

REGISTRAR'S COPY

Tangram Leisure Limited

Report and Financial Statements

Year Ended

31 December 2008

Company Number 3966166



Tangram Leisure Limited

**Annual report and financial statements
for the year ended 31 December 2008**

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Directors

S J T Brown
P R Cronk
P M Tory
M J Wootton

Secretary and registered office

P M Tory, Bewley House, Marshfield Road, Chippenham, Wiltshire, SN15 1JW

Company number

3966166

Auditors

BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX

Tangram Leisure Limited

Report of the directors for the year ended 31 December 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not recommend the payment of a dividend (2007 - £Nil).

Principal activities, trading review and future developments

The company's principal activity is the establishment and operation of a health spa.

Revenues from the company's existing treatment operation continued to show strong growth. As a result, turnover increased by 26% from 2007.

The company entered into an agreement with Clydesdale Bank in late 2007, for the provision of loan finance to complete the company's residential health spa project. The first £4.7 million of the total finance of £20.8 million had been made available immediately, with the balance available on satisfaction of certain conditions precedent. On 24 March 2009, these conditions precedent were satisfied.

In March 2008, the company entered into an agreement with Hotbed Limited, a venture capital company, for the injection into the company of £2.3 million of capital by its investor members in the form of equity and loan stock. Of this, £1.6 million was provided immediately, with the balance being provided when the conditions precedent to the availability of the balance of the Clydesdale funding had been satisfied. The balance was duly provided on 24 March 2009.

On completion of the above funding, the company has entered into a contract for the main elements of the construction of the health spa.

The directors believe that the Clydesdale Bank loan finance and Hotbed Limited venture capital funding will be sufficient to complete the development of the planned residential health spa and to fund the company's ongoing working capital requirements.

Principal risks and uncertainties

The key risks in relation to the company's planned activities relate to the construction costs of the residential spa, the cost of borrowing and the operation of the spa once it opens. The company will seek to manage the construction costs through fixed price contracts.

Post balance sheet events

Subsequent to the year end, the company committed to a building contract amounting to £11 million.

In addition, on the 25 March 2009, the company repaid in full the bridge facility provided by PRC Enterprises Limited.

Tangram Leisure Limited

Report of the directors for the year ended 31 December 2008 (*Continued*)

Directors

The directors of the company during the year were:

S J T Brown
P R Cronk
P M Tory
M J Wootton

Directors insurance

In accordance with S310 of the Companies Act 1985, the company has maintained insurance for the directors of Tangram Leisure Limited, in respect of their duties as directors of the company.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board



P M Tory
Secretary

Date 24th June 2009

Tangram Leisure Limited

Report of the independent auditors

To the shareholders of Tangram Leisure Limited

We have audited the financial statements of Tangram Leisure Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with those financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Tangram Leisure Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
Reading

Date 24 June 2009

Tangram Leisure Limited

Profit and loss account for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	185,435	147,706
Cost of sales		47,622	40,828
		<hr/>	<hr/>
Gross profit		137,813	106,878
Administrative expenses		1,222,232	469,743
		<hr/>	<hr/>
Operating loss	3	(1,084,419)	(362,865)
Interest receivable	6	74	96
Interest payable and similar charges	7	(398,943)	(359,915)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(1,483,288)	(722,684)
Taxation on loss on ordinary activities	8	29,068	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation	16	(1,454,220)	(722,684)
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 7 to 16 form part of these financial statements.

