

PATHFINDER PROPERTIES PLC

Report and Financial Statements
for the year ended 31 December 2007

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CHAIRMAN'S STATEMENT

Dear Shareholder

I present the accounts for the year ended 31 December 2007.

During the year we have continued with the work on our development at Newark. The conversion of forty nine flats within the Brewery is well underway, and we are hoping for completion next year. Due to current market conditions, the board has decided not to start the ninety nine River Edge flats at the present time. I am pleased to confirm that the remainder of the site now has a full planning consent for eighty eight units, a mixture of houses and flats.

The board has decided that because of the current state of the financial climate, it would be prudent to defer development work at the other sites owned by the company until conditions improve.

The company has accrued losses on the balance sheet during the year, these are mainly caused by interest payments which have been incurred during the normal process of development work.

However, the board is working very hard to try and keep the company on a stable financial footing in these difficult times.

Once again I would like to thank the board members and all staff for their hard work during the year.

Yours faithfully

Edward Azouz
Chairman

30 June 2008

OPERATING AND FINANCIAL REVIEW

Corporate Overview

In September 2007, Pathfinder Recovery 1 Limited disposed of 132,500 shares it held in Amicrest Holdings PLC at the market value at the time of 155p each back to the company under a buy back resolution. The disposal generated a profit of £53,000.

Pathfinder (Loch Lomond) Limited has been in administration since May 2004 and moved to dissolution on 25 September 2007.

Results

Group turnover of £27,000 arose from the rental of investment properties during the year and the Group's share of income from joint ventures was £nil (2006: £nil). The gross profit for the Group is £20,000 (gross profit ratio of 62%), compared with £4,450,000 in 2006 (gross profit ratio of 26%).

The administrative costs have increased to £741,000 from £560,000 in 2006. The main reason behind the increase has been the increase in salaries and bank loan arrangement fee paid in the year.

Other operating income represents income on development properties held by a joint venture company that distributed its reserves during the year.

The Group made a profit on disposal of shares held as a fixed asset investment of £53,000 as noted above.

The net loss before interest and taxation was £577,000 (2006 – profit £3,543,000).

Net finance costs are £471,000 compared with £722,000 in 2006. The interest is in respect of loans taken out to finance Newark and Ilford developments and includes interest in respect of the cross-guarantees provided on the Pathfinder (Loch Lomond) Limited loans. The reduction was due to the repayment of the loan to finance the River Quay development which was sold during the previous year and reduced the interest of the group.

The loss on ordinary activities before taxation for the group, taking into account the above, is £1,048,000 (2006 – profit of £2,821,000).

The tax credit for the year amounted to of £104,000 (2006 – £535,000 charge), representing current year taxation of £nil and increases in deferred tax assets on the balance sheet in respect of tax losses of £104,000.

After tax there was a loss of £944,000 (2006 – profit of £2,286,000), which, after accounting for the profits and losses attributable to the minority interests, leaves a loss attributable to members of the company of £951,000 (2006 – profit of £2,205,000) representing loss per share of 1.19 pence (2006 – profit per share of 2.76 pence).

The directors do not propose to pay a dividend.

Net Assets

The investment in joint ventures was reduced during the year as one of the joint venture companies has distributed its reserves and the others have not had much activity during the year.

The value of the development properties at the year-end was £14,135,000 compared with £12,255,000 in 2006. The movement is due to the development of the sites. The development properties now include the sites at Newark and Ilford, Essex.

Minority interests have increased to £350,000 from £343,000 in 2007 due to profits attributable to them of £7,000 during the year from one of the subsidiary companies.

Trade and other receivables have increased to £1,305,000 from £1,241,000 in 2006. The increase results mainly from the deferred tax asset increase of £104,000 and repayment by other trade receivables including related party loans.

Trade and other payables have increased to £6,104,000 from £4,037,000 in 2006. The increase is mainly due to the net movement on an interest-bearing loan of £245,000 in the year and a new interest-bearing loan of £2,141,000.

Overall shareholders funds have decreased to £10,082,000 (representing 12.60p per ordinary share) from the balance of £11,033,000 (representing 13.79p per ordinary share) in 2006 before taking into account any increase in value over cost of the ongoing projects held by the Group. Such value is not reflected in the financial statements until the projects are sold.

Borrowings and Cash flow

The Group's financing requirements relate mainly to the funding of property development. Loan and overdraft facilities are arranged as necessary with a number of banks aimed at meeting development finance requirements on a cost-effective basis.

The Board regards the main financial risks facing the Group as liquidity risk and interest rate risk. Liquidity risk is managed by balancing bank financing with internally generated funds and joint venture finance, and by seeking to match loan periods with the expected planning and development cycle of the properties being developed. Interest rate risk is monitored by the Board and considered in relation to the length and level of borrowing required. At 31 December 2007 the majority of development finance from banks was at variable rates.

The cash flow used in operations was £2,499,000, compared with a cash flow generated in 2006 of £7,574,000.

Major cash flows during the year arose from net finance costs of £471,000 (2006 – £722,000) and the new interest-bearing loan of £2,386,000 (2006 – repayment of interest-bearing loans in the sum of £6,078,000).

OPERATING AND FINANCIAL REVIEW

continued

Balance sheet borrowing increased to £5,670,000 from £3,284,000, as a result of a net movement on loans in respect of loans drawn down during the year for development of the properties.

The net debt/equity ratio at 31 December 2007 was 0.47:1 (2006 – 0.16:1).

Events since the Year End

The directors have signed an agreement to settle the continuing liabilities in respect of the Guarantee provided to the bank relating to the facility that was provided to Pathfinder (Loch Lomond) Limited in 2001. The settlement sum of £500,000 is being paid by one payment of £250,000 on 9 March 2007 followed by two payments of £85,000 each on 31 August 2007 and 29 February 2008 followed by a final payment of £80,000 on 1 September 2008.

Edward Azouz

Gerard Lee

Executive Directors

PROPERTY UNDER DEVELOPMENT

Development portfolio

North Gate, Newark (100% owned)

The Group has a 6-acre site next to the River Trent, on the edge of Newark.

The development site comprises 3 adjacent sites in Newark, and includes a substantial Victorian Brewery building. Planning permission had been obtained to convert the brewery into 49 residential units. During the previous year the Group obtained planning consent for the remainder of the site to build a block of 99 flats. The remainder of the site now has full planning consent for another 88 units, a mixture of houses and flats. Development works to convert the brewery into 49 flats is well underway.

Land at Ilford, Essex (100% owned)

The development site comprises of a 1.3 acre plot of land in the centre of Ilford town, Essex, with planning permission for 83 apartments with underground parking.

Following discussions with the local authority during the year, planning consent has been increased from 83 to 103 apartments and approximately 3,000 square feet of commercial space. Whilst the development work commenced during the year, further development work has been deferred as mentioned in the Chairman's statement on page 1.

