

Registrar's Copy

Tangram Leisure Limited

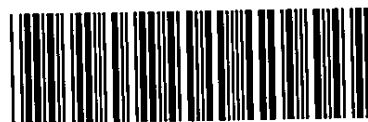
Report and Financial Statements

Year Ended

31 December 2009

Company Number 3966166

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Tangram Leisure Limited

Report and financial statements for the year ended 31 December 2009

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Directors

S J T Brown
P R Cronk
P M Tory
A Horsman
R C Pope
A B Hawkins

Secretary and registered office

P M Tory, 16a, Forest Gate, Pewsham, Wiltshire, SN15 3RS

Company number

3966166

Auditors

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

Tangram Leisure Limited

Report of the directors for the year ended 31 December 2009

The directors present their report together with the audited financial statements for the year ended 31 December 2009

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 (2008 - £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 growth. As a result, turnover increased by 3% from 2008

In April 2009, the company commenced construction of a residential health spa on its freehold property at Thorpe-le-Soken, Essex. The spa opened in December 2010

In May 2010, the company raised £1,713,768 from shareholders. These funds were satisfied by the issue of £1.5 million of ordinary shares at a subscription price of £1 per share each with a warrant attached to subscribe for a further ordinary share at £1 and by the issue of 213,768 secured convertible loan notes. The loan notes bear interest at 20% per annum and may be converted all or in part at the company's option into ordinary shares at £1 per share with an attached warrant to subscribe for a further ordinary share at £1, at any time up to 31st July 2011. Any unconverted loan notes are repayable by that date. These funds were utilised to complete an additional 36 bedrooms at spa opening and to provide additional working capital.

Clydesdale Bank has agreed in principle to convert its construction loan facility into term funding of £23.15 million.

The directors believe that there will be sufficient loan finance and equity capital to fund the company's ongoing working capital requirements.

On 4 May 2010, the shareholders approved the establishment of a share incentive scheme for key employees and non-executive Directors. The scheme allows the granting of Enterprise Management Incentive Options ("EMI Options") to employees and for employees and directors to acquire shares jointly with an Employee Benefits Trust ("EBT") that has been set up. EMI Options over 425,000 shares were granted on 21 June 2010 and 325,000 shares were jointly acquired by a number of the directors and the EBT on 21 June 2010.

Principal risks and uncertainties

The key risks in relation to the company's future activities relate to the achievement of planned levels of occupancy and secondary sales and to the level of interest rates in relation to the Company's borrowings. The Directors intend to mitigate the interest rate risk by fixing rates on a significant portion of the Company's bank loans.

Tangram Leisure Limited

Report of the directors for the year ended 31 December 2009 (Continued)

Directors

The directors of the company during the year and to the date of the approval of financial statements were

S J T Brown
P R Cronk
P M Tory
M J Wootton (resigned 5 February 2010)
A Horsman (appointed 24 May 2010)
R C Pope (appointed 24 May 2010)
A B Hawkins (appointed 24 May 2010)

Directors' Insurance

As at 31 December 2009, third party indemnity insurance for the benefit of the company's directors was in place

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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.

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 11th January 2011

Tangram Leisure Limited

Independent auditor's report

TO THE MEMBERS OF TANGRAM LEISURE LIMITED

We have audited the financial statements of Tangram Leisure Limited for the year ended 31 December 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

Tangram Leisure Limited

Independent auditor's report (*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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

BDO LLP

Andrea Porter (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom

Date 18 January 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Tangram Leisure Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	2	192,040	185,435
Cost of sales		49,474	47,622
		<hr/>	<hr/>
Gross profit		142,566	137,813
Administrative expenses	3,4	891,820	1,222,232
		<hr/>	<hr/>
Operating loss	5	(749,254)	(1,084,419)
Interest receivable	6	-	74
Interest payable and similar charges	7	(404,563)	(398,943)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(1,153,817)	(1,483,288)
Taxation on loss on ordinary activities	8	189,176	29,068
		<hr/>	<hr/>
Loss on ordinary activities after taxation	16	(964,641)	(1,454,220)
		<hr/>	<hr/>

All amounts relate to continuing activities

The notes on pages 8 to 17 form part of these financial statements

Tangram Leisure Limited

Statement of total recognised gains and losses for the year ended 31 December 2009

	Note	2009 £	2008 £
Statement of total recognised gains and losses			
Loss for the financial year		(964,641)	(1,454,220)
Unrealised surplus on revaluation of tangible fixed assets	17	-	2,456,036
Total recognised gains and losses		<u>(964,641)</u>	<u>1,001,816</u>

