

Red Leopard Holdings Plc

Financial statements

For the year ended 31 December 2010

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	Northland Capital Partners Ltd 46 Worship Street London EC2A 2EA
Broker	Northland Capital Partners Ltd 46 Worship Street London EC2A 2EA

Contents

Chairman's statement	4
Report of the directors	5
Report of the independent auditor	8
Consolidated statement of comprehensive income	10
Consolidated statement of financial position	11
Company statement of financial position	12
Consolidated statement of changes in equity	13
Company statement of changes in equity	14
Consolidated statement of cash flows	15
Company statement of cash flows	16
Notes to the financial statements	17

Chairman's statement

I am pleased to present the financial statements for the year to 31 December 2010 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 2010 was £172,020 (2009: £420,590) and the profit for the year attributable to the equity holders of the parent was £256,758 (2009: loss £180,814). The profit for the year includes a gain of £398,490 arising on extinguishment of debt and reflects the difference between the carrying value of the loan notes and the fair value of shares issued on the date of extinguishment.

As at 31 December 2010 net cash for the Group was £30,575 (2009: £109,857).

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 the short term, the company is going to focus on undertaking fee-earning income itself through property related consultancy and value added services rather than make direct investment in third party organizations or property transactions which would require significant fund raising. A small amount of fundraising to accommodate this activity is currently underway. The company will continue to be alert and open to investments or acquisitions which may significantly increase shareholder value.



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 2010.

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 judgments 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.

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 property, leisure and hospitality markets, in particular hotels.

BUSINESS REVIEW

Financial overview and performance

Profit before tax for the year was £256,758 (2009: loss £180,814). The profit for the year includes a gain of £398,490 arising on extinguishment of debt and reflects the difference between the carrying value of the loan notes and the fair value of shares issued on the date of extinguishment. This loan has been a major impediment to moving the company forward.

Report of the directors (continued)

Strategy

The strategy adopted during the year has been to continually 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.

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 achieve investments which will enable the group to increase shareholder value. To balance the difficult market in the short term the directors will focus on undertaking fee-earning income itself through property related consultancy and value added services.

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

The current business focus does not require significant additional funds to be raised but 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 (KPI's)

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

	2010 £'000	2009 £'000
Cash	30,575	109,857
Number of pipeline opportunities	4	2

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 2012 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. The directors are in advanced negotiations with a number of potential investors, including existing warrant holders 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.

Report of the directors (continued)

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 2010 were:

	Ordinary Shares of 0.02p each	
	2010	2009
J J May	4,940,832	4,940,832
S H Michaels	-	-

DIVIDENDS

The Directors are unable to recommend the payment of a dividend (2009: 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 2010 the average creditor payment period was 57 days (2009: 8 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 annual general meeting to be held on 20 May 2011.

This report was approved by the board on 28 March 2011 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 2010 which comprise the consolidated and parent company statement 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 2010 and of the group's profit for the year then ended;
- the group 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's 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.



Malcolm A Gomersall
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes
30 March 2011

Consolidated statement of comprehensive income

	Note	2010 £	2009 £
OVERHEADS			
Administrative expenses		<u>(141,747)</u>	<u>(161,747)</u>
OPERATING LOSS	2	<u>(141,747)</u>	<u>(161,747)</u>
Finance income	5	398,505	224
Finance cost	6	<u>-</u>	<u>(19,291)</u>
PROFIT/(LOSS) FROM CONTINUING ACTIVITIES BEFORE TAXATION		256,758	(180,814)
Tax expense	7	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		<u>256,758</u>	<u>(180,814)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		<u>256,758</u>	<u>(180,814)</u>
Earnings per share - basic	8	0.06p	(0.05)p
Earnings per share –diluted	8	<u>0.05p</u>	<u>(0.05)p</u>

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

Consolidated statement of financial position

	Note	2010 £	2009 £
CURRENT ASSETS			
Trade and other receivables	11	5,493	6,395
Cash and cash equivalents		30,575	109,857
TOTAL CURRENT ASSETS		36,068	116,252
TOTAL ASSETS		36,068	116,252
EQUITY			
Share capital	14	886,918	798,227
Share premium account		3,097,263	2,723,241
Share based payment reserve		60,002	60,002
Other reserve		-	72,414
Retained earnings		(4,216,203)	(4,074,474)
TOTAL EQUITY		(172,020)	(420,590)
CURRENT LIABILITIES			
Trade and other payables	12	208,088	162,764
TOTAL CURRENT LIABILITIES		208,088	162,764
NON-CURRENT LIABILITIES			
Borrowings	13	-	374,078
TOTAL NON-CURRENT LIABILITIES		-	374,078
TOTAL LIABILITIES		208,088	536,842
TOTAL EQUITY AND LIABILITIES		36,068	116,252