DIRECTORS

Edward Azouz, aged 59, Chairman

Edward Azouz qualified as a chartered accountant in 1973 after completing his articles at Citroen Wells.

In 1973 he took over, with his brother, a small estate agency known as Harding-Marsh.

In 1974 he founded Central Estates Limited, a property company, with his brother Jeffrey. He also became a director of A.R. & V. Investments Limited, another property company and to date is still a director of both A.R. & V. Investments Limited and Central Estates Limited together with many other property companies. Over the years A.R. & V. Investments Limited and Central Estates Limited have been involved in both residential and commercial investments and developments.

Jeffrey Azouz, aged 61, Executive Director

Jeffrey Azouz qualified as a chartered surveyor in 1973 after completing his training at Willmotts Property Services.

In 1973 he took over, with his brother Edward, a small estate agency known as Harding-Marsh.

In 1974 he founded Central Estates Limited, a property company, with his brother Edward and became Company Secretary of A.R. & V. Investments Limited, another property company.

In 1979 he became a director of A.R. & V. Investments Limited and to date he is still a director of both Central Estates Limited and A.R. & V. Investments Limited, together with many other property companies. Over the years A.R. & V. Investments Limited and Central Estates Limited have been involved in both residential and commercial investments and developments.

Gerard Lee, aged 56, Executive Director

Gerard Lee has been a property developer and investor in and around Greater London for over 20 years. As one of the founders of Kerrington Limited, (a business expansion scheme company – “BES”) he has extensive experience in the development, management and sale of residential properties let under assured tenancies. Latterly he has used his investment skills to great effect in Manchester where the company has successfully completed three developments for sale and is currently refurbishing a fourth building.

Dr John Guy Davies, aged 61, Non-Executive Director

John Guy Davies has long experience of public and private companies in a variety of business sectors both as a banker and executive. Areas of specialism include corporate finance, business development and strategy.

DIRECTORS

continued

Victor Lipien, aged 53, Non-Executive Director

Victor Lipien is a project management consultant and has had responsibility for several multi million pound developments. He has gained extensive experience of corporate and management issues as Chairman of a number of public limited property companies.

OFFICERS AND ADVISERS

SECRETARY

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COMPANY NUMBER

2578942 (England and Wales)

REGISTERED OFFICE

1001 Finchley Road
London NW11 7HB

AUDITORS

Sedley Richard Laurence Vouters
1 Conduit Street
London W1S 2XA

SOLICITORS

Howard Kennedy
19 Cavendish Square
London W1A 2AW

NOMINATED ADVISER

Beaumont Cornish Limited
5th Floor
10-12 Cophall Avenue
London EC2R 7DE

NOMINATED BROKER

Landsbanki Securities (UK) Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

REGISTRARS

Capita Registrars Limited
Capita House
Woodsome Park
Huddersfield HD8 0JQ

BANKERS

The Royal Bank of Scotland
1 Dale Street
Liverpool L2 2PP

DIRECTORS' REPORT

For the year ended 31 December 2007

The Directors present their report and the group financial statements of Pathfinder Properties PLC for the year ended 31 December 2007.

IFRS ADOPTION

Group financial statements have been prepared for the year ended 31 December 2007 under IFRS for the first time. The latest period for which financial statements were prepared by Pathfinder Properties PLC under UK GAAP was the year ended 31 December 2006.

A reconciliation of equity and a reconciliation of profit and loss, between that reported under UK GAAP and that reported under IFRS, are contained in notes to the financial statements 26 and 27.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity during the year was property development. The review of the business is contained in the Chairman's Statement and the Operating and Financial Review on pages 1 to 4.

RESULTS AND DIVIDENDS

The Group's loss on ordinary activities after taxation and before minority interests was £944,000 (2006 – profit £2,286,000).

The Directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The Directors and their beneficial interests (including family interests) in the shares of the Company during the year were as follows:

	Ordinary shares of 10p each 31 December 2007	Ordinary shares of 10p each 31 December 2006
Edward Azouz [^]	10,288,571	10,288,571
Jeffrey Azouz [^]	10,288,571	10,288,571
John Guy Davies	—	—
Gerard Lee ⁺	13,302,989	13,302,989
Victor Lipien	2,916,630	2,916,630

[^] including shares held by Sunnyview Limited, a company in which Messrs Azouz are shareholders and directors. The shares above are held jointly.

⁺ including shares held by Kerrington Limited and Amicrest Holding PLC, a company in which Mr Lee is a shareholder and director.

No director has been granted an option to purchase shares in the company.

RELATED PARTY TRANSACTIONS

Details of transactions with related parties undertaken by the Group during the year are disclosed in note 22.

NON CURRENT ASSETS

The significant changes in non current assets during the year are detailed in notes 10 to 13 to the financial statements.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

It is the Company's and the Group's policy to pay suppliers in accordance with the payment terms negotiated with them. Thus, payment is normally made to those suppliers meeting the Company's and Group's obligations. The Group's average creditor days during the year was 30 days (2006 – 30 days).

RISK EXPOSURE

The Group's prime exposure to financial risk arises from its long term borrowings. The Group's risk management objectives are to ensure that long term assets are financed by long term loans, that loan repayment profiles match the Group's ability to generate cash and to maintain adequate interest cover.

DIRECTORS' REPORT

continued

Note 19 details the Groups' borrowings and the cash flow statement details the Group's ability to generate cash from operations.

The main financial risks for the group are liquidity risk and cash flow risk. The Group maintains a mixture of short term and longer term funding through secured bank facilities. Bank facilities continue to be an important source of finance for the Group providing it with flexibility on competitive terms to fund its current and future business requirements.

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the company's website. It is important to bear in mind that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ in other jurisdictions.

SUBSTANTIAL SHAREHOLDINGS

As at 30 June 2008 the following had notified the Company of an interest of 3% or more of the Company's ordinary share capital:

Name	Number of ordinary shares	Shareholding %
Kerrington Limited	10,288,571	12.86
Sunnyview Limited	10,288,571	12.86
Deynacourt Limited	4,425,000	5.53
Victor Lipien	2,916,630	3.65
Amicrest Holdings PLC	2,614,418	3.27
Robert Yorke-Starkey	2,550,957	3.19

SHARE CAPITAL

The authorised and issued share capital of the Company at 31 December 2007 is shown in note 20 in the financial statements.

CHARITABLE OR POLITICAL CONTRIBUTIONS

No charitable or political contributions were made during the current or previous year.

EVENTS SINCE THE YEAR END

The directors have signed an agreement to settle the continuing liabilities in respect of the Guarantee provided to the bank relating to the facility that was provided to Pathfinder (Loch Lomond) Limited in 2001. The settlement sum of £500,000 is being paid by one payment of £250,000 on 9 March 2007 followed by two payments of £85,000 each on 31 August 2007 and 29 February 2008 followed by a final payment of £80,000 on 1 September 2008.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise borrowings and cash that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations as well as to manage working capital, liquidity and invest surplus funds. It is, and has been throughout the period under review, the Group's policy not to enter into derivative transactions and no trading in financial instruments has been undertaken.

