

Red Leopard Holdings Plc

Financial statements

For the year ended 31 December 2007

Company No. 5289187

Company information

Directors	C S Russell (retiring 30 June 2008) J J May S H Michaels (appointed 5 May 2008)
Secretary	R M Coe
Company registration number	5289187
Registered office	233-237 Old Marylebone Road London NW1 5QT
Auditors	Mazars LLP Chartered Accountants & Registered Auditors 8 New Fields 2 Stinsford Road Nuffield Poole Dorset BH17 0NF
Bankers	Barclays Bank Plc 7 th Floor United Kingdom House 180 Oxford Street London W1D 1EA
Solicitors	Irwin Mitchell 150 Holborn London EC1N 2NS
Nominated Advisors and Brokers	Blue Oar Securities Plc 30 Old Broad Street London EC2N 1HT

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Chairman's statement

I am pleased to introduce the financial statements for the year to 31 December 2007, a period of transition for the Red Leopard Group.

The results comprise those of Red Leopard Holdings Plc and its wholly owned subsidiaries, Harrell Hotels (Europe) Limited and Red Leopard Management Limited, ("the Group"). Net assets of the Group totalled £171,715 (2006 £(97,464) net liabilities) and with no revenue generated from operations the loss after tax was £207,638 (2006 £2,822,060) for the year.

The directors cannot in the circumstances propose any dividends (2006: £nil).

The Board's decision at the end of last year was that hotel based projects were economically unfeasible and as such the Group would focus on residential property developments. I am pleased to confirm that the first part of this plan has been put in place with the Group forming a joint development agreement with First Broughton Group, who are charged with identifying, negotiating and developing appropriate sites. This agreement is focussing on the development of residential properties aimed at the mid-market consumer. The board are pleased with the project's accomplishments to date, which include an option to acquire an exciting site in Weymouth and other sites currently under negotiation.

The board believes that a good opportunity currently exists for "niche" property developments, particularly on the residential side, and that through "partnering" with experienced property development groups it will be able to grow shareholder value more quickly than otherwise. With this in mind we are currently in early discussions with other experienced property development groups with the aim of expanding our interests within the sector.

In order to finance these operations the company raised additional funds during the period from equity investors of £542,317, before costs.

The Board's strategy for 2008 remains unchanged. We will continue to focus on expanding our interests in the new build residential property sector while monitoring the hotel sector for favourable changes in economic conditions. With the progress made to date with the First Broughton Group agreement, and with the contacts and relationships we now have in place, the Board is optimistic about the Company's future and I look forward to presenting you with the results from our continued efforts in 2008.



C S Russell
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 2007.

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. 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 and 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.

PRINCIPLE ACTIVITY

The principle activity of the group during the year was developing new residential properties.

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.

The Directors note that the performance of the Company during the year and 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.

Interest rate risk

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

The principle 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.

Credit risk

The group's principle financial assets are bank balances, cash, 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. The directors consider the balances will be repaid in full.

Market risk

Currently the Group's principle 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.

DIRECTORS

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

	Ordinary Shares of 0.02p each	
	2007	2006
C S Russell	8,200,480	3,259,648
J J May	4,940,832	-
S H Michaels (appointed 5 June 2008)	-	-
	13,141,312	3,259,648

The directors' other interests in the company during the year are disclosed in note 4 to the financial statements.

Report of the directors (continued)

DIVIDENDS

The Directors do not recommend the payment of a dividend (2006: Nil).

POST BALANCE SHEET EVENTS

Options contracts issued.

Options to subscribe for 19,790,340 0.2p ordinary shares in the Company's share capital have been granted subsequent to year end. Details of these transactions are located in note 17 of the financial statements.

Change of director.

Simon Michaels was appointed as non-executive Director of the Company on the 5th of May 2008 and Clive Russell, who is the non-executive Chairman of the company, will resign as of the 30th June 2008. John May, who is currently Executive Director, will be appointed Executive Chairman.

Simon Michaels, aged 40, was recently interim finance director of CVUK Limited, a privately owned recruitment consultancy for one year. Prior to that, Simon was group finance director and company secretary to AIM-listed Mercury Group Plc. Simon was also previously finance director of Harvey Nash Group Plc's UK and US operations from August 2000 to December 2005.

