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The Directors whose names appear on page 5 of this Document accept responsibility for the information contained in this Document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken reasonable care to ensure that such is the case) the information contained in this Document for which they are responsible (as above) is in accordance with the facts and there are no other facts the omission of which is likely to affect the import of such information.

If you have sold or transferred all of your Existing Ordinary Shares or if prior to 13 September 2008 such a sale or transfer is effected please immediately send this Document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Pathfinder Properties Plc

(Registered in England and Wales with company number 2578942)

Proposed Disposal of Property Development Sites and Notice of Extraordinary General Meeting

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Beaumont Cornish Limited, which is authorised and regulated in the United Kingdom in the conduct of business by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Nominated Adviser for the purposes of the AIM Rules and is acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Beaumont Cornish Limited or for advising any other person and other arrangements described in this Document or any matter referred to herein. The responsibilities of Beaumont Cornish Limited, as Nominated Adviser under the AIM Rules, are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this Document. No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. No representation or warranty, expressed or implied, is made by Beaumont Cornish Limited as to any of the contents of this Document. Beaumont Cornish Limited has not authorised the contents of any part of this Document for any purpose and no liability whatsoever is accepted by Beaumont Cornish Limited for the accuracy of any information or opinions contained in this Document. Neither the delivery of this Document hereunder nor any subsequent subscription or sale made for Ordinary Shares shall, under any circumstances, create any implication that the information contained in this Document is correct as of any time subsequent to the date of this Document.

Notice of an EGM of the Company to be held at Avenue House, East End Road, Finchley, London N3 3QE on 15 September 2008 at 11.00 am is set out at the end of this Document. Shareholders will find enclosed a Form of Proxy for use at the EGM which, to be valid, must be completed and returned so as to be received by the Company's registrars, Capita Registrars Limited, as soon as possible and in any event not later than 11.00 am on 13 September 2008. Completion and return of the Form of Proxy will not preclude Shareholders from attending the meeting and voting in person should they subsequently wish to do so. The Directors' recommendation is set out on page 8 of this Document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy for the EGM	11.00 am on 13 September 2008
EGM	11.00 am on 15 September 2008

DEFINITIONS

The following definitions apply throughout this Document unless the context otherwise requires:

“Act”	the Companies Act 1985 (as amended)
“AIM”	the AIM Market of the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies issued by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company
“Beaumont Cornish”	Beaumont Cornish Limited authorised and regulated by the Financial Services Authority
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001, as amended) for the purpose of paperless settlement in respect of which CRESTCo Limited is the operator (as defined in those Regulations)
“Company Secretary”	BA Gemal
“Company” or “Pathfinder”	Pathfinder Properties Plc, a company registered in England and Wales with registered number 2578942
“Disposals”	the proposed disposal of the Ilford development site and the Victorian Brewery development at Newark, as described in paragraph 3 of Part 1 of this Document
“Directors” or “Board”	the directors of the Company at the date of this Document, as set out on page 5 of this Document
“Document”	this document
“EGM”	the extraordinary general meeting of the Company to be held on 15 September 2008 at 11.00 am (or any adjournment thereof), notice of which is set out at the end of this Document
“Existing Ordinary Shares”	the 79,971,393 existing issued Ordinary Shares at the date of this Document
“Form of Proxy”	the form of proxy to be used by holders of Existing Ordinary Shares in connection with the EGM
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and its subsidiaries
Independent Directors	Edward Azouz, Jeffrey Azouz, Dr John Guy Davies and Victor Lipien
“London Stock Exchange” or “Exchange”	London Stock Exchange plc
“Official List”	the official list of the UKLA
“Ordinary Shares”	the ordinary shares of 0.5 pence each in the share capital of the Company at the date of this Document

“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Reorganisation”	the subdivision and reorganisation of the Existing Ordinary Shares as set out in paragraph 3 of Part 1 of this Document
“Resolutions”	the ordinary resolutions set out in the notice of EGM at the end of this Document and ‘Resolution’ shall mean any one of them as appropriate
“Shareholders” or “Members”	holders of Existing Ordinary Shares
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part 8 of FSMA

