Red Leopard Holdings Plc

Financial statements

For the year ended 31 December 2008

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 7th Floor United Kingdom House 180 Oxford Street London W1D 1EA
Solicitors	Irwin Mitchell 40 Holborn Viaduct London EC1N 2PZ
Nominated Adviser	Dowgate Capital Advisers Limited 46 Worship Street London EC2A 2EA
Broker	Dowgate Capital Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ

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Chairman's statement

I am pleased to present the financial statements for the year to 31 December 2008 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 2008 was £239,776 (2007: equity £232,450) and, with no revenue generated from operations, the loss for the year attributable to the equity holders of the parent was £532,228 (2007 £213,627).

As at 31 December 2008, net cash for the Group was £189,667.

The Board's decision towards the end of 2007 was to focus on residential property developments, a strategy which it pursued through a joint development agreement with First Broughton Group. Unfortunately, this strategy focused on the development of residential properties aimed at the mid-market consumer, a target market that was severely affected by the economic downturn during 2008.

While the outcome from this investment was disappointing, the reality of the situation could have been much worse. Through the joint development agreement we located several sites, conducted preliminary due diligence (including land surveys and local authority searches) and the evaluation of the sites looked promising. However, each of these sites was under option subject to finance and, as occurred to most property developers last year, we were unable to secure finance due to the drying up of liquidity. In hindsight, this has worked in our favour as the specific sites we held under option have continued to decline in value. .

In order to finance these operations the company invested £336,613 into site investigation, research, council planning and working capital. We are unlikely to retrieve this in the near term if at all. The Board continues to monitor the residential development market but would not be investing any further funds until there was significant improvement in this segment.

The Board is now actively investigating and reviewing several opportunities including investments in the leisure and hospitality market, with special attention focused on hotels. The current economic climate is presenting some exciting hotel opportunities which we are hopeful Red Leopard can get successfully involved in, given adequate financing.

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 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (IFRSs). The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group 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 judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Directors is aware at the time the report is approved:

- 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.

PRINCIPAL ACTIVITY

The principal activity of the group at the start of the year was developing new residential properties. Due to this target market being severely affected by the economic downturn the focus moving forward is the leisure and hospitality market, in particular on 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 July 2010 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 believe that the forecasted cash flows are achievable and therefore believe it is appropriate to prepare the accounts on the going concern 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. Therefore the directors consider no short term risk arises.

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.

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.

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 balance sheets 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.

The group has a significant concentration of credit risk as the majority of the receivables balance is due from a single counterparty, First Broughton Group.

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 2008 were:

	Ordinary Shares of 0.02p each	
	2008	2007
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)	**-**	-
	13,141,312	13,141,312

DIVIDENDS

The Directors are unable to recommend the payment of a dividend (2007: 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 2008 the average creditor payment period was 12 days (2007: 28 days).

SUBSTANTIAL SHAREHOLDINGS OTHER THAN DIRECTORS

At the date of approval of these financial statements the following interests of 3% or more in the issued share capital of the company appeared in the register maintained under the provision of section 211 of the Companies Act 1985.

Name	Shareholding	Ordinary Shares
J M Finn Nominees Limited	10.65%	42,500,000
JIM Nominees Limited	8.25%	32,931,901
Strand Nominees Limited	7.60%	30,333,333
Baskerville Holdings Limited	3.46%	13,800,000
Barclayshare Nominees Limited	3.23%	12,881,051

Report of the directors (continued)

AUDITORS

Grant Thornton UK LLP were appointed as auditors of the group during the year. Special notice pursuant to section 388(3) of the Companies Act 1985 having been given, 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 ..29 June 2009... 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 group and parent company financial statements (the 'financial statements') of Red Leopard Holdings Plc for the year ended 31 December 2008 which comprise the group income statement, the group and company balance sheets, the group and company statements of changes in equity, the group and company cash flow statements and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group's and 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.