Simon has no current directorships apart from Red Leopard.

Simon's directorships in the last five years include:

- CVUK Limited
- Harvey Nash Group Plc
- Harvey Nash Holdings, Inc
- SBS group, Inc
- Applied Concepts, Inc
- Euro Systems International, Inc
- Snowdogs, LLC

Prior to Harvey Nash Group Plc, Mr Michaels worked for RP Corporate Strategy, the privately owned Strategy Consultancy. At RP Corporate Strategy, he provided business strategy advice on property-related ventures. Between 1990 and 1998, he held financial positions with Coopers & Lybrand, London and Gibson Appleby Chartered Accountants, Brighton.

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 2007 the average creditor payment period was 28 days (2006: 44 days).

Report of the directors (continued)

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	10.02%	40,000,000
JIM Nominees Limited	8.95%	35,718,901
Strand Nominees Limited	7.60%	30,333,333
Nortrust Nominees Limited	5.51%	22,000,000
Baskerville Holdings Limited	3.46%	13,800,000

AUDITORS

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 24 JUNE 2008 and signed on its behalf.


.....
R M Coe
Secretary

Independent auditors' report to the members of Red Leopard Holdings Plc

We have audited the financial statements of Red Leopard Holdings plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Parent Company Balance Sheet, Consolidated Statement of Changes in Equity, Parent Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Parent Company Cash Flow Statement and related notes. 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.

RESEPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing 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, 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.

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 transactions with the Company and other members of the Group are not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only 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.

Independent auditors' report to the members of Red Leopard Holdings Plc

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 and the Group'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.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's and the Group's affairs as at 31 December 2007 and of the Group's 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.

Mazars LLP

Mazars LLP
Chartered Accountants
and Registered Auditors

8 New Fields
2 Stinsford Road
Nuffield
Poole
Dorset
BH17 0NF

25 June 2008

Consolidated income statement

	Note	Year to 31 December 2007 £	Year to 31 December 2006 £
OVERHEADS			
Administrative expenses	2	<u>(208,114)</u>	<u>(2,830,654)</u>
OPERATING LOSS BEFORE FINANCE		<u>(208,114)</u>	<u>(2,830,654)</u>
Interest income	5	13,063	11,992
Interest expense	6	<u>(12,587)</u>	<u>(3,398)</u>
LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION		<u>(207,638)</u>	<u>(2,822,060)</u>
Income tax expense	7	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		<u>(207,638)</u>	<u>(2,822,060)</u>
Loss per share – basic and diluted	8	<u>(0.08)p</u>	<u>(1.15)p</u>

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

Consolidated balance sheet

	Note	Year ended 31 December 2007 £	Year ended 31 December 2006 £
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	839
Trade receivables	12	-	50,000
TOTAL NON-CURRENT ASSETS		-	50,839
CURRENT ASSETS			
Trade receivables	12	244,145	27,615
Investments	11	-	150,000
Cash and cash equivalents		414,684	169,054
TOTAL CURRENT ASSETS		658,829	346,669
TOTAL ASSETS		658,829	397,508
CURRENT LIABILITIES			
Trade and other payables	13	(65,240)	(67,210)
Borrowings	14	-	(5,888)
TOTAL CURRENT LIABILITIES		(65,240)	(73,098)
NON-CURRENT LIABILITIES			
Borrowings	14	(421,874)	(421,874)
TOTAL NON-CURRENT LIABILITIES		(421,874)	(421,874)
TOTAL LIABILITIES		(487,114)	(494,972)
NET ASSETS/(LIABILITIES)		171,715	(97,464)
EQUITY			
Share capital	15	798,227	492,160
Share premium account		2,723,241	2,552,491
Retained deficit		(3,349,753)	(3,142,115)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		171,715	(97,464)

These financial statements were approved by the directors on 24 June 2008 and are signed on their behalf by:



Director

24 JUNE 2008

Date

Company balance sheet

	Note	Year ended 31 December 2007 £	Year ended 31 December 2006 £
NON-CURRENT ASSETS			
Investments	11	100	-
Trade receivables	12	-	50,000
TOTAL NON-CURRENT ASSETS		100	50,000
CURRENT ASSETS			
Trade receivables	12	235,862	12,975
Investments	11	-	150,000
Cash and cash equivalents		405,014	154,471
TOTAL CURRENT ASSETS		640,876	317,446
TOTAL ASSETS		640,976	367,446
CURRENT LIABILITIES			
Trade and other payables	13	(65,272)	(52,694)
Borrowings	14	-	(5,888)
TOTAL CURRENT LIABILITIES		(65,272)	(58,582)
NON-CURRENT LIABILITIES			
Borrowings	14	(421,874)	(421,874)
TOTAL NON-CURRENT LIABILITIES		(421,874)	(421,874)
TOTAL LIABILITIES		(487,146)	(480,456)
NET ASSETS/(LIABILITIES)		153,830	(113,010)
EQUITY			
Share capital	15	798,227	492,160
Share premium account		2,723,241	2,552,491
Retained deficit		(3,367,638)	(3,157,661)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		153,830	(113,010)

These financial statements were approved by the directors on 24 June 2008 and are signed on their behalf by:



Director

24 JUNE 2008

Date

Consolidated statement of changes in equity

	Share capital £	Share premium account £	Retained deficit £	Total equity £
At 1 January 2007	492,160	2,552,491	(3,142,115)	(97,464)
Loss for the year	-	-	(207,638)	(207,638)
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	(3,349,753)	171,715

Company statement of changes in equity

	Share Capital £	Share premium account £	Retained deficit £	Total equity £
At 1 January 2007	492,160	2,552,491	(3,157,661)	(113,010)
Loss for the year	-	-	(209,977)	(209,977)
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	(3,367,638)	153,830

Consolidated cash flow statement

	Note	Year to 31 December 2007 £	Year to 31 December 2006 £
CASH FLOWS USED IN OPERATING ACTIVITIES	18	(434,775)	(1,644,835)
INVESTING ACTIVITIES			
Interest received		13,063	11,992
Interest paid on loans		(12,587)	(3,398)
Purchase of property, plant and equipment		-	(395)
Reclassification of listed investments		50,000	150,000
CASH FLOWS FROM INVESTING ACTIVITIES		50,476	158,199
FINANCING ACTIVITIES			
Reclassification of listed investments		-	(150,000)
Sale of listed investments		159,000	-
Issue of ordinary shares		542,317	828,126
Expense paid in connection with share issue		(65,500)	-
Purchase of debenture loans		-	421,874
CASH FLOWS FROM FINANCING ACTIVITIES		635,817	1,100,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		251,518	(386,636)
Cash and cash equivalents brought forward		163,166	549,802
CASH AND CASH EQUIVALENTS CARRIED FORWARD		414,684	163,166

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

Company cash flow statement

	Note	Year to 31 December 2007 £	Year to 31 December 2006 £
CASH FLOWS USED IN OPERATING ACTIVITIES	18	(422,266)	(232,408)
INVESTING ACTIVITIES			
Interest received		5,567	11,992
Interest paid on loans		(12,587)	(3,398)
Investment in subsidiary		(100)	-
Reclassification of listed investments		50,000	-
Repayment of loan		-	(828,126)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		42,880	(819,532)
FINANCING ACTIVITIES			
Reclassification of listed investments		-	(150,000)
Sale of listed investments		159,000	-
Issue of ordinary shares		542,317	828,126
Expense paid in connection with share issue		(65,500)	-
CASH FLOWS FROM FINANCING ACTIVITIES		635,817	678,126
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		256,431	(373,814)
Cash and cash equivalents brought forward		148,583	522,397
CASH AND CASH EQUIVALENTS CARRIED FORWARD		405,014	148,583

Notes to the financial statements

1. ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards ('IFRSs'), IFRIC interpretations and the parts of the Companies Act 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. During the year the Company raised additional funds from equity investors of £542,317 before costs in order to finance the company operations.

b) Transition to IFRS

This is the first year that the Group and Company have presented their financial statements under IFRS. The last financial statements under UK GAAP were for the year to 31 December 2006 and the date of transition to IFRS was 1 January 2006.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' requires companies to review and explain what impact the differences between UK GAAP and IFRS have had on the Group's results. The effect of the transition from UK GAAP to IFRSs is detailed in note 24. The Group has elected to apply the following optional exemptions, as permitted by IFRS 1, in determining the effect of transition:

(i) Business combinations exemption

The Group has applied the business combinations exemption as it has not restated business combinations that took place prior to the 1 January 2006 transition date.