Company Number
3966166

Tangram Leisure Limited

Balance sheet
at 31 December 2008

	Note	2008 £	2008 £	2007 As restated £	2007 As restated £
Fixed assets					
Tangible assets	9		9,000,000		5,949,030
Fixed asset investments	10		1		1
			<u>9,000,001</u>		<u>5,949,031</u>
Current assets					
Stocks	11	35,604		28,562	
Debtors	12	88,159		344,859	
Cash at bank and in hand		48,292		926	
		<u>172,055</u>		<u>374,347</u>	
Creditors: amounts falling due within one year	13	602,789		472,201	
		<u></u>		<u></u>	
Net current liabilities			(430,734)		(97,854)
			<u>8,569,267</u>		<u>5,851,177</u>
Creditors: amounts falling due after more than one year	14		5,476,903		4,258,933
			<u></u>		<u></u>
Total assets less current liabilities			<u>3,092,364</u>		<u>1,592,244</u>
Capital and reserves					
Called up share capital	15		711,569		479,730
Share premium	16		2,592,309		2,325,844
Revaluation reserve	16		4,978,258		2,522,222
Profit and loss account	16		(5,189,772)		(3,735,552)
			<u></u>		<u></u>
Shareholders' funds	17		<u>3,092,364</u>		<u>1,592,244</u>

The financial statements were approved by the Board of Directors and authorised for issue on

24th June 2009

P M Tury
Director

The notes on pages 7 to 16 form part of these financial statements.

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluations of freehold land and buildings and are in accordance with applicable accounting standards.

Going concern

The company's trading review and future developments, together with the principal risks and uncertainties facing the business are set out in the Report of the Directors. In late 2007, the company entered into an agreement with Clydesdale Bank, for the provision of loan finance to complete the company's residential health spa project. In addition, in March 2008, the company entered into an agreement with Hotbed Limited, a venture capital company, for the injection into the company of £2.3 million of capital by its investor members in the form of equity and loan stock. On 24 March 2009, having satisfied certain conditions precedent, all loan finance and equity and loan stock financing has been made available to the company.

The directors believe that the Clydesdale Bank loan finance and Hotbed Limited venture capital funding will be sufficient to complete the development of the planned residential health spa and to fund the company's ongoing working capital requirements. Furthermore, the company's forecasts and projections, show that the company should be able to operate within the financing facilities currently available to it.

The directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Group financial statements

The financial statements contain information about Tangram Leisure Limited as an individual company and do not contain consolidated information as the parent of a group. The directors have taken the exemption not to include the subsidiary company within the consolidated financial statements because the net assets would not be material to the financial statements.

Changes to accounting presentation

During the year to 31 December 2008, capitalised finance costs less amounts amortised have been deducted from the carrying value of the debt instrument in accordance with Financial Reporting Standard No 4 "Capital Instruments". Comparative amounts have been adjusted accordingly. Bank loans previously shown as falling due within one year, have been reclassified as falling due after more than one year to reflect the terms of the underlying agreement at the prior year end.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that it is a "small company" under the Companies Act 1985.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Revaluation of land and buildings

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this freehold land and buildings are subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle. The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves.

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (*Continued*)

1 Accounting policies (*continued*)

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold buildings and studio	- 2% per annum on a straight line basis
Fixtures and fittings	- 15% per annum on a straight line basis

Assets under construction - No provision is made for depreciation until construction is complete and the asset comes into use.

Impairment of fixed assets

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Leased assets

All leases are treated as "operating leases". Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Finance costs in respect to Clydesdale Bank funding, are being amortised over a period of 16 years from the date funding commenced. Finance costs relating to the secured loan notes, are being amortised over the period of the loan notes.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Tangram Leisure Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)

3 Operating loss

	2008 £	2007 £
This has been arrived at after charging:		
Depreciation	21,486	19,026
Amortisation of capitalised finance costs	71,985	-
Operating lease payments - plant and machinery	4,545	-
Fees payable to the company's auditor for the audit of the company's financial statements	13,500	14,000
Fees payable to the company's auditor for their services:		
- tax services	4,650	4,600
- other services	-	4,000
	<u> </u>	<u> </u>

4 Employees

	2008 £	2007 £
Staff costs (including directors) consist of:		
Wages and salaries	326,087	235,560
Social security costs	42,379	20,493
	<u> </u>	<u> </u>
	368,466	256,053
	<u> </u>	<u> </u>

The average number of employees, (including directors), during the year was 21 (2007 - 18).

