	<u>(334,373)</u>
LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION		<u>(180,814)</u>	<u>(532,228)</u>
Tax expense	7	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		<u>(180,814)</u>	<u>(532,228)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		<u>(180,814)</u>	<u>(532,228)</u>
Loss per share – basic and diluted	8	<u>(0.05)p</u>	<u>(0.13)p</u>

Consolidated statement of financial position

	Note	2009 £	2008 £
CURRENT ASSETS			
Trade and other receivables	11	6,395	52,502
Cash and cash equivalents		109,857	189,667
TOTAL CURRENT ASSETS		116,252	242,169
TOTAL ASSETS		116,252	242,169
EQUITY			
Share capital	14	798,227	798,227
Share premium account		2,723,241	2,723,241
Share based payment reserve		60,002	60,002
Other reserve		72,414	72,414
Retained earnings		(4,074,474)	(3,893,660)
TOTAL EQUITY		(420,590)	(239,776)
CURRENT LIABILITIES			
Trade and other payables	12	162,764	114,502
TOTAL CURRENT LIABILITIES		162,764	114,502
NON-CURRENT LIABILITIES			
Borrowings	13	374,078	367,443
TOTAL NON-CURRENT LIABILITIES		374,078	367,443
TOTAL LIABILITIES		536,842	481,945
TOTAL EQUITY AND LIABILITIES		116,252	242,169

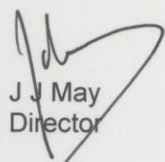
These financial statements were approved by the directors on 25 June 2010 and are signed on their behalf by:


J J May
Director

Company statement of financial position

	Note	Year ended 31 December 2009 £	Year ended 31 December 2008 £
NON-CURRENT ASSETS			
Investments	10	100	100
TOTAL NON-CURRENT ASSETS		100	100
CURRENT ASSETS			
Trade and other receivables	11	16,640	85,493
Cash and cash equivalents		91,893	148,850
TOTAL CURRENT ASSETS		108,533	234,343
TOTAL ASSETS		108,633	234,443
EQUITY			
Share capital	14	798,227	798,227
Share premium account		2,723,241	2,723,241
Share based payment reserve		60,002	60,002
Other reserve		72,414	72,414
Retained earnings		(4,082,194)	(3,901,486)
TOTAL EQUITY		(428,310)	(247,602)
CURRENT LIABILITIES			
Trade and other payables	12	162,864	114,602
TOTAL CURRENT LIABILITIES		162,864	114,602
NON-CURRENT LIABILITIES			
Borrowings	13	374,078	367,443
TOTAL NON-CURRENT LIABILITIES		374,078	367,443
TOTAL LIABILITIES		536,942	482,045
TOTAL EQUITY AND LIABILITIES		108,633	234,443

These financial statements were approved by the directors on 25 June 2010 and are signed on their behalf by:


J J May
Director

Consolidated statement of changes in equity

	Share capital	Share premium account	Share based payment reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2009	798,227	2,723,241	60,002	72,414	(3,893,660)	(239,776)
Loss for the year	-	-	-	-	(180,814)	(180,814)
Total recognised income and expense	-	-	-	-	(180,814)	(180,814)
At 31 December 2009	798,227	2,723,241	60,002	72,414	(4,074,474)	(420,590)

	Share capital	Share premium account	Share based payment reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2008	798,227	2,723,241	-	72,414	(3,361,432)	232,450
Loss for the year	-	-	-	-	(532,228)	(532,228)
Total recognised income and expense	-	-	-	-	(532,228)	(532,228)
Share-based payment expense	-	-	60,002	-	-	60,002
At 31 December 2008	798,227	2,723,241	60,002	72,414	(3,893,660)	(239,776)

Company statement of changes in equity

	Share capital	Share premium account	Share based payment reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2009	798,227	2,723,241	60,002	72,414	(3,901,486)	(247,602)
Loss for the year	-	-	-	-	(180,708)	(180,708)
Total recognised income and expense	-	-	-	-	(180,708)	(180,708)
At 31 December 2009	798,227	2,723,241	60,002	72,414	(4,082,194)	(428,310)

	Share capital	Share premium account	Share based payment reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2008	798,227	2,723,241	-	72,414	(3,379,317)	214,565
Loss for the year	-	-	-	-	(522,169)	(522,169)
Total recognised income and expense	798,227	2,723,241	-	72,414	(3,901,486)	(307,604)
Share-based payment expense	-	-	60,002	-	-	60,002
At 31 December 2008	798,227	2,723,241	60,002	72,414	(3,901,486)	(247,602)