(ii) Share based payment transaction exemption

The Group has applied the share based payment exemption as it has not applied the requirements of IFRS 2 to share options that were granted after 7 November 2002 and vested before 1 January 2006 transition date.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

		Effective date
IFRS 2	Share-based payments – Amendment relating to vesting conditions and cancellations.	1 January 2009
IFRS 3	Business combinations – Comprehensive revision on applying the acquisition method.	1 July 2009
IFRS 8	Operating segments.	1 January 2009
IAS 1	Presentation of financial statements – Comprehensive revision including requiring a statement of comprehensive income.	1 January 2009
IAS 1	Presentation of financial statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation.	1 January 2009
IAS 27	Consequential amendments arising from IFRS 3.	1 July 2009
IAS 31	Consequential amendments arising from IFRS 3.	1 July 2009

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

b) Transition to IFRS (continued)

IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation.	1 January 2009
IFRIC 11	IFRS 2 – Group and treasury share transactions.	1 March 2007

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards come into effect for the periods commencing on or after 1 January 2008.

c) 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.

d) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the 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.

e) Impairment losses

At each balance sheet date, the group reviews the carrying amounts of its tangible assets 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

1. ACCOUNTING POLICIES (continued)

f) 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.

g) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for developments sold, net of value added tax.

Sale of properties are recognised when contracts for sales are exchanged within the financial year and the sale is completed within two months of the end of the financial year.

Sale of options over land are recognised when contracts for sale are exchanged within the financial year and the title of the option over the land has passed.

Share of profit on development contracts are recognised when contracts are exchanged on the sale of the units that are subject to the development contract, providing that completion of the sale takes place within two months of the financial year end.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

h) Segment reporting

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

i) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

i) Taxation (continued)

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.

j) 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 a cost less provisions for their impairment.

k) Property, plant and equipment

Property, plant and equipment are stated as 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
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l) 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.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

m) Financial instruments

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 receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(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 either held-for-trading or available-for-sale, 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. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through the income statement.

(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 the proceeds received, 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.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

(vi) Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate of similar non-convertible debt. The difference between the proceeds of issue of convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the group, is included in equity.

(vii) Trade payables

Trade payables are initially measured at fair value, and are 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.

n) Share based payments

The Group has adopted IFRS 2 'Share based payments' this year. The Group recognises a charge to the income account for the fair value of the outstanding share awards in relation to the option contracts of the Group's share capital issued during the year. As all the Group share based payments are equity settled, a corresponding amount is credited to the Share based payment reserve directly in equity.

Notes to the financial statements

2. OPERATING LOSS

The operating loss is stated after charging:

	Year to 31 December 2007 £	Year to 31 December 2006 £
Amortisation – intangible fixed assets	-	125,491
Depreciation of property, plant and equipment: - owned by the company	839	513
Auditors' remuneration	13,000	14,000
Operating lease rentals: - other operating leases	28,000	20,370
Impairment loss	-	2,290,211

Auditors fees for the company were £11,500 (2006; £8,500)

The impairment loss relates to the investment in the subsidiary which was impaired in 2006 because the directors considered its activities to date to be no longer viable.

3. STAFF COSTS

Staff costs, including director's remuneration, were as follows:

	Year to 31 December 2007 £	Year to 31 December 2006 £
Wages and salaries	100,975	145,708
Social security costs	2,775	2,898
	<u>103,750</u>	<u>148,606</u>

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

	No.	No.
Directors	2	3
Administrative	1	1
	<u>3</u>	<u>4</u>

Notes to the financial statements

4 DIRECTORS' REMUNERATION

Directors' emoluments were split as follows:

Director	Salary £	Fees £	Total emoluments £
John May	25,000	12,500	37,500
Clive Russell	25,000	12,500	37,500
Total	50,000	25,000	75,000

Both directors have chosen for the Company to accrue their salaries until such time as they believe the Company is in the position to pay them.

No retirement benefits were accruing to directors at 31 December 2007 (2006; £ nil).