5 Directors' remuneration

	2008 £	2007 £
Directors' emoluments and fees	212,425	148,822
	<u> </u>	<u> </u>

Included in directors' emoluments and fees, there is an amount of £50,000 (2007 - £40,667) relating to planning and design consultancy services invoiced by PRC Enterprises Limited in the year, for services performed by Mr P R Cronk. There is also an amount of £6,000 (2007 - £6,000) relating to amounts paid and accrued to P M Tory as a contribution towards the running costs of the office space that he provides for the company's use.

6 Interest receivable

	2008 £	2007 £
Bank deposits	74	96
	<u> </u>	<u> </u>

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (*Continued*)

7 Interest payable and similar charges

	2008 £	2007 £
Bank loan and overdraft interest	293,155	340,121
Loan interest	14,780	15,261
Other interest	86,899	-
Bank charges	4,109	4,533
	<u>398,943</u>	<u>359,915</u>

The other interest includes £86,899 (2007 - £Nil) in respect of interest arising on the secured loan notes (note 14).

8 Taxation on loss on ordinary activities

	2008 £	2007 £
Total current tax and taxation on loss on ordinary activities	(29,068)	-

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 £
Loss on ordinary activities before tax	(1,483,288)	(722,684)
Loss on ordinary activities at the rate of corporation tax in the UK of 21% (2007 - 20%)	(311,490)	(144,537)
Effect of:		
Expenses not deductible for tax purposes	305	175
Depreciation for the year in excess of capital allowances	991	3,805
Unrelieved tax losses arising in the year	284,759	140,557
Enhanced allowances for land remediation	(3,633)	-
Current tax charge for the year	<u>(29,068)</u>	<u>-</u>

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total unprovided amount is £1,045,434 (2007 - £756,667). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The company has unutilised tax losses of approximately £4,910,000 (2007 - £3,555,000) available for offset against future taxable profits and unrelieved non trading deficits of approximately £138,000 (2007 - £138,000), subject to agreement by HM Revenue and Customs. A deferred tax asset amounting to £1,061,940 (2007 - £739,228) has not been recognised on the basis that its future economic benefit is not certain. The deferred tax asset comprises of unutilised tax losses of £1,060,307 (2007 - £738,617) and other timing differences £1,633 (2007 - £611).

Tangram Leisure Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)

9 Tangible assets

	Freehold land £	Assets under construction £	Fixtures and fittings £	Freehold buildings and studio £	Total £
<i>Cost or valuation</i>					
At 1 January 2008	5,139,711	451,923	88,926	335,325	6,015,885
Additions	-	590,706	18,211	7,503	616,420
Revaluation	2,456,036	-	-	-	2,456,036
	<u>7,595,747</u>	<u>1,042,629</u>	<u>107,137</u>	<u>342,828</u>	<u>9,088,341</u>
<i>Depreciation</i>					
At 1 January 2008	-	-	46,576	20,279	66,855
Provided for the year	-	-	14,705	6,781	21,486
	<u>-</u>	<u>-</u>	<u>61,281</u>	<u>27,060</u>	<u>88,341</u>
<i>Net book value</i>					
At 31 December 2008	<u>7,595,747</u>	<u>1,042,629</u>	<u>45,856</u>	<u>315,768</u>	<u>9,000,000</u>
At 31 December 2007	<u>5,139,711</u>	<u>451,923</u>	<u>42,350</u>	<u>315,046</u>	<u>5,949,030</u>

The gross value of freehold land is stated at:

	2008 £	2007 £
Open market value – 8 December 2008	<u>7,595,747</u>	<u>5,139,711</u>

The historical cost of freehold land is:

	2008 £	2007 £
Cost	<u>2,617,489</u>	<u>2,617,489</u>

The freehold land, assets under construction and freehold buildings and studio, were professionally valued on 8 December 2008, by King Sturge, a firm of chartered surveyors, on the basis of open market value. This valuation was undertaken in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards published in February 2003. The surplus arising of £2,456,036 was credited to the revaluation reserve (see note 16). All other tangible assets are stated at historical cost.

In the opinion of the directors, as at 31 December 2008, the net book value of freehold land is not materially misstated.