PART 1

LETTER FROM THE CHAIRMAN OF PATHFINDER PROPERTIES PLC

Pathfinder Properties Plc

(Incorporated and registered in England and Wales with Registered Number 2578942)

Directors:

Edward Azouz (Executive Chairman)
Gerard 'Gerry' Lee (Executive Director)
Jeffrey Azouz (Non-Executive Director)
Dr John Guy Davies (Non-Executive Director)
Victor Lipien (Non-Executive Director)

Registered Office:

1001 Finchley Road
London
NW11 7HB

29 August 2008

To the holders of Existing Ordinary Shares

Dear Shareholder,

Proposed Disposal of Property Development Sites

1. INTRODUCTION

The Company announced today that it proposes to dispose of the Ilford development site and the Victorian Brewery at the Newark development site to acquisition vehicle(s) of Gerard Lee, a director and 16.6 per cent. shareholder of the Company.

The Disposals will constitute "related party transactions" under AIM rule 13 and "disposals resulting in a fundamental change of business" under AIM rule 15, although the Company will continue as a property development company holding its remaining sites. In addition, the Disposals will also constitute "substantial property transactions" requiring shareholder approval under section 190 Companies Act 2006.

The purpose of this letter is to provide Shareholders with the background to the Disposals and seek their approval for the Disposals at the Extraordinary General Meeting ("EGM") to be held at Avenue House, East End Road, Finchley, London N3 3QE on 15 September 2008 at 11.00 am.

2. BACKGROUND AND DETAILS OF SITES

Development portfolio

Land at Ilford, Essex

The development site comprises 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.

North Gate, Newark

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 currently underway.

3. DETAILS OF THE PROPOSED DISPOSALS

Ilford

The Ilford site was purchased in 2004 with a planning consent for 83 units. The purchase price was £6,000,000 and the cost to date in the books is £6,483,000. At present there is a loan on the property from The Royal Bank of Scotland amounting to £2,230,000. On purchasing the property, the Company obtained a valuation from Lamberts. This valuation was for £6,000,000. The site has no income.

During the last two years, the Company has increased the planning consent from 83 units to 103 units, subject to a section 106 planning agreement. However, due to market conditions, the site has dropped in value substantially, as evidenced by the latest valuation included in Part 2 of this Document. In fact, although the Company has had the Ilford site marketed by two agents it has not received any offers via this route. The only other offer received was for £2,875,000. At present, the Directors do not consider that the Company has sufficient funds to complete the Ilford development and continue to pay the interest on the bank debt. The approximate cost to carry out this development is £17,215,000.

Gerard Lee proposes to purchase the Ilford site for £3,500,000 in cash.

Newark

This development is split into three sections, namely the River Edge site, Road Frontage site and The Brewery & Maltings. The Victorian Brewery has planning consent for 49 units, and as of today's date, the Company has spent just over £3,000,000 on refurbishment. The total cost of refurbishment of the Victorian Brewery is estimated to be £8,500,000.

When granting planning consent for the River Edge site, the council acknowledged that the Victorian Brewery was a non-profit making development, but as it was a listed building, was keen for it to be redeveloped. Therefore, under a section 106 planning agreement with the local council, it was agreed that there would be no financial payment or social housing on the whole site, but the council gave planning consent for 99 residential units on the River Edge and 88 units on the Road Frontage.

The Road Frontage part of the site has since been released from the section 106 planning agreement but the River Edge site is dependent on the Victorian Brewery development being completed. Therefore, the Company cannot sell the Victorian Brewery to an unconnected third party without the assurance of the development being completed, as this would leave no value to the River Edge site (as the planning consent would be void).

At present, there is £3,500,000 owing to The Royal Bank of Scotland on the entire Newark site. The Board feels that the additional £4,500,000 required to complete the development of the Victorian Brewery, would leave the company with too large a debt burden and the company certainly insufficient income to service the debt. The total acquisition cost for the site is £3,344,000. To date, the Group's work in progress amounts to £5,248,000. Therefore the total costs incurred by the Group in connection the Newark site are £8,592,000.