5. INTEREST INCOME

	Year to 31 December 2007 £	Year to 31 December 2006 £
Bank interest	5,884	11,992
Interest on loans to other entities	7,179	-
	<u>13,063</u>	<u>11,992</u>

6. INTEREST EXPENSE

	Year to 31 December 2007 £	Year to 31 December 2006 £
On loans	12,587	3,398
	<u>12,587</u>	<u>3,398</u>

Notes to the financial statements

7. INCOME TAX EXPENSE

Recognised in the income statement

	Year to 31 December 2007 £	Year to 31 December 2006 £
Loss on ordinary activities before tax	(207,638)	(2,822,060)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2006: 30%)	(62,291)	(846,618)
Effects of:		
Expenses not deductible for tax purposes	-	37,797
Creation of tax losses not recognised	62,291	808,821
Current charge for the year	-	-

Factors that may affect future tax charges

The group has tax losses carried forward of £1,253,118 (2006: £1,190,827) that are available for offset against future taxable profits. The company also has capital losses carried forward of £2,652,116 (2006: £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 £350,873 (2006: £333,432). This asset has not been anticipated at 31 December 2007 due to the history of trading losses in the group.

8. LOSS PER SHARE

Basic loss per ordinary share for the year is based on the loss of £207,638 (2006: £2,822,060) and a weighted average of 267,660,731 (2006: 246,080,000) 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:

- 60,574,432 Options for ordinary shares
- 187,499,556 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.

Notes to the financial statements

9. PROPERTY, PLANT AND EQUIPMENT

Group	2007 £	2006 £
Cost		
At 1 January	1,605	1,210
Additions	-	395
At 31 December	1,605	1,605
Depreciation		
At 1 January	(766)	(253)
Charge for the year	(839)	(513)
At 31 December	(1,605)	(766)
Net book value	-	839

10. INTANGIBLE FIXED ASSETS

Group	2007 £	2006 £
Cost		
At 1 January	2,509,820	2,509,820
Additions	-	-
At 31 December	2,509,820	2,509,820
Amortisation		
At 1 January	(2,509,820)	(94,118)
Charge for the year	-	(125,491)
Impairment charge	-	(2,290,211)
At 31 December	(2,509,820)	(2,509,820)
Net book value	-	-

Notes to the financial statements

11. INVESTMENTS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Non-current				
Beginning of year	-	-	-	-
Investment in subsidiaries	100	-	100	-
End of year	100	-	100	-
Current				
Beginning of year	150,000	150,000	150,000	150,000
Sale of listed investments	(150,000)	-	(150,000)	-
End of year	-	150,000	-	150,000

The listed investment above is 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.

12. TRADE RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Non-current				
Other receivables	-	50,000	-	50,000
	-	50,000	-	50,000
Current				
Trade receivables	-	3,297	-	-
Unpaid balance on issued shares	41,692	-	41,692	-
Other receivables	59,274	18,175	58,170	11,890
Loans to other companies	143,179	-	-	-
Amounts owed by group undertakings	-	-	136,000	-
Prepayments and accrued income	-	6,143	-	1,085
	244,145	27,615	235,862	12,975

Notes to the financial statements

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Current				
Trade payables	8,159	33,078	8,091	31,796
Social security and other taxes	-	1,044	-	-
Other payables	-	8	-	-
Amounts owed to group undertakings	-	-	100	-
Accruals and deferred income	57,081	33,080	57,081	20,898
	65,240	67,210	65,272	52,694

14. BORROWINGS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Current				
Bank overdraft	-	5,888	-	5,888
	-	5,888	-	5,888
Non-Current				
Loan notes	421,874	421,874	421,874	421,874
	421,874	421,874	421,874	421,874

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

Per the Group accounting policy the Loan Notes are regarded as compound instruments, consisting of a liability component and an equity component. The fair value of the equity component has been estimated as nil and therefore the full balance of the Loan Notes have been assigned to the liability account.

The Loan Notes are convertible into Ordinary shares at the mid market share price of Red Leopard Holdings plc on the day that notice of conversion is sent to the Noteholders at the option of Red Leopard Holdings plc.