These financial statements were approved by the directors on 28 March 2011 and are signed on their behalf by:


J J May
Director

Company statement of financial position

	Note	Year ended 31 December 2010 £	Year ended 31 December 2009 £
NON-CURRENT ASSETS			
Investments	10	100	100
TOTAL NON-CURRENT ASSETS		100	100
CURRENT ASSETS			
Trade and other receivables	11	7,957	16,640
Cash and cash equivalents		20,483	91,893
TOTAL CURRENT ASSETS		28,440	108,533
TOTAL ASSETS		28,540	108,633
EQUITY			
Share capital	14	886,918	798,227
Share premium account		3,097,263	2,723,241
Share based payment reserve		60,002	60,002
Other reserve		-	72,414
Retained earnings		(4,223,831)	(4,082,194)
TOTAL EQUITY		(179,648)	(428,310)
CURRENT LIABILITIES			
Trade and other payables	12	208,188	162,864
TOTAL CURRENT LIABILITIES		208,188	162,864
NON-CURRENT LIABILITIES			
Borrowings	13	-	374,078
TOTAL NON-CURRENT LIABILITIES		-	374,078
TOTAL LIABILITIES		208,188	536,942
TOTAL EQUITY AND LIABILITIES		28,540	108,633

These financial statements were approved by the directors on 18 March 2011 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 2010	798,227	2,723,241	60,002	72,414	(4,074,474)	(420,590)
Issue of share capital	88,691	374,022	-	(72,414)	(398,487)	(8,188)
Profit for the year	-	-	-	-	256,758	256,758
Total comprehensive income	88,691	374,022	-	(72,414)	(141,729)	248,570
At 31 December 2010	886,918	3,097,263	60,002	-	(4,216,203)	(172,020)

	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 comprehensive income	-	-	-	-	(180,814)	(180,814)
At 31 December 2009	798,227	2,723,241	60,002	72,414	(4,074,474)	(420,590)

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

Company statement of changes in equity

	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)
Issue of share capital	88,691	374,022	-	(72,414)	(398,487)	(8,188)
Profit for the year	-	-	-	-	256,850	256,850
Total comprehensive income	88,691	374,022	-	(72,414)	(141,637)	248,662
At 31 December 2010	886,918	3,097,263	60,002	-	(4,223,831)	(179,648)

	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 comprehensive income	-	-	-	-	(180,708)	(180,708)
At 31 December 2009	798,227	2,723,241	60,002	72,414	(4,082,194)	(428,310)

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

Consolidated statement of cash flows

	Note	2010 £	2009 £
CASH FLOWS USED IN OPERATING ACTIVITIES	16	<u>(77,005)</u>	<u>(67,378)</u>
INVESTING ACTIVITIES			
Interest received		18	224
Interest paid on loans		<u>(2,295)</u>	<u>(12,656)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(2,277)</u>	<u>(12,432)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(79,282)	(79,810)
Cash and cash equivalents brought forward		<u>109,857</u>	<u>189,667</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD	19	<u>30,575</u>	<u>109,857</u>

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

Company statement of cash flows

	Note	Year to 31 December 2010 £	Year to 31 December 2009 £
CASH FLOWS USED IN OPERATING ACTIVITIES	16	(69,131)	(44,525)
INVESTING ACTIVITIES			
Interest received		16	224
Interest paid on loans		(2,295)	(12,656)
CASH FLOWS USED IN INVESTING ACTIVITIES		(2,279)	(12,432)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(71,410)	(56,957)
Cash and cash equivalents brought forward		91,893	148,850
CASH AND CASH EQUIVALENTS CARRIED FORWARD		20,483	91,893

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

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.

Management consider that it is not necessary to present the 2008 statement of financial position as it is the same as that previously published.

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 2010:

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- Improvements to IFRSs 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(m).

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.

The accompanying accounting policies and notes form part of these 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 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.