Gerard Lee proposes to purchase the Brewery & Maltings for £500,000 and to undertake that he will complete the Brewery development thus allowing the Company to retain the planning consent for 99 flats on the River Edge. The bond, amounting to £900,000, which was paid to the council by way of a S106 agreement and for which there is £786,043 still outstanding, will remain payable to the Company under these arrangements, subject to the completion of the milestones.

If shareholder consent is obtained at the EGM it is proposed that the Company intends to enter into legal agreements with Gerard Lee's acquisition vehicle(s) to complete the Disposals. The Company intends to use the proceeds of the Disposals to repay the entire amount of the bank debt on the Ilford development site (being £2,230,000 owed to The Royal Bank of Scotland) and to help finance the River Edge and Road Frontage developments at the Newark site.

4. INDEPENDENT VALUATION REPORTS ON THE PROPOSED DISPOSALS

Ilford

An independent expert's report has been prepared by Lamberts, Chartered Surveyors which values the Ilford site at £2,500,000. Further details of this valuation are set out in Part 2 of this Document.

Newark

An independent expert's report has been prepared by Knight Frank LLP which values the Newark site at £513,000 (not including the bond payment). Further details of this valuation are set out in Part 3 of this Document.

5. RELATED PARTY TRANSACTION

As set out above the Disposals include the sale of both development sites to a Director, Gerry Lee, and therefore under AIM Rule 13 this is classed as a Related Party Transaction. Accordingly, the Independent Directors, being Edward Azouz, Jeffrey Azouz, Dr John Guy Davies and Victor Lipien, confirm that, having consulted with Beaumont Cornish Limited, they consider the terms of the transaction to be fair and reasonable insofar as the shareholders of the Company are concerned.

The Independent Directors have come to this opinion for the following reasons:

- Gerry Lee is paying £3,500,000 for the Ilford site when it has been independently valued at only £2,500,000;
- Gerry Lee is paying £500,000 for the Brewery site, with the guarantee to complete the Brewery development thus allowing the company to retain the planning consent for 99 flats on the River Edge when it has been independently valued at £513,000;
- previous attempts to market the sites have drawn no comparable offers;
- the proceeds received from Gerry Lee will help the Company to complete the remaining developments at the Newark site; and
- the Company has considered raising further funds to finance completion of the developments; however in the current climate these are not available.

6. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM and proposing the resolutions set out below is set out at the end of this Document. The EGM will be held at Avenue House, East End Road, Finchley, London N3 3QE on 15 September 2008 at 11.00 am at which ordinary resolutions will be proposed to approve the Disposals.

7. ACTION TO BE TAKEN

A Form of Proxy is enclosed for use at the EGM to be held at Avenue House, East End Road, Finchley, London N3 3QE on 15 September 2008 at 11.00 am. You are requested to complete, sign and return the Form of Proxy to the Company's registrars, Capita Registrars Limited, 34 Beckenham Road, Beckenham, Kent BR3 4BR, whether or not you intend to be present at the EGM, as soon as possible but in any event so as to arrive not later than 11.00 am on 13 September 2008. The completion and return of a Form of Proxy will not preclude you from attending the EGM and voting in person should you subsequently wish to do so.

8. INVESTING STRATEGY GOING FORWARD

The Company plans to continue as a property development company with the remaining two phases of the Newark development being the River Edge and the Road Frontage sites. As a result of the Disposals the Company will have net cash resources of £600,000 (after allowing for next year's estimated annual running costs of £200,000 and assuming repayment of the bond as detailed above) and a three year term loan of

£2,900,000 on the Newark site (against a valuation of £5,800,000 as reported by Knight Frank LLP in August 2008).

9. RECOMMENDATION

The Independent Directors, having consulted with the Company's nominated adviser Beaumont Cornish, consider the Disposals described in this Document, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The Independent Directors urge and recommend Shareholders to vote in favour of the Resolutions set out in the Notice of EGM as they and those connected with them intend to do in respect of their own beneficial holdings of Ordinary Shares being 23,493,772 Ordinary Shares representing approximately 29.38 per cent. of the issued share capital. Gerry Lee has undertaken not to vote on the Resolutions.