Notes to the financial statements

15. SHARE CAPITAL

	2007 £	2006 £
Authorised		
1,404,074,075 Ordinary shares of 0.2p each	<u>2,808,148</u>	<u>2,808,148</u>
Allotted, called up and fully paid		
399,113,333 (2006: 246,080,000) Ordinary shares of 0.2p each	<u>798,227</u>	<u>492,160</u>

During the year the company allotted 153,033,333 0.2p ordinary shares with an aggregate nominal value of £306,067. The difference between total net consideration of £542,317 and the nominal value of £306,067 has been transferred to the share premium account net of associated expenses.

At 31 December 2007 19,533,333 of the new shares issued during the year were not fully paid. At year end there is a receivable for the unpaid balance of £41,692, refer to note 12. This receivable was fully received post year end.

During the year 18,033,033 0.2p share options were exercised. The exercise price of the options was 0.2p per option share.

16. SHARE-BASED PAYMENTS

A reconciliation of option movements is shown below:

	Year ended 31 December 2007		Year ended 31 December 2006	
	No. of share options	Weighted average exercise price	No. of share options	Weighted average exercise price
Outstanding at the beginning of year	78,607,765	0.20p	78,607,765	0.20p
Exercised during the year	(18,033,333)	0.20p	-	-
Outstanding at the end of the year	<u>60,574,432</u>	<u>0.20p</u>	<u>78,607,765</u>	<u>0.20p</u>
Exercisable at the end of the year	<u>60,574,432</u>	<u>0.20p</u>	<u>78,607,765</u>	<u>0.20p</u>

Details of options at 31 December 2007 are set out below:

Date of Grant	Date of expiry	Exercise price	Outstanding options	
			2007	2006
22 November 2004 (10-year period)	22/11/2014	0.2p	41,798,436	59,831,769
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
			<u>60,574,432</u>	<u>78,607,765</u>

Notes to the financial statements

16. SHARE-BASED PAYMENTS (continued)

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.

The options outstanding at 31 December 2006 were not reflected in the prior year accounts on the basis that the exercise price was greater than the market value of the shares at the year end.

17. POST BALANCE SHEET EVENTS – SHARE BASED PAYMENTS

Options issued to external parties

On the 23rd of April 2008 options to subscribe for 3,500,000 0.2p ordinary shares at 1p each was issued to external parties. The options are exercisable anytime up until the 23rd of April 2011 at an exercise price of 1p per share.

Options issued to directors

On the 11th of 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 8,145,170

John May 8,145,170

These options are exercisable anytime up until the 11th of February 2011 at an exercise price of 0.2p.

In accordance with IFRS 2 Share Based Payment, these options will be valued using the Black-Scholes options-pricing model and expensed through next years income statement.

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

Group	2007 £	2006 £
Operating loss	(208,114)	(2,830,654)
Amortisation of intangible fixed assets	-	125,491
Depreciation of property, plant and equipment	839	513
(Gain) on sale of investments	(9,000)	-
Impairment of fixed assets	-	2,290,211
(Increase) in receivables	(216,530)	(12,409)
(Decrease) in payables	(1,970)	(1,217,987)
Net cash outflow used in operations	(434,775)	(1,644,835)
Company		
Operating loss	(202,958)	(3,094,813)
Impairment of fixed assets	-	2,802,116
(Gain) on sale of listed investments	(9,000)	-
(Increase)/decrease on receivables	(222,887)	26,984
(Decrease) in payables	12,579	33,305
Net cash outflow used in operations	(422,266)	(232,408)

Notes to the financial statements

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 £209,977 (2006: £71,442).

20. FINANCIAL INSTRUMENTS

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

Group	Available for sale	Loans and receivables	Non- financial instruments	Total
<i>Current assets</i>				
Trade receivables	-	244,145	-	244,145
Cash and cash equivalents	-	414,684	-	414,684
	-	658,829	-	658,829
<i>Current Liabilities</i>				
Trade and other payables	-	(65,240)	-	(65,240)
	-	(65,240)	-	(65,240)
<i>Non-current Liabilities</i>				
Loan notes	-	(421,874)	-	(421,874)
	-	(421,874)	-	(421,874)
 Company	 Available for sale	 Loans and receivables	 Non- financial instruments	 Total
<i>Non current assets</i>				
Investments	100	-	-	100
	100	-	-	100
<i>Current assets</i>				
Trade receivables	-	235,862	-	235,862
Cash and cash equivalents	-	405,014	-	405,015
	-	640,876	-	640,876
<i>Current Liabilities</i>				
Trade and other payables	-	(65,272)	-	(65,272)
	-	(65,240)	-	(65,240)
<i>Non-current Liabilities</i>				
Loan notes	-	(421,874)	-	(421,874)
	-	(421,874)	-	(421,874)