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 systematic 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

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

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.

h. Equity and reserves

(i) Share capital

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

(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.

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

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

(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 15)
- adoption of going concern as basis of preparation
- deferred tax asset (note 7)

Included in trade and other receivables are two loan 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 15.

The directors have produced a cash flow forecast to June 2012 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. The directors are in advanced negotiations with a number of potential investors, including existing warrant holders 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 £540,150 in respect of losses. This asset has not been anticipated at 31 December 2010 due to the history of trading losses in the group.

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

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

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Annual improvements 2010 (effective from 1 July 2010 and later)

The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the Group's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have been adopted by the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is mandatory for annual periods commencing on or after 1 July 2010 and must be applied retrospectively, however earlier adoption is permitted.

The Group has early adopted IFRIC 19 due to the transaction in the year where shares were issued in consideration for extinguishment of debt. The key requirements of the standard are:

- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is treated as consideration paid

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

Notes to the financial statements

- equity instruments issued to the creditor to extinguish a financial liability are measured initially at the fair value of the equity instrument issued, unless that fair value cannot be reliably measured

1. ACCOUNTING POLICIES (continued)

- if the fair value of the equity instruments cannot be measured reliably, those equity instruments are measured to reflect the fair value of the financial liability extinguished
- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognised in the profit or loss

For the year ended 31 December 2010, the adoption of IFRIC 19 has resulted in a gain on extinguishment of debt being recognised in the income statement of £398,490. This gain is not taxable. There is no impact on prior periods.

2. OPERATING LOSS

Operating loss is stated after charging:

	2010 £	2009 £
Auditor's remuneration		
- fees payable to the company's auditors for the audit of the company's annual accounts	10,700	10,200
Operating lease rentals:		
- other operating leases	18,000	42,000

3. STAFF COSTS

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

	2010 £	2009 £
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

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

Notes to the financial statements

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 £32,750 (2009: £38,000) of their salaries until such time as they believe it is in a position to pay them. Directors' fees accrued to date amount to £164,501 (2009: £131,751).

No retirement benefits were accruing to directors at 31 December 2010 (2009: £ nil).

The directors received £nil (2009: £nil) in respect of share based payments.

5. FINANCE INCOME

	2010 £	2009 £
Bank interest	15	224
Gain on extinguishment of debt (Note 13)	398,490	-
	<u>398,505</u>	<u>224</u>

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.

6. FINANCE COST

	2010 £	2009 £
Interest expense for borrowings at amortised cost	-	19,291
Total interest expense for financial liabilities	-	19,291
Finance costs	-	19,291

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

Notes to the financial statements

7. TAX EXPENSE

Recognised in the statement of comprehensive income

	2010 £	2009 £
Profit/(loss) on ordinary activities before tax	<u>256,758</u>	<u>(180,814)</u>
Profit/(loss) on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 28% (2009: 28%)	71,892	(50,627)
Effects of:		
Income not taxable	(111,577)	-
Utilisation of tax losses	<u>39,685</u>	<u>(50,627)</u>
Current charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The group has tax losses carried forward of £1,929,109 (2009: £1,966,158) that are available for offset against future taxable profits.

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 £540,150 (2009: £550,524). This asset has not been anticipated at 31 December 2010 due to the history of trading losses in the group.

8. EARNINGS PER SHARE

Basic earnings per ordinary share for the year is based on the profit of £256,758 (2009: loss £180,814) and a weighted average of 443,458,630 (2009: 399,113,333) 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 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. There was no dilutive effect in 2009.

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 2010 £	Leisure & Hospitality 2009 £
Revenue		
From external customers	-	-
Segment revenues	<u>-</u>	<u>-</u>

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

Notes to the financial statements

Segment operating loss	(141,747)	(161,747)
Segment assets	36,068	116,252

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

10. INVESTMENTS

	Company	
	2010 £	2009 £
Non-current		
At 1 January and 31 December	100	100

Subsidiaries are listed in note 22.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Current				
Other receivables	5,493	6,395	4,450	1,458
Amounts owed by group undertakings	-	-	3,507	15,182
	5,493	6,395	7,957	16,640

Trade and other receivables have been reviewed for indicators of impairment. No receivables were found to be impaired (2009: £nil).

No impairment (2009: £nil) has been recorded at the company level.