Yours sincerely

Edward Azouz

Chairman

PART 2

INDEPENDENT EXPERT'S REPORT ON ILFORD, ESSEX

26 August 2008

Pathfinder Properties Plc
1001 Finchley Road
London
NW11 7HB

Beaumont Cornish Ltd
10-12 Copthall Avenue
London
EC2R 7DE

Our ref: RK/Ind-tc-mor/73891
Your Ref: EE/CCP/LAMBERTS

Dear Sirs

Land to the Rear of Peachey House, 39 Ilford Hill, Essex IG1

1. INSTRUCTIONS

In accordance with your letter of instruction dated 18 July 2008, our reply dated 18 July 2008 and your subsequent emailed request for a shortened version of the report, we confirm that we have now carried out our inspection of the above property in order to provide a Valuation of the freehold interest in the above property as at the date of valuation in connection with the proposed loan facility.

The enclosed letter represents a shortened version of the full valuation report addressed to yourselves and dated 29 July 2008 and already provided to you under separate cover. The information contained within this letter should not be considered in isolation without the remainder of the full report and we would recommend that any advisers or other interested parties obtain a copy of the report before making any decisions based upon the information contained in this letter.

2. BASIS OF VALUATION

- A. The Market Value of the Freehold interest in the above property on the basis of vacant possession and the benefit of planning consent for the development as outlined herein in accordance with the RICS Valuation Standards.
- B. The Market Value subject to the Special Assumptions as agreed with you and as set out below, in accordance with the RICS Valuation Standards.
- I. Completion of the proposed development in accordance with the proposals set out within this report.

A special assumption is an assumption which either:

- Requires the valuation to be based on facts which differ materially from those which exist at the date of valuation or;
- is one which a prospective purchaser (excluding a purchaser with a special interest) could not be expected to make at the date of valuation, having regard to the prevailing market circumstances.

Our valuation figures are prepared for internal management purposes and for the sole use of Pathfinder Properties Plc & Beaumont Cornish Ltd only. All valuations are given in pounds sterling unless agreed otherwise.

No allowance has been made for liability for taxation, which may arise on disposal.

We confirm that we have no conflict or potential conflict of interest arising as a consequence of compliance with your instructions. We are instructed as independent valuers.

3. COMPLIANCE AND VALUATION STANDARDS

We have had regard to the 6th Edition of the Valuation Standards issued by the Royal Institution of Chartered Surveyors in November 2007 which came into effect on 1 January 2008.

4. STATUS OF VALUER AND CONFLICT OF INTEREST

We confirm that we have undertaken the valuations acting as an Independent Valuer, qualified for the purpose of the valuation.

You are aware that we have previously valued the subject property for yourselves in July 2006. We do not consider that any conflict arises in preparing the advice requested.

5. DATE OF VALUATION

Our inspection was conducted by R Kirby BSc MRICS and A Row BSc (Hons) on 23 July 2008 and the date of this report is the date of our valuation.

It should be noted that our valuations are based upon the facts and evidence prevailing on the date of valuation. We would therefore recommend that valuations are reviewed periodically.

The valuer is qualified for the purpose of the valuation and experienced in valuing properties of a comparable nature, complexity and value to the property.

6. VALUATION

- A. The Market Value of the stated interest in the above property is **£2,500,000 (Two million, five hundred thousand pounds)**.
- B. The Market Value of the stated interest in the above property subject to the Special Assumptions made above is **£23,660,000 (Twenty three million, six hundred and sixty thousand pounds)**.

7. VALUATION COMMENTARY

We have considered the value of the property on a residual basis, after completion of the proposed works to the building, having made allowance for the cost of the proposed works, fees and finance costs, sale fees and developer's profit.

Our valuation calculation has been prepared on the basis of the Circle Visual Developer computer package and we attach a copy of the Appraisal for your perusal as an Appendix at the end of this report.