Interest rate risk

The Group continues to finance its operations from the original issue of equity and bank loans. Accordingly borrowings at variable interest rates are expected to fluctuate. Surplus cash balances are held on the money market in the short term at variable rates of interest, which again are expected to fluctuate.

Liquidity risk

The combined entity has sufficient cash and cash equivalents to meet its operational requirements.

Currency risk

The Group's income and expenses are denominated in sterling. Thus the Group is not exposed to significant currency risk.

Credit risk

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

Management of risks

The Directors continue to assess the risks facing the company and risks associated with investments and property developments are closely monitored by the directors.

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution to re-appoint Sedley Richard Laurence Voulters, Chartered Accountants, as auditors will be proposed to the members at the annual general meeting.

STATEMENT OF DISCLOSURE TO AUDITOR

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' REPORT

continued

ANNUAL GENERAL MEETING

A notice of the Annual General Meeting to be held on 15 September 2008 is set out on pages 40 and 41 together with explanatory notes.

By Order of the Board

BA Gemal

Company Secretary

30 June 2008

CORPORATE GOVERNANCE

The directors have considered the provisions set out in the Principles of Good Governance and Code of Best practice (“the Combined Code”). Throughout the year to 31 December 2007, the Company has applied the principles and complies, as far as practicable and appropriate given the size and constitution of the board, with the code provisions set out in Section 1 of the Combined Code. In addition, the group also complies with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance in 2005.

DIRECTORS

The Board of Directors comprise of three executive directors and two non-executive directors. The Board is structured so that no one individual or group dominates the decision making process.

Board meetings are held at least ten times a year. A formal schedule of matters specifically reserved to the Board, including inter alia, overall strategy and monitoring of financial performance, has been adopted.

The Board has established an Audit Committee and a Remuneration Committee with duties and responsibilities formally delegated to them, details of which are given below.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for setting the remuneration of the executive Directors, the terms of their service contracts with due regards to the interests of the shareholders and for any pension schemes operated by the Company. The remuneration and terms and conditions of appointment of the non-executive directors are set by the remuneration committee. No director is permitted to participate in discussions or decisions concerning his own remuneration. The report of the Remuneration Committee and its composition is given on page 15.

AUDIT COMMITTEE

The Audit Committee, which meets at least twice a year, comprises the non-executive directors and one Executive Director, Jeffrey Azouz, and is responsible for ensuring that the financial performance of the Group is properly measured and reported and for reviewing reports from the auditor relating to the Group’s financial statements and the Group’s internal control systems. The committee have unrestricted access to the Company’s auditors. Executives’ attendance is required.

INTERNAL CONTROL

The Board is ultimately responsible for the Group’s system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the Group’s system of internal control are as follows:

Control environment

- The setting of appropriate levels of authorisation which must be adhered to as the Group conducts its business;
- The implementation of a recognised organisational and management reporting structure within which individual executive directors have responsibility for the day-to-day running of the business;
- Established procedures for setting of development budgets and the ongoing monitoring of actual financial performance against those budgets; and
- A clearly defined and well established set of accounting policies which ensure that the financial performance is recorded on a consistent and appropriate basis throughout the Group’s reporting entities.

Monitoring and corrective action

There are ongoing procedures in place for monitoring the system of internal control. The Group does not have an internal audit function. Whilst the Board believes that the current size of the Group does not warrant the establishment of an internal audit function, the remit of the Audit Committee includes the review of the effectiveness of the Group's system of internal control.

Risk management

The Group's management is responsible for the identification and evaluation of key risks applicable to their areas of business. Risks which may be associated with a variety of internal and external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements are assessed on a continuous basis. Board approval is obtained for every significant stage of the development of a project together with any significant acquisition/disposal from the property portfolio.

Relations with shareholders

The Board supports the principal of clear reporting of financial performance to shareholders. Each year, shareholders receive a full annual report and interim report. The Board regards the Annual General Meeting as an opportunity to communicate directly with private investors. Directors attend the Annual General Meeting and are available to answer questions from shareholders present. The Board actively encourages feedback and shareholder dialogue, whether verbal or written.

Going concern

After making enquiries, the Board considers that the Group has adequate resources to continue operating for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

Edward Azouz
Chairman

30 June 2008

REPORT OF THE REMUNERATION COMMITTEE

The following is a report from the Remuneration Committee, which has been approved and adopted by the Board for submission to the shareholders.

The Remuneration Committee

The Remuneration Committee comprises the non-executive directors and the policy of the Committee framed to give considerations to the provisions as to the best practice set out in the Combined Code. The committee meets as required during the year. Executive directors may also be invited to attend meetings but may not vote and are not involved in any matter relating to themselves.

Remuneration of Directors

The executive Directors are paid a salary, with the exception of Mr Lee who receives Director's fees. The fees and salaries are reviewable annually by the Remuneration Committee.

The following table shows the remuneration of directors for the years ended 31 December 2007 and 2006.

	Fees and salaries		Benefits in kind		Bonuses		Total	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Edward Azouz	75	49	—	—	—	—	75	49
Jeffrey Azouz	25	21	—	—	—	—	25	21
John Guy Davies	25	21	—	—	—	—	25	21
Gerard Lee	75	49	—	—	—	—	75	49
Victor Lipien	25	2	—	—	—	—	25	2

Dr John Guy Davies

Chairman – Remuneration Committee

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Revenue			
Group and share of joint ventures		32	17,000
– less: share of joint ventures		(5)	—
Group Revenue	1	27	17,000
Cost of sales			
– Continuing operations		(7)	(12,550)
Gross profit		20	4,450
Administration expenses	2	(741)	(560)
– Continuing operations		—	—
– Discontinued operations		(741)	(560)
		(721)	3,890
Other operating income			
– Continuing operations	2	88	74
Operating (loss)/profit before share of joint ventures		(633)	3,964
– Continuing operations		—	—
– Discontinued operations		(633)	3,964
Share of profit/(loss) in joint ventures	12	—	—
Operating (loss)/profit	2	(633)	3,964
Continuing operations:			
Profit on sale of investment properties		3	—
Profit/(loss) on sale of fixed asset investments		53	(421)
(Loss)/Profit on ordinary activities before investment income, interest and taxation		(577)	3,543
Finance Income	3	50	94
Finance Costs	4	(521)	(816)
(Loss)/profit on ordinary activities before taxation		(1,048)	2,821
Taxation	7	104	(535)
(Loss)/profit on ordinary activities after taxation		(944)	2,286
Equity minority interests		(7)	(81)
(Loss)/profit for the year attributable to members of the parent company		(951)	2,205
(Loss)/profit for the year transferred to reserves	21	(951)	2,205

The notes on pages 22 to 37 form part of these financial statements.