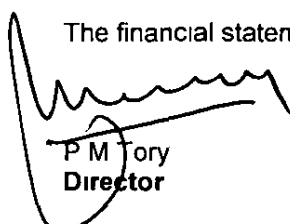
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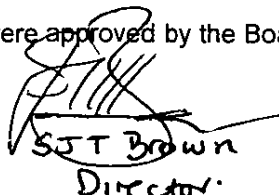
Tangram Leisure Limited

Balance sheet at 31 December 2009

Company number 3966166	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	9		13,056,668		9,000,000
Fixed asset investments	10		1		1
			<u>13,056,669</u>		<u>9,000,001</u>
Current assets					
Stocks	11	25,480		35,604	
Debtors	12	381,956		88,159	
Cash at bank and in hand		190,619		48,292	
		<u>598,055</u>		<u>172,055</u>	
Creditors: amounts falling due within one year	13	<u>9,890,921</u>		<u>602,789</u>	
Net current liabilities			<u>(9,292,866)</u>		<u>(430,734)</u>
			<u>3,763,803</u>		<u>8,569,267</u>
Creditors: amounts falling due after more than one year	14		<u>1,636,080</u>		<u>5,476,903</u>
Total assets less current liabilities			<u>2,127,723</u>		<u>3,092,364</u>
Capital and reserves					
Called up share capital	15		711,569		711,569
Share premium	16		2,592,309		2,592,309
Revaluation reserve	16		4,978,258		4,978,258
Profit and loss account	16		(6,154,413)		(5,189,772)
Shareholders' funds	17		<u>2,127,723</u>		<u>3,092,364</u>

The financial statements were approved by the Board of Directors and authorised for issue on 11th January 2011.


P M Jory
Director


S J T Brown
Director

The notes on pages 8 to 17 form part of these financial statements

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2009

1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation 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 December 2010, Clydesdale Bank agreed in principle to convert its construction loan facility into term funding of £23.15 million. In addition to this a 6 month overdraft facility of £500,000 was provided.

The directors believe that the Clydesdale Bank loan and overdraft finance will be sufficient to fund the company's ongoing working capital requirements for a period of at least 12 months from the date of approval of these financial statements. 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.

Cash flow statement

The company has taken advantage of the exemption confirmed 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 small companies' regime.

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 2009 (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 of 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 2009 (Continued)

3 Employees

	2009 £	2008 £
Staff costs (including directors) consist of		
Wages and salaries	364,457	326,087
Social security costs	31,861	42,379
	<u>396,318</u>	<u>368,466</u>

The average number of employees, (including directors), during the year was 23 (2008 - 21)

4 Directors' remuneration

	2009 £	2008 £
Directors' emoluments and fees	212,803	212,425

Included in directors' emoluments and fees, there is an amount of £50,000 (2008 - £50,000) 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 (2008 - £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.

5 Operating loss

	2009 £	2008 £
This has been arrived at after charging		
Depreciation	24,337	21,486
Amortisation of capitalised finance costs	93,020	71,985
Operating lease payments - plant and machinery	10,207	4,545
Fees payable to the company's auditor for the audit of the company's financial statements	14,000	13,500
Fees payable to the company's auditor for other services - tax services	4,800	4,650
	<u></u>	<u></u>

6 Interest receivable

	2009 £	2008 £
Bank deposits	-	74
	<u></u>	<u></u>

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

7 Interest payable and similar charges

	2009 £	2008 £
Bank loan and overdraft interest	202,031	293,155
Loan interest	14,606	14,780
Other interest	183,682	86,899
Bank charges	4,244	4,109
	<u>404,563</u>	<u>398,943</u>

The other interest includes £183,682 (2008 - £86,899) in respect of interest arising on the secured loan notes (note 14)

8 Taxation on loss on ordinary activities

	2009 £	2008 £
Total current tax and taxation on loss on ordinary activities	(189,176)	(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

	2009 £	2008 £
Loss on ordinary activities before tax	(1,153,817)	(1,483,288)
Loss on ordinary activities at the rate of corporation tax in the UK of 21% (2008 - 21%)	(242,302)	(311,490)
Effect of		
Expenses not deductible for tax purposes	3,609	305
Depreciation for the year in excess of capital allowances	1,342	991
Unrelieved tax losses arising in the year	71,822	284,759
Enhanced allowances for land remediation	(23,647)	(3,633)
Current tax credit for the year	<u>(189,176)</u>	<u>(29,068)</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 unprovoked amount is £1,045,434 (2008 - £1,045,434). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The company has unutilised tax losses of approximately £4,926,193 (2008 - £4,584,185) available for offset against future taxable profits and unrelieved non trading deficits of approximately £138,000 (2008 - £138,000), subject to agreement by HM Revenue and Customs. A deferred tax asset amounting to £1,133,647 (2008 - £1,061,940) 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 £1,132,129 (2008 - £1,060,307) and other timing differences £1,518 (2008 - £1,633).