Consolidated statement of cash flows

	Note	2009 £	2008 £
CASH FLOWS USED IN OPERATING ACTIVITIES	16	<u>(67,378)</u>	<u>(225,020)</u>
INVESTING ACTIVITIES			
Interest received		224	12,659
Interest paid on loans		<u>(12,656)</u>	<u>(12,656)</u>
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		<u>(12,432)</u>	<u>3</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(79,810)	(225,017)
Cash and cash equivalents brought forward		<u>189,667</u>	<u>414,684</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD		<u>109,857</u>	<u>189,667</u>

Company statement of cash flows

	Note	Year to 31 December 2009 £	Year to 31 December 2008 £
CASH FLOWS USED IN OPERATING ACTIVITIES	16	(44,525)	(255,706)
INVESTING ACTIVITIES			
Interest received		224	12,198
Interest paid on loans		(12,656)	(12,656)
CASH FLOWS USED IN INVESTING ACTIVITIES		(12,432)	(458)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(56,957)	(256,164)
Cash and cash equivalents brought forward		148,850	405,014
CASH AND CASH EQUIVALENTS CARRIED FORWARD		91,893	148,850

Notes to the financial statements (continued)

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.

The principal accounting policies remain unchanged from the previous year except for first time adoption of IAS 1 (revised 2007) and IFRS 8 Operating segments.

IAS 1 (revised 2007)

The consolidated financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (revised 2007). The Group has elected to present the 'statement of comprehensive income' in one statement.

IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative balance sheet at the beginning of the first comprehensive period in some circumstances. Management considers that this is not necessary this year because the 2007 balance sheet is the same as that previously published.

IFRS 8 Operating segments

IFRS 8 requires an entity to disclose information about its operating segments. Such information is reported on the same basis as is used internally for evaluating operating segment performance.

b. 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 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. Business combinations

The Acquisitions of subsidiaries are accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements (continued)

1. ACCOUNTING POLICIES (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

d. Impairment losses

At each balance sheet date, the group reviews the carrying amounts of its intangibles 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. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognised as income immediately.

d. 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.

e. 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.

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements (continued)

1. ACCOUNTING POLICIES (continued)

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 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.

f. Investments

Subsidiary Undertakings

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

g. Operating leases

Rent applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement on a systematic basis over the term of the lease.

h. 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 (continued)

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.

(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 company are recorded at the proceeds received, net of direct issue costs.

Notes to the financial statements (continued)

1. ACCOUNTING POLICIES (continued)

k. Share based payments (continued)

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.

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 12)
- estimation of fair values of share options (note 16)
- adoption of going concern as basis of preparation
- deferred tax asset (note 7)

Included in trade and other receivables are two loans receivables which were impaired in 2008. The impairment was calculated by comparing the carrying value to the net present value of the expected future cash flows discounted by the original effective rate. The directors consider it appropriate for the impairment to remain.

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 30 June 2011 which indicate 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. The directors have also assumed that funds will be received from warrant holders as needed. 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.

Notes to the financial statements (continued)

1. ACCOUNTING POLICIES (continued)

The group has a potential deferred tax asset of £550,524 in respect of losses. This asset has not been anticipated at 31 December 2009 due to the history of trading losses in the group.

m. Standards and interpretations not yet effective

The following standards and interpretations have been issued, but are not yet effective and have not been adopted early by the group.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2009 are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

At present it is not possible to assess the potential impact, if any, on the financial statements in the period of initial application.

2. OPERATING LOSS

Operating loss is stated after charging:

	2009 £	2008 £
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the company's annual accounts	10,200	10,000
Operating lease rentals:		
- other operating leases	42,000	72,000

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements (continued)

3. STAFF COSTS

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

	2009 £	2008 £
Wages and salaries	50,000	50,000
Social security costs	-	-
	<u>50,000</u>	<u>50,000</u>

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

	No.	No.
Directors	2	2
Administrative	-	-
	<u>2</u>	<u>2</u>

4. DIRECTORS' REMUNERATION

Directors' emoluments were as follows:

Director	Salary £	Fees £	Total emoluments £
J J May	25,000	-	25,000
S H Michaels	25,000	-	25,000
Total	<u>50,000</u>	<u>-</u>	<u>50,000</u>

The directors have chosen for the Company to accrue £38,000 (2008: £50,000) of their salaries until such time as they believe it is in the position to pay them.

No retirement benefits were accruing to directors at 31 December 2009 (2008: £ nil).

The directors received £nil (2008: £57,800) in respect of share based payments.

5. FINANCE INCOME

	2009 £	2008 £
Bank interest	224	12,659
Interest on loans to other entities	-	53,434
	<u>224</u>	<u>66,093</u>

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements (continued)

6. FINANCE COSTS

	2009 £	2008 £
Interest expense for borrowings at amortised cost	19,291	18,960
Total interest expense for financial liabilities	19,291	18,960
Impairment on financial assets	-	315,413
Finance costs	19,291	334,373

The financial asset impairment losses in 2008 relate solely to trade and other receivables. See note 12 for further details.