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- 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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants

Central Milton Keynes

29 June 2009

Consolidated income statement

	Note	Year to 31 December 2008 £	Re-stated Year to 31 December 2007 £
OVERHEADS			
Administrative expenses		**(263,948)**	(208,114)
OPERATING LOSS BEFORE FINANCE	2	**(263,948)**	(208,114)
Finance income	5	**66,093**	13,063
Finance cost	6	**(334,373)**	(18,576)
LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION		**(532,228)**	(213,627)
Income tax expense	7	**-**	-
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(532,228)**	(213,627)
Loss per share – basic and diluted	8	**(0.13)p**	(0.08)p

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

Consolidated balance sheet

	Note	Year ended 31 December 2008 £	Re-stated Year ended 31 December 2007 £
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	-
TOTAL NON-CURRENT ASSETS		-	-
CURRENT ASSETS			
Trade and other receivables	12	52,502	244,145
Cash and cash equivalents		189,667	414,684
TOTAL CURRENT ASSETS		242,169	658,829
TOTAL ASSETS		242,169	658,829
EQUITY			
Share capital	16	798,227	798,227
Share premium account		2,723,241	2,723,241
Share based payment reserve		60,002	-
Other reserve		72,414	72,414
Retained earnings		(3,893,660)	(3,361,432)
TOTAL EQUITY		(239,776)	232,450
CURRENT LIABILITIES			
Trade and other payables	13	114,502	65,240
TOTAL CURRENT LIABILITIES		114,502	65,240
NON-CURRENT LIABILITIES			
Borrowings	14	367,443	361,139
TOTAL NON-CURRENT LIABILITIES		367,443	361,139
TOTAL LIABILITIES		481,945	426,379
TOTAL EQUITY AND LIABILITIES		242,169	658,829

These financial statements were approved by the directors on .29.. June 2009 and are signed on their behalf by:

J J May
Director

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

Company balance sheet

	Note	Year ended 31 December 2008 £	Re-stated Year ended 31 December 2007 £
NON-CURRENT ASSETS			
Investments	11	**100**	100
TOTAL NON-CURRENT ASSETS		**100**	100
CURRENT ASSETS			
Trade and other receivables	12	**85,493**	235,862
Cash and cash equivalents		**148,850**	405,014
TOTAL CURRENT ASSETS		**234,343**	640,876
TOTAL ASSETS		**234,443**	640,976
EQUITY			
Share capital	16	**798,227**	798,227
Share premium account		**2,723,241**	2,723,241
Share based payment reserve		**60,002**	-
Other reserve		**72,414**	72,414
Retained earnings		**(3,901,486)**	(3,379,317)
TOTAL EQUITY		**(247,602)**	214,565
CURRENT LIABILITIES			
Trade and other payables	13	**114,602**	65,272
TOTAL CURRENT LIABILITIES		**114,602**	65,272
NON-CURRENT LIABILITIES			
Borrowings	14	**367,443**	361,139
TOTAL NON-CURRENT LIABILITIES		**367,443**	361,139
TOTAL LIABILITIES		**482,045**	426,411
TOTAL EQUITY AND LIABILITIES		**234,443**	640,976

These financial statements were approved by the directors on ..29.. June 2009 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 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	798,227	2,723,241	-	72,414	(3,893,660)	(299,778)
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)

	Share capital £	Share premium account £	Re-stated Other reserves £	Re-stated Retained earnings £	Total equity £
At 1 January 2007	492,160	2,552,491	72,414	(3,147,805)	(30,740)
Loss for the year (re-stated)	-	-	-	(213,627)	(213,627)
Total recognised income and expense	492,160	2,552,491	72,414	(3,361,432)	(244,367)
Shares issued during the year	306,067	236,250	-	-	542,317
Costs off-set against share premium	-	(65,500)	-	-	(65,500)
At 31 December 2007	798,227	2,723,241	72,414	(3,361,432)	232,450

Company statement of changes in equity

	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)