CONSOLIDATED
INCOME STATEMENT
continued

		Year ended 31 December 2007	Year ended 31 December 2006
	Notes	Pence	Pence
(Loss)/earnings per share	9	(1.19)	2.76
Fully diluted (loss)/earnings per share	9	(1.19)	2.76

The notes on pages 22 to 37 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2007

	Notes	31 December 2007		31 December 2006	
		£000	£000	£000	£000
Assets					
Non Current assets					
Goodwill	10		154		154
Property, plant and equipment	11		15		20
Investment in joint ventures	12				
– Share of gross assets			23		211
– Share of gross liabilities			(22)		(138)
			1		73
Investments	13		—		152
Total Non Current Assets			170		399
Current Assets					
Inventories	14		14,135		12,255
Trade and other receivables	15		1,305		1,241
Cash and cash equivalents			926		1,518
Total Current Assets			16,366		15,014
Total Assets			16,536		15,413
Liabilities					
Current Liabilities					
Trade and other payables	16		434		533
Tax payable	16		—		220
Interest-bearing loans and borrowings	16		3,529		3,284
			3,963		4,037
Liabilities					
Non Current Liabilities					
Interest-bearing loans and borrowings	17		2,141		—
Total Liabilities			6,104		4,037
			10,432		11,376
Equity minority interests			(350)		(343)
Total Net Assets			10,082		11,033
Equity					
Share capital – issued and fully paid	20		7,997		7,997
Share premium	21		1,970		1,970
Other reserves	21		2,647		2,647
Retained earnings	21		(2,532)		(1,581)
Total Equity			10,082		11,033
			Pence		Pence
Net assets per share attributable to ordinary shareholders			12.60		13.79

Approved by the Board on 30 June 2008 and signed on its behalf by

Gerard Lee
Director

The notes on pages 22 to 37 form part of these financial statements.

COMPANY BALANCE SHEET

as at 31 December 2007

	Notes	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
Assets			
Non Current Assets			
Property, plant and equipment	11	5	8
Investments	13	27,371	27,441
Total Non Current Assets		27,376	27,449
Current Assets			
Trade and other receivables	15	51	52
Cash and cash equivalents		546	1,207
Total Current Assets		597	1,259
Total Assets		27,973	28,708
Liabilities			
Current Liabilities			
Trade and other payables	16	18,124	18,401
Tax payable	16	—	—
Interest-bearing loans and borrowings	16	—	—
		18,124	18,401
Liabilities			
Non Current Liabilities			
		—	—
Total Liabilities		18,124	18,401
Total Net Assets		9,849	10,307
Equity			
Share capital – issued and fully paid	20	7,997	7,997
Share premium	21	1,970	1,970
Retained earnings	21	(118)	340
Total Equity		9,849	10,307

Approved by the Board on 30 June 2008 and signed on its behalf by

Gerard Lee
Director

The notes on pages 22 to 37 form part of these financial statements.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
(Loss)/profit for the year	(951)	2,205
Dividends	—	—
Reduction in investment in own shares	—	678
Total recognised income and expense for the year	(951)	2,883

GROUP STATEMENT OF SHAREHOLDERS' FUNDS AND STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000
1 January 2006	7,997	1,970	1,969	(3,786)	8,150
Profit for the year	—	—	—	2,205	2,205
Disposal of own shares	—	—	678	—	678
Dividends	—	—	—	—	—
31 December 2006	7,997	1,970	2,647	(1,581)	11,033
1 January 2007	7,997	1,970	2,647	(1,581)	11,033
Loss for the year	—	—	—	(951)	(951)
Dividends	—	—	—	—	—
31 December 2007	7,997	1,970	2,647	(2,532)	10,082

The notes on pages 22 to 37 form part of these financial statements.

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2007

	Year ended 31 December 2007		Year ended 31 December 2006	
	£000	£000	£000	£000
Cash flows from operating activities				
(Loss)/income before taxation from continuing operations		(633)		3,964
Adjustments for:				
Depreciation of property, plant and equipment		5		5
Operating cash (used)/generated before working capital changes		(628)		3,969
(Increase)/decrease in inventories		(1,880)		4,002
Decrease in trade and other receivables		108		355
(Decrease) in trade and other payables		(99)		(752)
Cash (used)/generated from operations		(2,499)		7,574
Interest paid		(521)		(816)
Taxes paid		(220)		—
Net cash (used)/generated from operating activities		(3,240)		6,758
Cash flows from investing activities				
Interest received		50		94
Proceeds from sale of investment properties		14		2
Proceeds from sale of investments		205		258
Purchase of plant and equipment		—		(16)
Net cash generated in investing activities		269		338
Cash flows from financing activities				
Minority dividends paid		(7)		(94)
Proceeds from borrowings		2,386		—
Repayment of borrowings		—		(6,078)
Net cash generated/(used) in financing activities		2,379		(6,172)
Net (decrease)/increase in cash and cash equivalents		(592)		924
Cash and cash equivalents at beginning of year		1,518		594
Cash and cash equivalents at end of year		926		1,518

The notes on pages 22 to 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRIC interpretations endorsed by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The consolidated financial statements comprise the financial statements of the Company, its subsidiary undertakings and the Group’s share of interests in joint ventures. Where a subsidiary is acquired during the year, the profit attributable to shareholders includes only the profits or losses from the effective date of acquisition. Where a subsidiary has been disposed of during the year, the profit attributable to shareholders includes only profit or losses to the effective date of disposal. The Group’s interests in joint ventures are accounted for using the gross equity method.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Details of accounting estimates and judgments that have the most significant effect on the amounts recognised in the financial statements have been disclosed under the relevant note or accounting policy for each area where disclosure is required.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the year are discussed in the notes.

New standards and interpretations

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

<i>International Accounting Standards/International Financial Reporting Standards (IAS/IFRS)</i>		<i>Effective date</i>
IAS 1 (revised)	Presentation of Financial Statements (revised 2007 and 2008)	1 January 2009
IAS 16	Property, Plant and Equipment (revised May 2008)	1 January 2009
IAS 19	Employee Benefits (revised May 2008)	1 January 2009
IAS 20	Government Grants and Disclosures of Government Assistance (revised May 2008)	1 January 2009
IAS 23	Borrowing Costs (revised 2007 and May 2008)	1 January 2009
IAS 27	Consolidated and separate Financial Statements (revised 2008)	1 January 2009 and 1 July 2009
IAS 28	Investments in Associates (revised 2008)	1 January 2009 and 1 July 2009
IAS 29	Financial Reporting in Hyperinflationary Economies (revised May 2008)	1 January 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 January 2009 and 1 July 2009
IAS 32	Financial Instruments: Presentation (revised 2008)	1 January 2009
IAS 36	Impairment of Assets (revised May 2008)	1 January 2009

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

<i>International Accounting Standards/International Financial Reporting Standards (IAS/IFRS)</i>		<i>Effective date</i>
IAS 38	Intangible Assets (revised May 2008)	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised May 2008)	1 January 2009
IAS 40	Investment Property (revised May 2008)	1 January 2009
IAS 41	Agriculture (revised May 2008)	1 January 2009
IFRS 1	First time Adoption of International Financial Reporting Standards (revised May 2008)	1 January 2009
IFRS 2	Share-based Payment (revised 2008)	1 January 2009
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 5	Non current Assets Held for Sale and Discontinued Operations (revised May 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
<i>International Financial Interpretations Committee (IFRIC)</i>		
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Directors have chosen not to early adopt the above standards and interpretations as it is anticipated that these will not have a material impact on the financial position or the financial performance of the Group.