7. INCOME TAX EXPENSE

Recognised in the statement of comprehensive income

	2009 £	2008 £
Loss on ordinary activities before tax	(180,812)	(532,228)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 28% (2008: 28%)	(50,627)	(149,024)
Effects of:		
Items not deductible for tax	-	16,801
Creation of tax losses not recognised	(50,627)	(132,223)
Current charge for the year	-	-

Factors that may affect future tax charges

The group has tax losses carried forward of £1,966,158 (2008: £1,785,346) that are available for offset against future taxable profits. The company also has capital losses carried forward of £2,652,116 (2008: £2,652,116) available to offset against future capital gains.

If the group pays tax at a rate of 28% on profits in future periods, the current tax losses represent a potential deferred tax asset of £550,524 (2008: £499,897). This asset has not been anticipated at 31 December 2009 due to the history of trading losses in the group.

Notes to the financial statements (continued)

8. LOSS PER SHARE

Basic loss per ordinary share for the year is based on the loss of £180,814 (2008: £532,228) and a weighted average of 399,113,333 (2008: 397,964,658) ordinary shares.

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

- Options for ordinary shares
- Convertible loan notes for ordinary shares

The effect of conversion of all potential dilutive ordinary shares would have an anti-dilutive effect on loss per share and therefore they have not been incorporated in the diluted loss per share calculation.

9. SEGMENT REPORTING

Management currently identifies the Groups service lines as operating segments as described in accounting policy (d). Segment information can be analysed as follows for the reporting periods under review.

	Leisure & Hospitality 2009 £	Leisure & Hospitality 2008 £
Revenue		
From external customers	-	-
Segment revenues	-	-
Segment operating loss	(161,747)	(263,948)
Segment assets	116,252	242,169

10. INVESTMENTS

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Non-current				
Beginning of year	-	-	100	-
Investment in subsidiaries	-	-	-	100
End of year	-	-	100	100

Subsidiaries are listed in note 23.

Notes to the financial statements (continued)

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Current				
Other receivables	6,395	2,502	1,458	1,458
Loans to other companies	-	50,000	-	-
Amounts owed by group undertakings	-	-	15,182	84,035
	6,395	52,502	16,640	85,493

Trade and other receivables have been reviewed for indicators of impairment. No receivables were found to be impaired (2008: £315,413).

No impairment (2008: £254,800) has been recorded at the company level.

Some of the unimpaired receivables are past their due date as at the reporting date. The age of receivables past their due date but not impaired is as follows:

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Not more than 3 months	6,395	-	1,458	-
More than 3 months but not more than 6 months	-	-	-	-
More than 6 months but not more than 1 year	-	-	15,182	-
More than 1 year	-	52,502	-	85,493
	6,395	52,502	16,640	85,493

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Current				
Trade payables	2,497	4,892	2,497	4,892
Amounts owed to group undertakings	-	-	100	100
Accruals and deferred income	160,267	109,610	160,267	109,610
	162,764	114,502	162,864	114,602

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.

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements (continued)

13. BORROWINGS

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Non-Current				
Loan notes	374,078	367,443	374,078	367,443

The 3% unsecured Loan Notes are not wholly repayable within 5 years. The Loan Notes were issued on 25 September 2006 and are redeemable at par on or before 31 March 2015.

The fair value of the embedded derivative within the convertible loan note instrument has been estimated at nil. Therefore the convertible loan notes have been classified as a financial liability and are recorded at amortised cost using the effective interest rate method.

14. SHARE CAPITAL

	2009	2008
	£	£
Authorised		
1,404,074,075 Ordinary shares of 0.02p each	2,808,148	2,808,148
Allotted, called up and fully paid		
399,113,333 (2008: 399,113,333) Ordinary shares of 0.02p each	798,227	798,227

15. SHARE-BASED PAYMENTS

A reconciliation of option movements is shown below:

	Year ended 31 December 2009		Year ended 31 December 2008	
	No. of share options	Weighted average exercise price	No. of share options	Weighted average exercise price
Outstanding at the beginning of year	80,364,772	0.20p	60,574,432	0.20p
Granted during the year	-	-	19,790,340	0.23p
Outstanding at the end of the year	80,364,772	0.21p	80,364,772	0.21p
Exercisable at the end of the year	80,364,772	0.21p	80,364,772	0.20p

Notes to the financial statements (continued)

15. SHARE-BASED PAYMENTS (continued)

Details of options at 31 December 2009 are set out below:

Date of Grant	Date of expiry	Exercise price	Outstanding options	
			2009	2008
22 November 2004 (10-year period)	22/11/2014	0.2p	41,798,436	41,798,436
22 November 2004 (10-year period)	22/11/2014	0.2p	16,290,340	16,290,340
23 March 2005 (10-year period)	23/03/2015	0.2p	2,485,656	2,485,656
11 February 2008 (3-year period)	11/02/2011	0.2p	16,290,340	16,290,340
23 April 2008 (3-year period)	23/04/2011	1p	3,500,000	3,500,000
			80,364,772	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 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. The options are exercisable at anytime up until 23 April 2011 at an exercise price of 1p per share.