Notes to the financial statements

20. FINANCIAL INSTRUMENTS (continued)

As at 31 December 2006 the Group and Company have the following financial instruments:

Group	Available for sale	Loans and receivables	Non- financial instruments	Total
<i>Non current assets</i>				
Property, plant and equipment	-	-	839	839
Trade receivables	-	50,000	-	50,000
	-	50,000	839	50,839
<i>Current assets</i>				
Trade receivables	-	27,615	-	27,615
Investments	150,000	-	-	150,000
Cash and cash equivalents	-	169,054	-	169,054
	150,000	196,669	-	346,669
<i>Current Liabilities</i>				
Trade and other payables	-	(67,210)	-	(67,210)
Borrowings	-	(5,888)	-	(5,888)
	-	(73,098)	-	(73,098)
<i>Non-current Liabilities</i>				
Loan notes	-	(421,874)	-	(421,874)
	-	(421,874)	-	(421,874)
Company	Available for sale	Loans and receivables	Non- financial instruments	Total
<i>Non current assets</i>				
Trade receivables	-	50,000	-	50,000
	-	50,000	-	50,000
<i>Current assets</i>				
Trade receivables	-	12,975	-	12,975
Investments	150,000	-	-	150,000
Cash and cash equivalents	-	154,471	-	154,471
	-	167,446	-	317,446
<i>Current Liabilities</i>				
Trade and other payables	-	(52,694)	-	(52,694)
Borrowings	-	(5,888)	-	(5,888)
	-	(58,582)	-	(58,582)
<i>Non-current Liabilities</i>				
Loan notes	-	(421,874)	-	(421,874)
	-	(421,874)	-	(421,874)

Notes to the financial statements

20. 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.

(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.

(c) Liquidity rate risk

The Group 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 to invest 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.

21. RELATED PARTY TRANSACTIONS

Included in other debtors due within one year is an amount of £50,000 due from Convex Conveyancing Limited ("Convex"). This balance relates to a £50,000 convertible unsecured loan note.

C S Russell, Chairman of the company, has disclosed to the board of Red Leopard Holdings plc that he currently holds 1,733 ordinary 1p shares in Convex representing approximately 1.28% of Convex's issued share capital. In addition he has a variable minority interest in options and an incentive scheme on another approximately 18.50% of Convex's issued share capital.

C S Russell is a director of Harrell Hospitality Group Inc., a shareholder in Red Leopard Holdings plc, and currently holds 1,097,700 Class A Common Stock in Harrell Hospitality Group Inc. representing approximately 8.70% of the stockholding.

22. ULTIMATE CONTROLLING PARTY

As at 31 December 2007 and 31 December 2006 there is no single ultimate controlling party.

Notes to the financial statements

23. PRINCIPLE 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

24. EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Group and the Company have presented their financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements to be presented under UK GAAP were 31 December 2006 and therefore the date of transition to IFRS was 1 January 2006. The Group and the Company have applied IFRS 1 in preparing these financial statements.

Reconciliation of equity at the date of transition

There has been no impact on equity at the date of transition as a result of adoption of IFRS for either the Group or the Company. For presentational purposes the Group and Company have renamed several items within the Balance Sheets in order to reflect more appropriately the classifications under IFRS.

Reconciliation of equity as at 31 December 2006 and profit for the year ended 31 December 2006

There has been no impact on equity and profit for the year ended 31 December 2006 as a result of adoption of IFRS for either the Group or the Company. For presentational purposes the Group and Company have renamed several items within the Balance Sheets in order to reflect more appropriately the classifications under IFRS.

Reconciliation of cash flows for the year ended 31 December 2006

The transition from UK GAAP to IFRS has had no impact on the operating, investing or financing cash flows of the Group or Company.