Transition to IFRS

IFRS 1 “First time adoption of International Financial Reporting Standards” sets out the procedures that the group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements.

The group is required to establish its IFRS accounting policies as at 31 December 2007 and in general apply that retrospectively to the IFRS opening balance sheet at its date of transition of 1 January 2006.

Revenue

Revenue comprises:

- a) Gross rental income and service charges receivable from investment properties;
- b) The value of the development stock and work-in-progress sold during the year; and
- c) Fees from management contracts.

Revenue is derived from activities undertaken in the United Kingdom.

Sales are recognized upon legal completion of the legal transfer of title to the customer.

Recognition of profit on inventories

Gross profit on development is attributed to the individual units sold on the basis of the work fairly attributable to the unit taking into account all costs to complete. No profit is recognized until a profitable outcome can be prudently foreseen.

Goodwill

In accordance with IFRS 3 and as allowed by IFRS 1, goodwill has been frozen at its net book value as at 1 January 2006. Goodwill is tested annually for impairment with any impairment losses being recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

Non current assets and depreciation

Non current assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Equipment, fixtures and fittings over 3 years
Motor Vehicles over 4 years

Investment properties

Investment properties are accounted for in accordance with IAS 40 "Investment Properties", which provides that these should not be subject to periodic depreciation charges (unless held on short lease), but should be shown at Open Market Value. This is contrary to the Companies Act 1985 which states that fixed asset should be subject to depreciation.

The treatment of investment properties under the Companies Act does not, in the opinion of the directors, give a true and fair view as these assets are not held for consumption in the business but as investments, the disposal of which would not materially affect any manufacturing or trading operations of the enterprise. In such a case it is the current value of these investments, and changes in that current value, which are of prime importance. Consequently, for the proper appreciation of the financial position, the accounting treatment required by IAS 40 is considered appropriate for investment properties.

Investment properties are recognised in the financial statements once an irrevocable purchase contract has been entered into. Sales of investment properties are recorded once an irrevocable sales contract has been entered into provided that sale has completed by the date these financial statements are approved by the Board. Investment properties are treated as fixed asset investments until the date of sale.

Investments

Investments are stated at cost, less any provision for diminution in value.

Inventories

Developments in progress are valued at the lower of cost and net realisable value. Provision is made for any anticipated losses. Cost includes costs of acquisition and development including directly attributable fees, expenses and finance charges, less any related income. Properties are treated as acquired on exchange of contracts with the vendors.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits of Group companies and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1. SEGMENTAL ANALYSIS

The Group's turnover and results for the year arise principally from property development activities and from activities carried out in the UK.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
Depreciation of property, plant and equipment	5	5
Auditors remuneration:		
– audit services	95	80
– other services	25	35
And after crediting:		
	£000	£000
– Revenue: rent and similar income receivable from investment properties	27	15
– Other operating income: rent receivable from development properties	—	59

3. FINANCE INCOME

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
Interest on cash and cash equivalents	50	94
	50	94

4. FINANCE COSTS

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
Interest on interest-bearing loans and borrowings	521	816
	521	816

5. DIRECTORS EMOLUMENTS AND INTERESTS

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
Total emoluments of all directors:		
Fees and salaries	225	142
Emoluments of the highest paid director	75	49

No pension contributions are paid in respect of any director.

Details of directors' interests and emoluments are given on pages 9 and 15 respectively. Details of other transactions in which directors have interests are given in note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

6. EMPLOYEES

The average number of employees, including the executive directors, employed by the Group during the year was 9 (2006 – 8). Salaries and social security costs amounted to £358,583 (2006 – £228,174) and £25,465 (2006 – £18,165) respectively.

7. TAXATION

(a) UK Corporation tax on the results for the year

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
Current tax – UK corporation tax at 30% (2006 – 30%)		
Group	—	220
Group – (over)/under provided in previous years	—	—
	—	220
Deferred tax		
Group	(104)	315
	(104)	315
(Credit)/charge for the year	(104)	535

(b) Factors affecting the tax charge for the year

The corporation tax credit (2006 – charge) for the year is lower (2006 – lower) than the tax credit or charge, which would be assessed, based on the UK standard rate of corporation tax at 30%. The differences are explained as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
(Loss)/profit on ordinary activities before tax	(1,048)	2,821
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax 30% (2006 – 30%)	(314)	846
Effects of:		
Expenses not deductible for tax purposes	—	127
Capital allowances in excess of depreciation	—	(4)
Income not taxable	26	—
Tax losses utilised in the year	—	(966)
Unrelieved tax losses carried forward	(340)	148
Other adjustments	—	69
Current tax charge for the year	—	220

8. DIVIDENDS

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
Equity dividends:		
Final dividend Nil p (2006 – Nil p) per share	—	—

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

9. EARNINGS PER SHARE

The calculation of loss per share is based on a loss of £951,000 on continuing operations (2006 – profit of £2,205,000) and on 79,971,393 (2006 – 79,971,393) ordinary shares, being the weighted average number of ordinary shares in issue during the year. There is no difference between earnings and fully diluted earnings per share.

10. GOODWILL

Group

	Total £000
1 January 2007 and 31 December 2007	154
Net book value at 31 December 2007 and 31 December 2006	154

Goodwill arises on the consolidation of Pathfinder Recovery Ventures Limited, Pathfinder (River Quay) Limited, Fletcher Gate Limited and Newark Property Development Limited.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Equipment, fixtures and fittings £000	Investment properties £000	Total £000
Cost			
1 January 2007	24	4	28
Additions	—	—	—
Disposals	—	—	—
31 December 2007	24	4	28
Depreciation			
1 January 2007	8	—	8
Charge for year	5	—	5
Disposals	—	—	—
31 December 2007	13	—	13
Net book value at 31 December 2007	11	4	15
Net book value at 31 December 2006	16	4	20

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

11. PROPERTY, PLANT AND EQUIPMENT continued

Company

	Equipment, fixtures and fittings £0000	Total £000
Cost		
1 January 2007	12	12
Additions	—	—
Disposals	—	—
31 December 2007	12	12
Depreciation		
1 January 2007	4	4
Charge for the year	3	3
Disposals	—	—
31 December 2007	7	7
Net book value at 31 December 2007	5	5
Net book value at 31 December 2006	8	8

All properties are freehold. Based on open market value at 31 December 2007, it is the opinion of the directors that there are no significant changes in the value of these investment properties during the year.