	Share capital £	Share premium account £	Re-stated Other reserves £	Re-stated Retained earnings £	Total equity £
At 1 January 2007	492,160	2,552,491	72,414	(3,163,351)	(46,286)
Loss for the year (re-stated)	-	-	-	(215,966)	(215,966)
Total recognised income and expense	492,160	2,552,491	72,414	(3,379,317)	(262,252)
Shares issued during the year	306,067	236,250	-	-	542,317
Costs off-set against share premium	-	(65,500)	-	-	(65,500)
At 31 December 2007	798,227	2,723,241	72,414	(3,379,317)	214,565

Consolidated cash flow statement

	Note	Year to 31 December 2008 £	Year to 31 December 2007 £
CASH FLOWS USED IN OPERATING ACTIVITIES	18	**(225,020)**	(434,775)
INVESTING ACTIVITIES			
Interest received		**12,659**	13,063
Interest paid on loans		**(12,656)**	(12,587)
Reclassification of listed investments		**-**	50,000
CASH FLOWS FROM INVESTING ACTIVITIES		**3**	50,476
FINANCING ACTIVITIES			
Sale of listed investments		**-**	159,000
Issue of ordinary shares		**-**	542,317
Expense paid in connection with share issue		**-**	(65,500)
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	635,817
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(225,017)**	251,518
Cash and cash equivalents brought forward		**414,684**	163,166
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**189,667**	414,684

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

Company cash flow statement

	Note	Year to 31 December 2008 £	Year to 31 December 2007 £
CASH FLOWS USED IN OPERATING ACTIVITIES	18	**(255,706)**	(422,266)
INVESTING ACTIVITIES			
Interest received		**12,198**	5,567
Interest paid on loans		**(12,656)**	(12,587)
Investment in subsidiary		**-**	(100)
Reclassification of listed investments		**-**	50,000
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		**(458)**	42,880
FINANCING ACTIVITIES			
Sale of listed investments		**-**	159,000
Issue of ordinary shares		**-**	542,317
Expense paid in connection with share issue		**-**	(65,500)
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	635,817
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(256,164)**	256,431
Cash and cash equivalents brought forward		**405,014**	148,583
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**148,850**	405,014

Notes to the financial statements

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 1985 applicable to companies reporting under IFRSs.

The financial statements have been prepared under the historical cost convention as modified by the valuation of certain current asset investments.

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 and are set out below.

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.

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.

Notes to the financial statements (continued)

ACCOUNTING POLICIES (continued)

d. Impairment losses (continued)

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.

e. Segment reporting

The Directors consider that all revenue is derived in the UK and from one business segment.

f. 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.

Notes to the financial statements (continued)

g. Investments

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

(ii) Other investments
Investments held as fixed assets are shown at cost less provision for impairment.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture, fittings and equipment	33% straight line

i. 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.

j. 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

(ii) Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified as held-for-trading and are measured at subsequent reporting dates at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in the net profit or loss for the period.

Notes to the financial statements (continued)

j. Financial assets and liabilities (continued)

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) Trade payables

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

(viii) Equity instruments

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

k. Share based payments

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).

Notes to the financial statements (continued)

k. Share based payments (continued)

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account 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.

l. Key estimates and judgements

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

- carrying value of goodwill (note 10)
- impairment of financial assets (note 12)
- estimation of fair values of share options (note 17)
- adoption of going concern as basis of preparation
- deferred tax asset (note 7)

The carrying values of goodwill remain frozen at the values as at the date of transition (see note 10). These have been subject to annual impairment reviews. The opening goodwill is derived from the acquisition of Harrell Hotels (Europe) Limited on 31 March 2005 which was impaired in 2006 as the directors considered the activities to be no longer viable. The directors have reconsidered this assessment in the current year and believe it is appropriate for this impairment to remain.

Included in trade and other receivables are two loans receivables which are considered to be impaired. The impairment has been calculated by comparing the carrying value to the net present value of the expected future cash flows discounted by the original effective rate.