Tangram Leisure Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (*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 2009	7,595,747	1,042,629	107,137	342,828	9,088,341
Additions	-	4,063,057	16,871	1,077	4,081,005
At 31 December 2009	7,595,747	5,105,686	124,008	343,905	13,169,346
<i>Depreciation</i>					
At 1 January 2009	-	-	61,281	27,060	88,341
Provided for the year	-	-	17,402	6,935	24,337
At 31 December 2009	-	-	78,683	33,995	112,678
<i>Net book value</i>					
At 31 December 2009	7,595,747	5,105,686	45,325	309,910	13,056,668
At 31 December 2008	7,595,747	1,042,629	45,856	315,768	9,000,000

The gross value of freehold land is stated at

	2009 £	2008 £
Open market value	7,595,747	7,595,747

The historical cost of freehold land is

	2009 £	2008 £
Cost	2,617,489	2,617,489

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 in the financial statements for the year ended 31 December 2008. All other tangible assets are stated at historical cost.

In the opinion of the directors, as at 31 December 2009, 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 2009 (*Continued*)

10 Fixed asset investments

Shares in
subsidiary
undertaking
£

Cost and net book value

At 1 January 2009 and 31 December 2009

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

2009
£

2008
£

Goods held for resale

25,480

35,604

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

12 Debtors

2009
£

2008
£

Other debtors

172,836

19,407

Corporation tax recoverable

189,176

29,068

Prepayments and accrued income

19,944

39,684

381,956

88,159

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

13 Creditors: amounts falling due within one year

2009
£

2008
£

Bank loans and overdraft

8,617,353

19,114

Trade creditors

98,360

132,200

Taxation and social security

10,710

19,078

Other creditors

-

5,393

Other loans

-

193,500

Accruals and deferred income

1,164,498

233,504

9,890,921

602,789

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

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

During the year, the company fully repaid an unsecured bridging loan from PRC Enterprises Limited amounting to £193,500 which was disclosed as an other loan in the year to 31 December 2008. This loan had provided working capital to the company and was 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 had carried interest at 10% p a which was rolled up and repayable on the date of repayment of the loan. The loan had also carried a commitment fee of 1% per month on the amount of the loan outstanding.

The bank loans mature three months after the earlier of practical completion or 19 November 2010. Clydesdale Bank has agreed in principle to convert its construction loan facility into term funding of £23.15 million. This funding consists of a £20.835 million 5 year term loan at 3.5% per annum with a £312,000 arrangement fee, a £1 million 5 year Enterprise Finance Guarantee loan at 4% per annum, the minimum annual repayment is to be set at 50% of net operating cashflow, and a £1 million 13 month term loan at 4% per annum. The bank loans at the year end comprise overdraft 1 which was drawn down in 2008 and overdrafts 2 and 3 which were drawn down in 2009. Interest was charged at 2% per annum (2008 – 2% per annum) over bank base rate in respect of overdraft 1. Overdrafts 2 and 3 incur interest of 6% per annum and 3% per annum respectively over the 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 2009, the bank loans were also secured by a deed over the building contract dated 24 March 2009. Capitalised finance costs less amortisation amounting to £466,588 (2008 - £257,427) have been offset against the bank loans.

14 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Bank loans	-	4,541,547
Secured loan notes 2012	1,636,080	935,356
	<u>1,636,080</u>	<u>5,476,903</u>

During the year, the company issued 730,020 secured loan notes (2008 – 1,109,980). 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 quarterly in arrears from that date. Subsequent to 31 December 2009 all accrued interest accrued was agreed to be deferred to 31 December 2011, consequently the interest accrued is disclosed within creditors due within one year in 2009 and after one year in 2008. 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.

Tangram Leisure Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (Continued)

14 Creditors: amounts falling due after more than one year (Continued)

During the year, capitalised finance costs less amortisation amounting to £203,920 (2008 - £261,523) have been offset against the 1,840,000 (2008 - 1,109,980) secured loan notes issued. In addition, £270,581 (2008 - £86,899) relating to rolled up interest on the secured loan notes has been accrued which has been disclosed within creditors due within one year in 2009 and creditors due after one year in 2008.