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

10 Fixed asset investments

	Shares in subsidiary undertaking £
<i>Cost and net book value</i>	
At 1 January 2008 and 31 December 2008	1

The following was an unlisted subsidiary undertaking at the end of the year:

Name	Class of Business	% held	Country of registration
Thelifehouse Limited	Dormant	100	England

11 Stocks

	2008 £	2007 £
Goods held for resale	35,604	28,562

There is no material difference between the replacement cost of stocks and the amounts stated above.

12 Debtors

	2008 £	2007 As restated £
Other debtors	19,407	332,474
Corporation tax recoverable	29,068	-
Prepayments and accrued income	39,684	12,385
	88,159	344,859

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	2008 £	2007 As restated £
Bank loans and overdraft (see also note 14)	19,114	5,980
Trade creditors	132,200	37,320
Taxation and social security	19,078	13,493
Other creditors	5,393	1
Other loans	193,500	243,407
Accruals and deferred income	233,504	172,000
	602,789	472,201

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

13 Creditors: amounts falling due within one year (continued)

Included in other loans, is an unsecured bridging loan from PRC Enterprises Limited amounting to £193,500 (2007- £Nil) (see also note 20). This loan has been provided to provide working capital to the company and is repayable on the earlier of a) receipt of the final tranche of loan note monies from Hotbed Limited venture capital investors or b) four months from the date of first draw down of the funds (November 2008). The loan bears interest at 10% p.a. to be rolled up and repayable on the date of repayment of the loan. The loan is also subject to a commitment fee of 1% per month on the amount of the loan outstanding. The loan is secured as set out in a deed of priority which exists between all debenture holders. The deed gives priority to Clydesdale Bank and Hotbed Limited.

14 Creditors: amounts falling due after more than one year

	2008 £	2007 As restated £
Bank loans	4,541,547	4,258,933
Secured loan notes 2012	935,356	-
	<u>5,476,903</u>	<u>4,258,933</u>

The bank loans mature three months after the earlier of a) the provision of a certification of completion or b) 19 November 2010. Subsequent to this, subject to satisfaction of certain conditions precedent, the existing bank loans will be replaced with an investment term loan of 16 years, repayment terms of which will be arranged at this time. Interest is charged at 2% p.a. over bank base rate. The bank loans are secured by a debenture creating a fixed and floating charge over the freehold property and other assets of the company. During the year, capitalised finance costs less amortisation amounting to £257,427 (2007 - £321,832) have been offset against the bank loans.

During the year, the company issued 1,109,980 secured loan notes and agreed that an additional 730,020 secured loan notes would be issued post year end, subject to meeting certain financing conditions. The secured loan notes are redeemable in one instalment on 31 December 2012. Interest is payable at 10% p.a. and will be rolled up from March 2008 until 31 January 2010, the time at which this interest becomes payable. After this date, interest is payable quarterly in arrears, with the first interest payment being 30 April 2010. The loan notes are secured by a debenture securing all monies due or to become due from the company to any of or all of the secured parties under the terms of the debenture inter creditor agreement. Further details are provided in the company's Articles of Association.

During the year, capitalised finance costs less amortisation amounting to £261,523 have been offset against the 1,109,980 secured loan notes issued. In addition, £86,899 relating to rolled up interest on the secured loan notes has been accrued.

Financial liabilities are due:

	Bank loans 2008 £	Secured loan notes 2012 2008 £	Bank loans 2007 £	Secured loan notes 2012 2007 £
In more than one year but not more than two years	4,541,547	-	-	-
In more than two years but not more than five years	-	935,356	4,258,933	-
	<u>4,541,547</u>	<u>935,356</u>	<u>4,258,933</u>	<u>-</u>

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

15 Share capital

	2008 Number	2008 £	2007 Number	2007 £
<i>Authorised</i>				
Ordinary shares of 10p each	25,000,000	2,500,000	25,000,000	2,500,000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 10p each	7,115,696	711,569	4,797,300	479,730

On 19 March 2008, 2,218,396 ordinary shares of 10p each were issued and credited as fully paid for consideration of £460,000. The nominal value was 10p and the consideration paid per share 20.73p.