These figures have been prepared on the basis of comparable sales of other flats within the immediate vicinity. They are provided strictly on the basis of the development as new and you should appreciate that these figures do include for an element of new build premium. There is currently an over supply of new and second hand stock within Ilford as a whole and modern flats of this type are proving difficult to sell and fund under current market conditions.

Less than two years ago the market in Ilford was rapidly rising and in an article in the Evening Standard Homes & Property Section dated 25 October 2006 a population surge was predicted over the next 10 years within the area. A reported development ripple, spreading from Stratford and the Olympic Zone was assisting the area and with Thames Gateway investment boosting local employment a strong demand was in existence for housing. Transport connections were seen as the major draw with Zone 4 status on the underground network (Central Line) and better rail services than other parts of east London.

Re-generation was seen to be improving the fabric of the Town Centre with promise of better amenities to come. Developers were seen to be targeting first time buyers unable to afford to live near the commercial hubs of Canary Wharf or the City with significant capital appreciation anticipated for those buying at this point.

Redbridge Council were predicting in October 2006 that 180 new homes a year would be built in the Town Centre over the next 15 years with supply anticipated to trail demand. Galliard Homes were launching Vision 20, a scheme of 138 apartments priced from £175,000 at this stage. At this time Barratt had just released the final phase of their Centreway Apartments with prices starting at £306,995, rising to £349,995 for a penthouse style flat.

In 2007 a 73 home eco friendly scheme using timber from sustainable sources was due for launch at Ilford Wharf. This scheme offered a mixture of shared ownership, key worker and affordable rent flats was based on two bedroom flats valued at £212,500.

Today the situation is very different with the credit crunch and the collapse in confidence in the residential market as a whole having had a serious negative impact on marketing within Ilford.

The Ilford building which is being developed by Galliard Homes within the Peachey House former office block reports no sales within the last 6-8 months. Marketing started in January 2007 and during the peak period 75% of the apartments within the block were sold with contracts exchanged. Galliard confirmed that one bedroom flats achieved between £195,000- £250,000 for units from 450 sq ft.

2 bedroom flats sold at prices of between £250,000-£340,000 with units extending between 650 and 730 sq ft. There was no allocated parking provided within these prices and the only parking available was to flats on the sixteenth floor or above. On-street spaces were being sold at between £15,000-£20,000.

The collapse in demand for the apartments has been dramatic and Galliard confirm that they are currently not operating a sales office from the site. No decision as to what to do with the remaining 25% of unsold apartments has yet been made and they have had no significant interest in the scheme in the last six months.

It is on the back of this type of negative market evidence that we have endeavoured to prepare a valuation of the site. The collapse in demand for the units has resulted clearly in a significant downturn in the value of the site.

In December 2006 we reviewed the pricing of a modern development proposed for Barking Town Centre being built by City & Docklands. One bedroom flats within this development started from £165,000 for a second floor flat of 409 sq ft with balcony and rose to £225,000 for a two bedroom/two bathroom flat of 643 sq ft on the fourth floor. Again, prices have collapsed with the withdrawal of market funding and the loss of confidence in the buy to let market in particular.

This deterioration in the market can be further demonstrated by auction results which reveal that new build flats in town and city centres have been particularly affected by the recent changes in the residential market. Many developers specifically tailor apartments to attract the buy to let market with investors offered incentives such as cash refunds or guaranteed initial rental returns. Data released by Allsops, the auctioneers shows the average differences within central and inner London between the original Land Registry price and the subsequent sale price for all new build flats sold at auction between January 2005 and February 2008 amounted to approximately £80,000 on average. The average time between Land Registry entry and sale in this sample set is 23 months. Across the whole of the UK, the average drop for these apartment is -26%. From this sample set, out of a total of 535 cases at least 82% were known to be distressed, this demonstrates a fall of -28% in London and the area to the east and south east London are believed to have been the worst affected.

Research of auction results themselves underline this trend.