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

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Not more than 3 months	5,493	6,395	4,450	1,458
More than 3 months but not more than 6 months	-	-	-	-
More than 6 months but not more than 1 year	-	-	3,507	15,182
More than 1 year	-	-	-	-
	5,493	6,395	7,957	16,640

Notes to the financial statements

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Current				
Trade payables	35,718	2,497	35,718	2,497
Amounts owed to group undertakings	-	-	100	100
Accruals and deferred income	172,370	160,267	172,370	160,267
	208,088	162,764	208,188	162,864

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.

13. BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Non-current				
Loan notes	-	374,078	-	374,078

On 22 February 2010 the Company announced the loan note ('Notes') instrument dated 6 March 2007 for £421,874 had been satisfied and redeemed in full. In consideration of the redemption of the Notes, the Company issued and allotted 44,345,296 ordinary shares (the "Conversion Shares") to the holders of the Notes in proportion to their respective holdings in the Notes, representing approximately 10.0 per cent of the total number of issued and fully paid ordinary shares of Red Leopard as enlarged by the issue of the Conversion Shares and equating to 0.95p per share.

14. SHARE CAPITAL

	2010	2009
	£	£
Authorised		
1,404,074,075 Ordinary shares of 0.2p each	2,808,148	2,808,148
Allotted, called up and fully paid		
443,458,630 (2009: 399,113,333) Ordinary shares of 0.2p each	886,918	798,227

The Group issued 44,345,296 ordinary shares, corresponding to 10% of total issued shares issued (Note 13). Proceeds received in addition to the nominal value of the shares have been included in share premium, less transaction costs. Transaction costs charged to equity amounted to £2,294 (2009: £nil).

Notes to the financial statements

15. SHARE-BASED PAYMENTS

A reconciliation of option movements is shown below:

	Year ended 31 December 2010		Year ended 31 December 2009	
	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	0.21p	80,364,772	0.20p
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	0.21p

Details of options at 31 December 2010 are set out below:

Date of Grant	Date of expiry	Exercise price	Outstanding options	
			2010	2009
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 expired on 11 February 2011.

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

Notes to the financial statements

15. 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	<u>£57,800</u>	<u>£2,202</u>

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

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

Group	2010 £	2009 £
Operating loss	(141,747)	(161,747)
Decrease in receivables	902	46,108
Increase in payables	63,840	48,261
Net cash outflow used in operations	<u>(77,005)</u>	<u>(67,378)</u>
Company		
Operating loss	(141,656)	(161,639)
Decrease in receivables	8,683	68,853
Increase in payables	63,841	48,261
Net cash outflow used in operations	<u>(69,131)</u>	<u>(44,525)</u>

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 profit for the year dealt with in the accounts of the company was £256,850 (2009: loss £180,708).

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

Notes to the financial statements

18. 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 2010	-	-	-	-
31 December 2009	42,000	-	-	42,000

Lease payments recognised as an expense during the period amount to £18,000 (2009: £42,000). 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.

19. FINANCIAL INSTRUMENTS

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

Group	2010 £	2009 £
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables	5,493	6,395
Cash and cash equivalents	30,575	109,858
	36,068	116,253
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Non-current:		
Loan notes	-	(374,078)
Current:		
Trade and other payables	(208,088)	(162,764)
	(208,088)	(536,842)
	2010 £	2009 £
Company		
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables	7,957	16,640
Cash and cash equivalents	20,483	91,893
	28,440	108,533
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Non-current:		
Loan notes	-	(374,078)
Current:		

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

Notes to the financial statements

Trade and other payables	(208,188)	(162,864)
	(208,188)	(536,842)

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

19. 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:

	2010 £	2009 £
Total equity	(172,020)	(420,590)
Borrowings	-	374,078
Cash and cash equivalents	30,575	109,857
Capital	(141,445)	63,345

(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 2010 amounts on short term deposits totalled £30,575. If UK interest rates increased by 4% net finance income would increase by approximately £1,070 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.

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

Notes to the financial statements

20. RELATED PARTY TRANSACTIONS

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

Transactions between the company and its subsidiaries are summarised below:

	2010	2009
	£	£
Intra-group receivable outstanding at year end	3,507	15,182
Intra-group payable outstanding at year end	100	100

21. ULTIMATE CONTROLLING PARTY

As at 31 December 2010 and 31 December 2009 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

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