12. JOINT VENTURES

	Participating interest £000	Loans to undertakings in which the company has a participating interest £000	Share of profits and losses £000	Total £000
1 January 2007	1	72	—	73
Repaid	—	(72)	—	(72)
31 December 2007	1	—	—	1

The investment in joint ventures comprises the following companies and their subsidiaries

	Proportion of voting rights and shares held	Nature of business
Excelmode Limited	50%	Property development
Viewland Limited	50%	Property investment
PFP Management Limited	59%*	Provision of management services

*As a result of voting restrictions on the shareholding in the company, it is treated as a joint venture rather than a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

12. JOINT VENTURES continued

A summary of the Group's share of profits of joint ventures for the year ended 31 December 2007 is as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
Turnover	5	—
Operating profit	3	—
Dividends	(3)	—
Profit retained	—	—

A summary of the Group's share of assets and liabilities of joint ventures as at 31 December 2007 is as follows:

Share of gross assets	23	211
Share of gross liabilities	(22)	(138)
	1	73

During the year the Group entered into loan transactions, in the ordinary course of business, with joint ventures, which are related parties of the Group. The outstanding balances at the year-end were as follows:

	PFP Management	Excelmode Limited
31 December 2007		
Loans to joint ventures	38	—
1 January 2007		
Loans to joint ventures	56	3

Loans to joint ventures are interest free.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

13. INVESTMENTS

	Unlisted investments				Total
	£000				£000
Group					
1 January 2007				152	152
Disposals				(152)	(152)
31 December 2007				—	—
	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Participating interest	Loans to undertakings in which the company has a participating interest	Total
	£000	£000	£000	£000	£000
Company					
Cost					
1 January 2007	7,458	20,009	1	3	27,471
Additions	—	1,554	—	—	1,554
Disposal	—	(1,624)	—	—	(1,624)
31 December 2007	7,458	19,939	1	3	27,401
Amounts provided					
1 January 2007	—	30	—	—	30
Transfers	—	—	—	—	—
Arising in the year	—	—	—	—	—
31 December 2007	—	30	—	—	30
Net book value					
31 December 2007	7,458	19,909	1	3	27,371
31 December 2006	7,458	19,979	1	3	27,441

The cost of shares in subsidiary undertakings includes the associated costs of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

13. INVESTMENTS continued

Details of the Group's and the Company's investments are as follows:

	Proportion of shares held		Nature of business
	Group	Company	
Subsidiary undertakings:			
Crannon Limited	60%	—	Property development
Drayhawk Limited	100%	—	Property development
Forgeglade Limited	60%	—	Property development
Pathfinder Recovery 1 Limited	96%	96%	Property investment and development
Pathfinder Recovery Ventures Limited	96%	—	Property investment and development
Pathfinder Repossessions Limited	100%	—	Property investment
Pathfinder Repossessions II Limited	100%	—	Property investment
Pathfinder Residential Investments Limited	96%	—	Property investment
Pathfinder (Clyde Street) Limited	96%	—	Property development
Pathfinder (Glasgow) Limited	96%	—	Property development
Pathfinder (Loch Lomond) Limited +	98%	50%	Property development
Newark Property Development Limited	100%	—	Property development
Fletcher Gate Limited	100%	—	Property development
Newark Property LCS Limited	100%	—	Dormant
Newark Property Pocklington Limited	100%	—	Dormant
Pathfinder (River Quay) Limited	98%	—	Property development
Pathfinder (Scotland) Limited [^]	79%	—	Property development
Merchant City Limited	100%	100%	Property investment
Merchant Village Limited	100%	—	Property investment
Pathfinder Construction Services Limited	100%	—	Dormant
Property Action Limited	96%	—	Dormant
Plainrise Limited	100%	100%	Property development
Joint ventures:			
Excelmode Limited	50%	—	Property development
PPF Management Limited*	59%	—	Provision of management services
Viewland Limited	50%	—	Property investment

* As a result of voting restrictions on the shareholding in the company, it is treated as a joint venture rather than a subsidiary.

+ Pathfinder (Loch Lomond) Limited is in administration and moved to dissolution on 25 September 2007.

[^] Pathfinder (Scotland) Limited, was dissolved during the year after distribution of all its reserves.

All investment held are in ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

14. INVENTORIES

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£000	£000	£000	£000
Land and buildings held for development and property in the course of construction	14,135	12,255	—	—

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£000	£000	£000	£000
Due within one year:				
Trade receivables	—	—	—	—
Amounts owed by Group undertakings	—	—	37	35
Other receivables	896	994	6	1
Prepayments and accrued income	76	18	8	16
	972	1,012	51	52
Due after one year:				
Deferred tax (note 18)	333	229	—	—
	1,305	1,241	51	52

16. CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£000	£000	£000	£000
Interest-bearing loans and borrowings (see note 19)	3,529	3,284	—	—
Trade payables	18	2	—	1
Amount owed to Group undertakings	—	—	17,772	17,961
Amounts owed to undertakings in which the Group has a participating interest	38	35	9	9
Corporation tax	—	220	—	—
Other payables	87	50	97	44
Accruals and deferred income	291	446	246	386
	3,963	4,037	18,124	18,401

The loans are stated net of unamortised issue costs of £nil (2006 – £nil). Issue costs of £nil (2006 – £nil) and interest of £nil (2006 – £Nil) were capitalised during the year. £nil (2006 – £Nil) of issue costs were amortised during the year.

17. NON CURRENT LIABILITIES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£000	£000	£000	£000
Interest-bearing loans and borrowings	2,141	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

18. PROVISIONS FOR LIABILITIES AND CHARGES

The deferred tax asset (included in trade and other receivables, note 15) is made up as follows:

	Group		Company	
	£000		£000	
Balance at 1 January 2007	229		—	
Profit & loss account	104		—	
Balance at 31 December 2007	333		—	

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£000		£000	
Tax losses available	333	229	—	—

19. BORROWINGS AND OTHER FINANCIAL INSTRUMENTS

Details of the Group's policies for the use of financial instruments in managing risk are included in the Directors' Report. The group's financial instruments comprise bank loans, cash and various items such as trade receivables and trade payables that are directly from its operations. Cash and bank loans are used to raise finance for the group's operations.

(a) Borrowings

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£000		£000	
Interest-bearing loans and borrowings				
– Repayable within one year	3,529	3,284	—	—
– Repayable after one year	2,141	—	—	—
	5,670	3,284	—	—
Other loans and borrowings				
– Repayable within one year	—	—	—	—
Total loans and borrowings	5,670	3,284	—	—

Interest-bearing loans and borrowings are secured against inventories in specific subsidiary undertakings. The loans are at variable interest rates determined by reference to LIBOR or bank base rate.