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 July 2010 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 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 £499,897 in respect of losses. This asset has not been anticipated at 31 December 2008 due to the history of trading losses in the group.

Notes to the financial statements (continued)

n. 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:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Amendment to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures About Financial Instruments (effective 1 January 2009)
- Embedded Derivatives - Amendments to IAS 39 and IFRIC 9 (effective for annual periods ending on or after 30 June 2009)
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- 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)
- IFRS 8 Operating Segments (effective 1 January 2009)
- IFRIC 13 Customer Loyalty Programmes (IASB effective date 1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
- 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)

2. OPERATING LOSS

Operating loss is stated after charging:

	Year to 31 December 2008 £	Year to 31 December 2007 £
Depreciation of property, plant and equipment:		
- owned by the company	**-**	839
Auditors' remuneration	**10,000**	11,500
Operating lease rentals:		
- other operating leases	**72,000**	28,000

Notes to the financial statements (continued)

3. STAFF COSTS

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

	Year to 31 December 2008 £	Year to 31 December 2007 £
Wages and salaries	**50,000**	100,975
Social security costs	**-**	2,775
	50,000	103,750

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

	No.	No.
Directors	**2**	2
Administrative	**-**	1
	2	3

4. DIRECTORS' REMUNERATION

Directors' emoluments were as follows:

Director	**Salary £**	**Fees £**	**Total emoluments £**
J J May	25,000	-	25,000
C S Russell (retired 30 June 2008)	12,500	-	12,500
S K Michaels (appointed 5 May 2008)	12,500	-	12,500
Total	50,000	-	50,000

The directors have chosen for the Company to accrue 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 2008 (2007; £ nil).

5. INTEREST INCOME

	Year to 31 December 2008 £	Year to 31 December 2007 £
Bank interest	**12,659**	5,884
Interest on loans to other entities	**53,434**	7,179
	66,093	13,063

Notes to the financial statements (continued)

6. FINANCE COSTS

	Year to 31 December 2008 £	Year to 31 December 2007 £
Interest expense for borrowings at amortised cost	18,960	18,576
Total interest expense for financial liabilities	**18,960**	18,576
Impairment on financial assets	315,413	-
Finance costs	**334,373**	18,576

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

7. INCOME TAX EXPENSE

Recognised in the income statement

	Year to 31 December 2008 £	Year to 31 December 2007 £
Loss on ordinary activities before tax	**(532,228)**	(213,627)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 28% (2007: 30%)	**(149,024)**	(64,088)
Effects of:		
Items not deductible for tax	**16,801**	-
Creation of tax losses not recognised	**(132,223)**	64,088
Current charge for the year	**-**	-

Factors that may affect future tax charges

The group has tax losses carried forward of £1,785,346 (2007: £1,253,118) that are available for offset against future taxable profits. The company also has capital losses carried forward of £2,652,116 (2007: £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 £499,897 (2007: £350,873). This asset has not been anticipated at 31 December 2008 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 £532,228 (2007: £213,627) and a weighted average of 397,964,658 (2007: 267,660,731) 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. PROPERTY, PLANT AND EQUIPMENT

Group	2008 £	2007 £
Cost		
At 1 January and 31 December 2008	**1,605**	1,605
Depreciation		
At 1 January and 31 December 2008	**(1,605)**	(1,605)
Net book value at 31 December 2007 and 2008	**-**	-

10. INTANGIBLE FIXED ASSETS

Group	2008 £	2007 £
Cost		
At 1 January and 31 December 2008	**2,509,820**	2,509,820
Amortisation		
At 1 January and 31 December 2008	**(2,509,820)**	(2,509,820)
Net book value at 31 December 2007 and 2008	**-**	-

The opening goodwill is derived from the acquisition of Harrell Hotels (Europe) Limited on 31 March 2005 which was impaired in 2006 as the directors considered the activities to be no longer viable. The directors have reconsidered this assessment in the current year and believe it is appropriate for this impairment to remain.