Financial liabilities are due

	Bank loans 2009 £	Secured loan notes 2012 2009 £	Bank loans 2008 £	Secured loan notes 2012 2008 £
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	-	1,636,080	-	935,356
	<u>-</u>	<u>1,636,080</u>	<u>-</u>	<u>935,356</u>
	-	1,636,080	4,541,547	935,356
	<u>-</u>	<u>1,636,080</u>	<u>4,541,547</u>	<u>935,356</u>

15 Share capital

	2009 Number	2009 £	2008 Number	2008 £
<i>Authorised</i>				
Ordinary shares of 10p each	25,000,000	2,500,000	25,000,000	2,500,000
	<u>25,000,000</u>	<u>2,500,000</u>	<u>25,000,000</u>	<u>2,500,000</u>
	2009 Number	2009 £	2008 Number	2008 £
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 10p each	7,115,696	711,569	7,115,696	711,569
	<u>7,115,696</u>	<u>711,569</u>	<u>7,115,696</u>	<u>711,569</u>

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 2009	2,592,309	4,978,258	(5,189,772)
Loss for the year	-	-	(964,641)
	<u>2,592,309</u>	<u>4,978,258</u>	<u>(6,154,413)</u>
At 31 December 2009	2,592,309	4,978,258	(6,154,413)

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

17 Reconciliation of movement in shareholders' funds	2009 £	2008 £
Loss for the year	(964,641)	(1,454,220)
Shares issued in the year	-	231,839
Premium on shares issued in the year	-	266,465
Revaluation in the year	-	2,456,036
	<hr/>	<hr/>
Net (deduction from)/addition to shareholders' funds	(964,641)	1,500,120
Opening shareholders' funds	3,092,364	1,592,244
	<hr/>	<hr/>
Closing shareholders' funds	2,127,723	3,092,364
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18 Commitments under operating leases

As at 31 December 2009, the company had annual commitments under non-cancellable operating leases as set out below

	2009 £	2008 £
Operating lease which expire	Other	Other
In two to five years	19,027	7,267
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19 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 (2008 - 61,531) ordinary shares of 10p each. This holding represents 0.86% (2008 - 0.86%) of the total shares issued.

(b) PRC Enterprises Limited, which relates to Mr P R Cronk, invoiced the company for £25,292 (2008 - £13,400) in respect of general expenses.

(c) PRC Enterprises Limited had provided the company with a bridging loan during the year ended 31 December 2008. The amount due in respect of this loan at 31 December 2009 was £Nil (2008 - £193,500). Interest was accrued on the outstanding balance at a rate of 10% per annum - the interest accrued as at 31 December 2009 was £Nil (2008 - £1,822). The loan also attracted a commitment fee of 1% per month on the balance of the loan amount outstanding (excl interest) - the commitment fees paid amounted to £Nil (2008 - £5,600).

Tangram Leisure Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (Continued)

19 Related party disclosures (Continued)

d) During the year the company was invoiced £50,000 by PRC Enterprises Limited (2008 - £50,000) 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 2009 was £Nil (2008 - £73,083). Interest was accrued on the outstanding balance at a rate of 7.5% per annum - the interest accrued as at 31 December 2009 was £Nil (2008 - £5,249).

2) An amount of £6,000 (2008 - £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 2009 was £Nil (2008 - £Nil).

3) Hotbed Nominees Limited, a company with which S J T Brown, R C Pope and A Horsman are connected, acts as a nominee company to various investors, held 482,260 ordinary shares of 10p in a separately administered fund as at 31 December 2008 and 2009. The company has no beneficial interest in the shares held.

20 Post balance sheet events

In May 2010, the company raised £1.7 million from shareholders. This was converted into £1.5 million of ordinary shares at a subscription price of £1 per share each with a warrant attached to subscribe for a further share at £1 with the balance of the £1.7 million being held as secured convertible loan notes. The loan notes bear interest at 20% and may be converted all or in part at the company's option into ordinary shares at £1 per share with an attached warrant to subscribe for a further ordinary share at £1 at any time up to the repayment date. Any unconverted loan notes are repayable July 2011.

In December 2010 Clydesdale Bank agreed in principle to convert its construction loan facility into term funding of £23.15 million and provide a 6 month overdraft facility of £500,000.