Flat 191 City View, Centre Way Apartments, Axon Place, Ilford was placed to auction on 23 July 2008. This was a tenth floor one bedroom flat which failed to sell at £130,000.

Flat 114 Memorial Heights, Monach Way was a first floor one bedroom flat which failed to sell at auction for £144,000.

Flat 191 City View, Centreway Apartments was placed to auction in June 2008, this was a tenth floor one bedroom flat which remained unsold and is available at £150,000.

Flat 172 City View sold at auction on 18 June 2008 for £161,000. This was an eighth floor two bedroom flat in the Barratt Development. At the same auction Flat 176, a ninth floor two bedroom flat sold for £161,000. Both of these were distressed sales.

The pricing schedule adopted within our own Development Appraisal is therefore, on the basis of available evidence and the clear lack of demand, is felt to be optimistic. We have factored into our pricing an assumption that, this scheme will not commence for some period of time allowing the market some time to recover. We anticipate that conditions will get worse before they improve and our figures have therefore been adopted to allow for a realistic value of the site assuming that there is no undue pressure to dispose of it in the immediate future.

In order to reflect the assumptions made in respect of pricing of the completed units and by way of balance we have, within the Development Appraisal, allowed for a Developer's Profit based on 25% of the Gross Development Value reflecting the difficult market conditions and the higher returns for risk that any purchaser would expect.

We have allowed for an extended marketing period of the site over a time of up to one year. We would not anticipate the flats coming to the market for at least two years during which time we would expect some of the slack in the market to have been taken up. During this period the construction of the Olympic zone around Stratford should continue and it is to be hoped that this development will, in due course, have a beneficial impact on the area.

The development figures provided assume that there will be no further significant adverse economic data or unpredictable external influences on the UK property market.

We have attached a copy of our Development Appraisal by way of an Appendix at the end of this report for your information. You will note from the summary provided that we have valued the flats at rates per sq ft from £300-£360 disregarding the social units. Car spaces have been valued at £5,000 above ground and £7,500 for basement spaces.

We have calculated the construction costs for the scheme based on a rate of £120 per sq ft on the gross area with a further allowance for contingencies at 8%. Professional fees have been added on top of these costs.

As previously outlined, we have taken into account the costs outlined within the Section 106 Agreement but have apportioned them between the new build element of the scheme and the existing conversion of the office block. We have calculated this on the basis of the ratio of flats in the two schemes. If this assumption is incorrect then the matter should be referred back to us for further comment.

On the basis of our calculations we have arrived at a value for the site just below £2,500,000 which we consider reflects current market conditions. We stress however that with little interest in the market at the present time an extended marketing period should be allowed to achieve this figure. The majority of the larger developers are suffering from a decline in sales at the present time and land banking has virtually ceased. If a quick sale was required then a lower figure should be anticipated.

8. CONFIDENTIALITY AND PUBLICATION

Our valuations and reports are strictly confidential to the party to whom they are addressed, or their other professional advisors, for the specific purpose to which they refer, and no responsibility whatsoever is acceptable to any third parties for the whole or part of their contents.

Neither the whole nor any part of our reports, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way or disclosed orally to a third party without our

written approval of the form and context of such publication or disclosure. Such approval is required whether or not Lamberts Surveyors are referred to by name and whether or not the reports are combined with others.

Quality Standards Control

The signatories below verify that this document has been prepared in accordance with the companies ISO 9001:2000 quality assurance standard and the relevant RICS Valuation Standards. These procedures do not affect the content and views expressed by the originator.

Yours faithfully

R Kirby MRICS

Associate Director

Residential Department

Direct Line: 0207 520 2318

Email: richard.kirby@lambertsurv.co.uk

D G Parkin BSc FRICS

Director

Residential Department

Email: david.parkin@lambertsurv.co.uk

PART 3

INDEPENDENT EXPERT'S REPORT ON THE BREWERY & MALTINGS, NEWARK

Pathfinder Properties Plc
1001 Finchley Road
London
NW11 7HM

Beaumont Cornish Ltd
10-12 Copthall Avenue
London
EC2R 7DE

kirsty.watkinson@knightfrank.com
direct dial +44 7766 573915

27 August 2008

Dear Sirs,

FORMER WARWICK AND RICHARDSON BREWERY, NORTHGATE, NEWARK ON TRENT. PATHFINDER PROPERTIES LTD

INSTRUCTIONS

We refer to your recent instructions in respect of the above. We understand that a valuation letter is required for company accounting purposes.