Notes to the financial statements (continued)

11. INVESTMENTS

	Group		Company	
	2008	2007	**2008**	2007
Non-current	**£**	£	**£**	£
Beginning of year	-	-	-	-
Investment in subsidiaries	-	-	**100**	100
End of year	-	-	**100**	100
Current				
Beginning of year	-	150,000	-	150,000
Sale of listed investments	-	(150,000)	-	(150,000)
End of year	-	-	-	-

The listed investment above was the Company's ownership of 799,000 shares in Venue Solutions Limited, a listed UK company. This ownership represented 1.7% of Venue Solutions share capital. The investment was stated at cost.

Subsidiaries are listed in note 23.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Current				
Unpaid balance on issued shares	-	41,692	-	41,692
Other receivables	**2,502**	59,274	**1,458**	58,170
Loans to other companies	**50,000**	143,179	-	-
Amounts owed by group undertakings	-	-	**84,035**	136,000
	52,502	244,145	**85,493**	235,862

Trade and other receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision of £315,413 (2007: £nil) has been recorded accordingly. The impaired receivables are mostly due from third parties that are experiencing financial difficulties.

An impairment of £254,800 (2007: £nil) has been recorded at the company level.

Notes to the financial statements (continued)

12. TRADE AND OTHER RECEIVABLES (continued)

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	
	2008	2007	**2008**	2007
	£	£	**£**	£
Not more than 3 months	-	41,692	-	41,692
More than 3 months but not more than 6 months	-	-	-	-
More than 6 months but not more than 1 year	-	202,453	-	194,170
More than 1 year	**52,502**	-	**85,493**	-
	52,502	244,145	**85,493**	235,862

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Current				
Trade payables	**4,892**	8,159	**4,892**	**8,091**
Amounts owed to group undertakings	-	-	**100**	**100**
Accruals and deferred income	**109,611**	57,081	**109,610**	**57,081**
	114,503	65,240	**114,602**	**65,272**

With the exception of accrued directors salaries, all amounts are short term. The carrying values are considered to be a reasonable approximation to fair value.

14. BORROWINGS

	Group		Company	
		Re-stated		Re-stated
	2008	2007	**2008**	2007
	£	£	**£**	£
Non-Current				
Loan notes	**367,443**	361,139	**367,443**	361,139
	367,443	361,139	**367,443**	361,139

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.

Notes to the financial statements (continued)

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.

15. PRIOR PERIOD ERROR

The prior period error relates to the initial recognition of the loan notes. The loan notes were advanced on below market rate terms and as such an adjustment to the fair value of the loan notes on initial recognition was required.

The correction at the beginning of 2007 is the creation of an equity reserve of £72,414, a reduction in the value of the loan notes of £66,724 and additional interest expense of £5,690.

For the year ended 31 December 2008 this has resulted in additional interest expense of £6,304 (2007: £5,989).

The loss per share remains at 0.13 pence per share (2007: 0.08 pence) post this prior period error adjustment.

16. SHARE CAPITAL

	2008	2007
	£	£
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 (2007: 399,113,333) Ordinary shares of 0.02p each	**798,227**	798,227

17. SHARE-BASED PAYMENTS

A reconciliation of option movements is shown below:

	Year ended 31 December 2008		Year ended 31 December 2007	
	No. of share options	**Weighted average exercise price**	No. of share options	Weighted average exercise price
Outstanding at the beginning of year	**60,574,432**	**0.20p**	78,607,765	0.20p
Granted during the year	**19,790,340**	**0.23p**	-	-
Exercised during the year	**-**	**-**	(18,033,333)	0.20p
Outstanding at the end of the year	**80,364,772**	**0.21p**	60,574,432	0.20p
Exercisable at the end of the year	**80,364,772**	**0.20p**	60,574,432	0.20p

Notes to the financial statements (continued)

17. SHARE-BASED PAYMENTS (continued)

Details of options at 31 December 2008 are set out below:

Date of Grant	Date of expiry	Exercise price	Outstanding options 2008	2007
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**	-
23 April 2008 (3-year period)	23/04/2011	1p	**3,500,000**	-
			80,364,772	60,574,432

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	8,145,170

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 the year 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 the year and the assumptions used in the calculation are as follows:

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

The Group recognised £60,002 (2007: £nil) of share-based payment transactions made during the financial year. These costs have been fully expensed through the income statement.