On 21 March 2008, 100,000 ordinary shares of 10p each were issued and credited as fully paid for consideration of £120,000. The nominal value was 10p and the consideration paid per share £1.20.

Also on 19 March 2008, options over 418,572 ordinary shares of 10p each, were issued to Hotbed Limited at an option price of 10p. The options are exercisable from 19 March 2008 to one month after a listing or admission to trading of all or any of the shares of the company to any recognised Investment Exchange or Overseas Investment Exchange.

16 Reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 January 2008	2,325,844	2,522,222	(3,735,552)
Loss for the year	-	-	(1,454,220)
Premium on shares issued in the year (note 15)	266,465	-	-
Revaluation in the year (note 9)	-	2,456,036	-
At 31 December 2008	2,592,309	4,978,258	(5,189,772)

During the year, costs of raising finance amounting to £81,695 have been offset against the premium on shares issued.

17 Reconciliation of movement in shareholders' funds

	2008 £	2007 £
Loss for the year	(1,454,220)	(722,684)
Shares issued in the year	231,839	-
Premium on shares issued in the year	266,465	-
Revaluation in the year	2,456,036	-
Net addition to/(deduction from) shareholders' funds	1,500,120	(722,684)
Opening shareholders' funds	1,592,244	2,314,928
Closing shareholders' funds	3,092,364	1,592,244

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (*Continued*)

18 Contingent liabilities

At 31 December 2008 the company had a contingent liability of £Nil (2007 - £78,500) in respect of commission. The contingent liability would become payable in the event that the company fully draws down on the potential financing. This has been recognised as an accrual in the 2008 financial statements.

19 Commitments under operating leases

As at 31 December 2008, the company had annual commitments under non-cancellable operating leases as set out below:

	2008 £	2007 £
	Other	Other
Operating lease which expire:		
In two to five years	7,267	-

20 Related party disclosures

Controlling parties

There is no overall controlling party.

Loans and transactions concerning directors and officers of the company

1) During the year, the company had the following arrangements in which Mr P R Cronk, a director of the company, has an interest:

(a) Mannington International (UK) Limited pension scheme, which relates to Mr P R Cronk, has a holding of 61,531 (2007 - 61,531) ordinary shares of 10p each. This holding represents 0.86% (2007 - 1.28%) of the total shares issued.

(b) PRC Enterprises Limited, which relates to Mr P R Cronk, invoiced the company for £13,400 (2007 - £5,357) in respect of general expenses.

(c) PRC Enterprises Limited provided the company with a bridging loan during the year. The amount due in respect of this loan at 31 December 2008 was £193,500 (2007 - £Nil). Interest has been accrued on the outstanding balance at a rate of 10% per annum - the interest accrued to date is £1,822. The loan also attracts a commitment fee of 1% per month on the balance of the loan amount outstanding (excl interest) - the commitment fees paid amounted to £5,600 (2007 - £Nil).

d) During the year the company was invoiced for £50,000 by PRC Enterprises Limited (2007 - £40,667) for planning and design consulting services for Mr P R Cronk, which is disclosed in directors' remuneration. The amount due in respect of these consultancy services at 31 December 2008 was £73,083 (2007 - £127,250). Interest has been accrued on the outstanding balance at a rate of 7.5% per annum - the interest accrued to date is £5,249.

2) An amount of £6,000 (2007 - £6,000) was paid to P M Tory, a director of the company, as a contribution towards the running costs of the office space that he provides for the company's use. This amount is disclosed in directors' remuneration. The amount due for this rental at 31 December 2008 was £Nil (2007 - £Nil).

3) Hotbed Nominees Limited, a company with which Mr S J T Brown, a director of the company is connected, acts as a nominee company to various investors, holding 482,260 ordinary shares of 10p in a separately administered fund. The company has no beneficial interest in the shares held.

Tangram Leisure Limited

**Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)**

21 Post balance sheet events

Subsequent to the year end, the company committed to a building contract amounting to £11 million.

In addition, on the 25 March 2009, the company repaid in full the bridge facility provided by PRC Enterprises Limited.