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	<u>8,145,170</u>

These options are exercisable any time until 11 February 2011 at an exercise price of 0.2p.

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	<u>£57,800</u>	<u>£2,202</u>

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements (continued)

15. SHARE-BASED PAYMENTS (continued)

The Group recognised £60,002 of share-based payment transactions made during the 2008 financial year. These costs were fully expensed through the income statement.

The expected volatility is based on the standard deviation of the Group's share price for the period immediately prior to the date of grant, over the period identical to the vesting period of the grant, adjusted for management's view of future volatility of the share price.

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

Group	2009 £	2008 £
Operating loss	(161,747)	(263,948)
Share-based payment expense	-	60,002
Decrease/(Increase) in receivables	46,108	(70,336)
Increase in payables	48,261	49,262
Net cash outflow used in operations	(67,378)	(225,020)
Company		
Operating loss	(161,639)	(260,607)
Share-based payment expense	-	60,002
Decrease/(Increase) in receivables	68,853	(104,431)
Increase in payables	48,261	49,330
Net cash outflow used in operations	(44,525)	(255,706)

17. 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 £180,708 (2007: £572,169).

Notes to the financial statements (continued)

18. COMMITMENTS UNDER OPERATING LEASES

The Groups and Companies future minimum operating lease payments are as follows:

	Within one year £	1 to 5 years £	After 5 years £	Total £
31 December 2009	42,000	-	-	42,000
31 December 2008	72,000	-	-	72,000

19. FINANCIAL INSTRUMENTS

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

Group	2009 £	2008 £
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables	6,395	52,502
Cash and cash equivalents	109,858	189,667
	<u>116,253</u>	<u>242,169</u>
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Non-current:		
Loan notes	(374,078)	(367,443)
Current:		
Trade and other payables	(162,764)	(114,502)
	<u>(536,842)</u>	<u>(481,945)</u>

Company	2009 £	2008 £
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables	16,640	85,493
Cash and cash equivalents	91,893	148,850
	<u>108,533</u>	<u>234,343</u>

Financial liabilities
Financial liabilities measured at amortised cost:
Non-current:

The accompanying accounting policies and notes form part of these financial statements.

Transactions with the directors of the company are disclosed in note 4.

Notes to the financial statements (continued)

21. ULTIMATE CONTROLLING PARTY

As at 31 December 2009 and 31 December 2008 there is no single ultimate controlling party.

19. FINANCIAL INSTRUMENTS (continued)

22. PRINCIPAL SUBSIDIARIES

Loan notes	(374,078)	(367,443)
Current:		
Trade and other payables	(162,864)	(114,602)
	<u>(536,842)</u>	<u>(482,045)</u>

Company name	Country	Shareholding	Description
Harrell Hotels (Europe) Limited	England & Wales	100%	Hotel management

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

Risk management RISK SHEET EVENTS

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.

(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 2009 amounts on short term deposits totalled £109,858. If UK interest rates increased by 4% net finance income would increase by approximately £4,394 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 (continued)

20. RELATED PARTY TRANSACTIONS

Transactions with the directors of the company are disclosed in note 4.

There are no transactions with subsidiary undertakings.

21. ULTIMATE CONTROLLING PARTY

As at 31 December 2009 and 31 December 2008 there is no single ultimate controlling party.

22. 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

23. POST BALANCE SHEET EVENTS

On 22 February 2010 the Company announced the conversion of certain loan notes and related issue of equity. The loan note instrument dated 6 March 2007 for £421,874 was satisfied and redeemed in full. In consideration of the redemption, the Company issued and allotted 44,345,296 ordinary shares to the holders of the loan note instruments in proportion to their respective holdings, representing approximately 10 per cent of the total number of issued and fully paid ordinary shares of the Company as enlarged by the issue of the conversion shares and equating to 0.95p per share. The conversion shares were admitted to trading on AIM on 26 February 2010. Following the allotment and issuance of the conversion shares, the Company now has 443,458,629 ordinary shares of 0.2 pence each in issue with voting rights.