(b) Financial assets

The Group's financial assets comprise cash and cash equivalents on deposit amounting to £926,000 (2006 – £1,518,000), which bears interest based on bank base rates. The main risk from financial instruments are interest rate risk as the borrowings are at floating rates of interest and liquidity risk. The average interest rate was 7.15% (2006 – 6.75%)

(c) Other financial instruments

Other than the above the Group has no financial instruments.

(d) Fair value

There is no material difference between the fair value of borrowings, cash and other financial instruments and their book value at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

19. BORROWINGS AND OTHER FINANCIAL INSTRUMENTS continued

(e) Maturity

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£000	£000	£000	£000
Repayable within one year	3,529	3,284	—	—
Repayable on financing or sale of relevant developments	—	—	—	—
Repayable in two to five years	2,141	—	—	—
Total borrowings	5,670	3,284	—	—

(f) Undrawn borrowing facilities

At 31 December 2007 and 2006, the Group had no undrawn borrowing facilities.

(g) Currency exposure

All assets and liabilities are held in Sterling and as such are not liable to any form of currency exposure.

20. SHARE CAPITAL

	31 December 2007	31 December 2006
	£000	£000
Authorised:		
250,000,000 (2006: 250,000,000) ordinary shares of 10p each	25,000	25,000
Allotted, issued and fully paid:		
79,971,393 (2006 – 79,971,393) ordinary shares of 10p each	7,997	7,997

21. RESERVES

	Share premium account	Merger reserve	Capital reserve	Own share capital reacquired	Profit and loss account
	£000	£000	£000	£000	£000
Group					
1 January 2007	1,970	2,494	153	—	(1,581)
Loss for the year	—	—	—	—	(951)
Dividends	—	—	—	—	—
31 December 2007	1,970	2,494	153	—	(2,532)
	Share premium account				Profit and loss account
	£000				£000
Company					
1 January 2007	1,970				340
Loss for the year	—				(458)
Dividends	—				—
31 December 2007	1,970				(118)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

22. RELATED PARTY TRANSACTIONS

The following charges have been incurred by the Group in connection with services provided by related parties during the year:

	Year ended 31 December 2007	Year ended 31 December 2006	As at 31 December 2007	As at 31 December 2006
	£000	£000	£000	£000
	Transactions for the year		Year end balance due to/(from) the Group	
Group				
Kerrington Developments Limited				
Property development costs	1,490	1,350	—	—
Kerrington Property Services Limited,				
Office costs	13	10	—	—
Management Fees	20	20	—	—
Elesys Limited, Office costs	3	8	—	—
Directors fees	25	2	—	(2)
Hazelgrove Estates Limited, Administrative expenses	—	5	—	—
Kerrington Limited, Rent	8	8	—	—
PPF Management Limited, Group Services	2	—	(38)	(56)
Lion House Limited				
Property development costs	—	96	—	—
Aborted property development fee	—	150	—	—
Sentinal Properties Limited, Directors fees	75	49	—	(29)

During 2007, the Group received loans of £250,000 (2006 – £440,625) from Kerrington Limited. Interest of 8% was charged on the loans. The loan was repaid during the year, and interest of £219 (2006 – £29,125) from the company was charged to the group in respect of the loan. The balance outstanding at the year end was £nil (2006 – £nil).

During 2007, the Group received loans of £250,000 (2006 – £nil) from Vista Property Holdings Limited. Interest of 8% was charged on the loans. The loan was repaid during the year, and interest of £2,081 (2006 – £nil) from the company was charged to the group in respect of the loan. The balance outstanding at the year end was £nil (2006 – £nil). Gerard Lee is a director of the company.

During the year, Pathfinder Recovery 1 Limited sold 132,500 ordinary shares in Amicrest Holdings PLC back to the company under a buy back resolution at market value. Gerard Lee and Victor Lipien are directors of Amicrest Holdings PLC. The transaction was conducted on an arms length basis.

PPF Management Limited is a non-profit service charge company set up by, and wholly owned by a number of Pathfinder companies in order to administer common expenses.

Gerard Lee is a director and shareholder of Kerrington Developments Limited, Kerrington Property Services Limited, Hazelgrove Estates Limited, Kerrington Limited and Sentinal Properties Limited. Kerrington Developments Limited is a property development company which was engaged during the year to develop the site at Newark, Nottingham. The transaction was conducted on an arms length basis.

Edward and Jeffrey Azouz are directors and shareholders of AR &V Investments Limited.

23. CAPITAL COMMITMENTS

There are no capital commitments entered into by the Group or the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

24. CONTINGENT LIABILITY

The company has issued guarantees in respect of:

- (a) Interest-bearing loans and borrowings of subsidiary undertakings to the extent of £5,670,000 (2006 – £3,284,000) of which £5,670,000 (2006 – £3,284,000) was utilised at 31 December 2007.
- (b) The Group provided cross – guarantees in respect of the interest due on interest-bearing loans and borrowings made to Pathfinder (Loch Lomond) Limited. Since Pathfinder (Loch Lomond) Limited is in liquidation the Group has made payments under this cross-guarantee and has made provision of £165,000 in respect of future interest payments.

25. COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s230 Companies Act 1985, the company has not presented its own income statement.

The (loss)/profit attributable to members of the parent company was dealt with as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
	£000	£000
In the financial statements of the parent company	(458)	(416)
Retained in subsidiary undertakings	—	2,621
	(458)	2,205

26. RECONCILIATION OF EQUITY

These are the group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out on pages 22 to 24 have been applied in preparing the consolidated financial statements including comparative information for the year ended 31 December 2006 and in preparing the opening IFRS balance sheet at 1 January 2006 (the group's date of transition to IFRS).

In preparing its opening IFRS balance sheet and comparative information for the year ended 31 December 2006, the group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 continued

26. RECONCILIATION OF EQUITY continued

	As at 31 December 2006 and 1 January 2007 (date of transition to IFRS)		
	UK GAAP £ '000	Effect of transition to IFRSs £ '000	IFRSs £ '000
Goodwill	154	—	154
Property, plant and equipment	20	—	20
Investment in joint ventures	73	—	73
Investments	152	—	152
Total non-current assets	399	—	399
Inventories	12,255	—	12,255
Trade and other receivables	1,012	—	1,012
Cash and cash equivalents	1,518	—	1,518
Deferred tax asset	229	—	229
Total current assets	15,014	—	15,014
Total assets	15,413	—	15,413
Trade and other payables	533	—	533
Interest-bearing loans and borrowings	3,284	—	3,284
Tax payable	220	—	220
Total liabilities	4,037	—	4,037
Minority interests	343	—	343
Total assets less total Liabilities	11,033	—	11,033
Issued capital	7,997	—	7,997
Share premium	1,970	—	1,970
Other reserves	2,647	—	2,647
Retained earnings	(1,581)	—	(1,581)
Total equity	11,033	—	11,033