Notes to the financial statements (continued)

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.

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

	2008	2007
Group	**£**	£
Operating loss	**(263,948)**	(208,114)
Depreciation of property, plant and equipment	-	839
Gain on sale of investments	-	(9,000)
Share-based payment expense	**60,002**	-
Increase in receivables	**(70,336)**	(216,530)
Increase/(decrease) in payables	**49,262**	(1,970)
Net cash outflow used in operations	**(225,020)**	(434,775)
Company		
Operating loss	**(260,607)**	(202,958)
Share-based payment expense	**60,002**	-
Gain on sale of listed investments	-	(9,000)
Increase in receivables	**(104,431)**	(222,887)
Increase in payables	**49,330**	12,579
Net cash outflow used in operations	**(255,706)**	(422,266)

19. PARENT COMPANY RESULT

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the company was £572,169 (2007: £215,966).

Notes to the financial statements (continued)

20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2008 the group had annual commitments under non-cancellable operating leases as set out below:

	2008		2007	
	Land and buildings £	**Other items £**	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	**36,000**	-	72,000	-

21. FINANCIAL INSTRUMENTS

As at 31 December 2008 the Group and Company have the following financial instruments:

Group	Available for sale	Loans and receivables	Total
Current assets			
Trade and other receivables	-	52,502	52,502
Cash and cash equivalents	-	189,667	189,667
	-	242,169	242,169
Current Liabilities			
Trade and other payables	-	(114,502)	(114,502)
	-	(114,502)	(114,502)
Non-current Liabilities			
Loan notes	-	(367,443)	(367,443)
	-	(367,443)	(367,443)

Company	Available for sale	Loans and receivables	Total
Current assets			
Trade and other receivables	-	85,493	85,493
Cash and cash equivalents	-	148,850	148,850
	-	234,343	234,343
Current Liabilities			
Trade and other payables	-	(114,602)	(114,602)
	-	(114,602)	(114,602)
Non-current Liabilities			
Loan notes	-	(367,443)	(367,443)
	-	(367,443)	(367,443)

Notes to the financial statements (continued)

21. FINANCIAL INSTRUMENTS (continued)

As at 31 December 2007 the Group and Company have the following financial instruments:

Group	Available for sale	Loans and receivables	Total
Current assets			
Trade receivables	-	244,145	244,145
Cash and cash equivalents	-	414,684	414,684
	-	658,829	658,829
Current Liabilities			
Trade and other payables	-	(65,240)	(65,240)
	-	(65,240)	(65,240)
Non-current Liabilities			
Loan notes	-	(361,139)	(361,139)
	-	(361,139)	(361,139)

Company	Available for sale	Loans and receivables	Total
Current assets			
Trade receivables	-	235,862	235,862
Cash and cash equivalents	-	405,014	405,014
	-	640,876	640,876
Current Liabilities			
Trade and other payables		(65,272)	(65,272)
	-	(65,240)	(65,240)
Non-current Liabilities	-		
Loan notes	-	(361,139)	(361,139)
	-	(361,139)	(361,139)

21. 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.

Notes to the financial statements (continued)

(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 2008 amounts on short term deposits totalled £148,850. If UK interest rates increased by 4% net finance income would increase by approximately £5,954 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.

22. RELATED PARTY TRANSACTIONS

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

23. ULTIMATE CONTROLLING PARTY

As at 31 December 2008 and 31 December 2007 there is no single ultimate controlling party.

24. 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