27. RECONCILIATION OF PROFIT OR LOSS FOR YEAR ENDED 31 DECEMBER 2006

	Effect of transition to IFRSs		
	UK GAAP £ '000	£ '000	IFRSs £ '000
Revenue	17,000	—	17,000
Cost of sales	(12,550)	—	(12,550)
Gross profit	4,450	—	4,450
Administrative expenses	(560)	—	(560)
Other net operating losses	(347)	—	(347)
Finance income	94	—	94
Finance costs	(816)	—	(816)
Profit before tax	2,821	—	2,821
Tax expense	(535)	—	(535)
Minority interest	(81)	—	(81)
Net profit	2,205	—	2,205

INDEPENDENT AUDITORS' REPORT

for the year ended 31 December 2007

TO THE SHAREHOLDERS OF PATHFINDER PROPERTIES PLC

We have audited the financial statements of Pathfinder Properties PLC for the year ended 31 December 2007 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 27. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS), as adopted by the EU.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, or 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 is not disclosed.

We read the other information contained within the Annual Report and consider whether it is consistent with the audited financial statements. 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 circumstances of the company and the group, 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

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2007 continued

Opinion

In our opinion, the financial statements:

- give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, of the state of affairs of the company and of the group as at 31 December 2007 and of the loss of the group for the period then ended;
- the information given in the directors' report is consistent with the financial statements; and
- have been properly prepared in accordance with the Companies Act 1985.

Sedley Richard Laurence Voulters

Chartered Accountants

Registered Auditor

1 Conduit Street

London W1S 2XA

30 June 2008

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at Avenue House, East End Road, Finchley, London N3 3QE on 15 September 2008 at 10am for the transaction of the following purposes:

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2007.
2. To reappoint Messrs Sedley Richard Laurence Voulters, Chartered Accountants, as Auditors in accordance with Section 385 of the Companies Act 1985, to hold Office from the conclusion of the 2007 Annual General Meeting until the conclusion of the next Annual General Meeting at which Accounts are laid before the members.
3. To authorise the directors to fix the remuneration of the Auditors.
4. To re-elect Mr Gerard Lee, who is retiring by rotation, as a director.
5. To re-elect Mr John Guy Davies, who is retiring by rotation as a director.

Special business

To consider, and if thought fit, pass the following resolution which will be proposed as a special resolution:

6. That the company be generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163 of that Act) of ordinary shares of 10 pence each in the capital of the company subject to the following conditions:
 - (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 7,997,139 shares;
 - (ii) the minimum price (exclusive of expenses) which may be paid for each ordinary share is 10 pence, being the nominal value thereof;
 - (iii) the maximum price (exclusive of expenses) which may be paid for each ordinary share for as long as the ordinary shares of the company are listed on the Alternative Investment Market shall be an amount equal to 105% of the average middle market quotation for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made;
 - (iv) this authority shall expire, unless previously renewed, varied or revoked by the company, on the earlier of the conclusion of the next Annual General Meeting of the company or the date which is eighteen months after the date on which the resolution is passed;
 - (v) the company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority; and make a purchase of its own shares in pursuant to any such contract.

By order of the Board
BA Gemal
Secretary

Registered office:
1001 Finchley Road
London
NW11 7HB

Dated this 30 June 2008

ANNUAL GENERAL MEETING EXPLANATORY NOTES

1. Report and financial statements

The directors of the Company must present the financial statements to the meeting for adoption.

2. Reappointment of auditors

The Company is required to appoint auditors at each general meeting at which the financial statements are presented to the shareholder for adoption. Sedley Richard Laurence Voulters served as the Company's auditors during the accounting period last ended and it is proposed that they be reappointed.

3. Remuneration of auditors

This resolution provides that the Board be authorised to fix the remuneration of the auditors.

4. Re-election of director

The Company's Article of Association provide that one third of the Directors are obliged to retire by rotation at each Annual General Meeting. Mr G Lee retires by rotation at the meeting and is standing for re-election.

5. Re-election of director

The Company's Article of Association provide that one third of the Directors are obliged to retire by rotation at each Annual General Meeting. Mr J G Davies retires by rotation at the meeting and is standing for re-election.

6. Authority to purchase own shares

It may be advantageous for the company, in certain circumstances, to purchase its own shares and the directors require the authority of shareholders in advance in order to do so. The authority seeks to purchase up to 7,997,139 shares in the company which represents 10% of the company's issued ordinary share capital within the minimum and maximum prices set out in the resolution. The directors would only purchase shares if in their opinion, the expected effect would be to result in an increase in earnings per share and would benefit shareholders generally. This authority expires no later than eighteen months after the passing of the resolution.

Notes:

- i. A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a Member of the Company.
- ii. A form of proxy is provided with this notice. To be valid, proxies must be received at this office or the Company's Registrars, Capita Registrars Limited, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR no later than 48 hours before the time fixed for the next meeting.
- iii. Please indicate how you wish your votes to be cast by placing a cross in the appropriate spaces. Unless otherwise indicated the proxy will vote as he thinks fit or will abstain (including any other matter which may properly come before the meeting.)
- iv. Completion and return of this form of proxy will not prevent a member from attending the meeting and voting in person should the member wish to do so.
- v. There will be available for inspection at the Registered Office during normal business hours from the date of this notice to the date of the Annual General Meeting and at the place of the Meeting for 15 minutes prior to and during the Meeting, the Register of Directors Interests and copies of the Directors Service contracts.

FIVE YEAR SUMMARY

	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
	£000	£000	£000	£000	£000
Gross revenue	32	17,000	753	—	6
Group revenue	27	17,000	745	—	—
Operating profit/(loss)	(633)	4,450	(233)	(186)	(4,053)
Profit/(loss) on ordinary activities before taxation	(1,048)	2,821	(1,421)	(176)	(4,620)
Profit/(loss) on ordinary activities after taxation	(944)	2,286	(1,231)	(168)	(4,548)
Dividends	—	—	—	—	—
Retained earnings/(loss)	(951)	2,205	(1,314)	(158)	(4,426)
Earnings/(loss) per share	(1.19)p	2.76p	(1.64)p	(0.20)p	(5.54)p
Dividends per share	—	—	—	—	—

	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004	Year ended 31 December 2003
	£000	£000	£000	£000	£000
Goodwill	154	154	154	154	—
Property, plant and equipment	15	20	11	6	11
Investment in joint ventures	1	73	73	66	1,255
Investments	—	152	152	152	152
Net current assets	12,403	10,977	14,153	14,838	7,443
Loans and borrowings	(2,141)	—	(6,037)	(6,056)	—
Minority interest	(350)	(343)	(356)	(273)	(283)
Shareholders' funds	10,082	11,033	8,150	8,887	8,632
	Pence	Pence	Pence	Pence	Pence
Net assets per share	12.60	13.79	10.20	11.11	10.79