We can confirm that the property was re-inspected on Friday 1 August 2008, by Miss Kirsty Watkinson Dip. Surv MRICS externally and we were kindly shown around by the Site Manager Mike Ladds. The weather was fine and dry throughout the course of our inspection.

DOCUMENTS PROVIDED

In providing our updated opinion of value, we have relied upon information provided by Kerrington Developments Ltd as being materially correct in all aspects and provides the basis for our valuation. The following updated information has been provided to us:

- Detailed planning permission for the Brewery Scheme, comprising the conversion of the existing Grade II listed building to provide 49,1,2 & 3 bedroom apartments, together with 3 retail units. The conversion of the Maltings to provide bar/restaurant/café.
- Design & Access Statement provided by Urbis of Glasgow, which accompanied the October 2007 planning consent.
- Reduced scale floor plans provided by the Architect for the scheme and a schedule of accommodation.

RICS PRACTICE STATEMENTS

Compliance

We confirm that our valuation has been undertaken in accordance with the latest edition of the RICS Appraisal and Valuation Standards (Sixth Edition) (The Red Book).

Status of the Valuer and Independence

We value as External Valuers because Knight Frank LLP have no financial interest in the subject property and stand to gain no fees from its sale.

STANDARD CONDITIONS AND ASSUMPTIONS

Standard Conditions

Our valuation has been carried out on the basis of the following standard conditions:

- We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property
- Our valuation is exclusive of VAT (if applicable).
- No allowance has been made for any expenses of realisation.
- That inspection of those parts which have not been inspected, or a survey inspection would not reveal material defects or cause the valuer to alter the valuation materially.
- Excluded from our valuation is any additional value attributable to goodwill, or to fixtures and fittings, which are only of value in situ to the present occupier.
- No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEC legislation.

Assumptions

Our valuation has been carried out on the basis of the following Assumptions. Unless it is made apparent by our express statement to the contrary, in the report, we will have been under no duty to have verified these assumptions. If any of them are subsequently found not to be valid, we may wish to review our valuation, as there may be an impact on it.

- That the Freehold interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and good title to be shown. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
- That we have been supplied with all information likely to have an effect on the value of the property, and that the information supplied to us and summarised in this report is both complete and correct.
- That the building including extensions or alterations has/have been constructed and is used in accordance with valid planning permissions, all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).
- That the property is not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search (or their national equivalent), replies to usual enquiries, or by any statutory notice (other than those points referred to above) and that its condition, its use or intended use is not or will not be unlawful.
- That the building is structurally sound, and that the services operate efficiently. That there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above) or materially alter our valuation. Our inspection of the property and this report do not constitute a building survey.
- That the property is connected or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
- That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs

used as permanent shuttering and the like (other than those points referred to above) and that it is not on land filled ground. We have not carried out any investigations into these matters.

- That in the case of the new property, the construction of which has not been completed, the construction will be satisfactorily completed.
- That sewers, main services and roads giving access to the property have been adopted, and that any lease provides right of access and egress over all communal estate roadways, pathways, corridors, stairways and use of communal grounds, parking areas and other facilities.
- That in the case of a newly constructed property, it has been built under the NHBC Buildmark Scheme, Zurich Municipal Newbuild and Rebuild Schemes, Housing Association Property Mutual Scheme, Premier Guarantee for Private and Completed Housing or equivalent, or by a professional consultants acceptable to the lender.
- In cases where properties lie within or close to a flood plain or have a history of flooding our valuation assumes that building insurance is available without payment of an excessive premium or excess.
- That vacant possession is provided (or where a property is tenanted, that the tenant(s) is/are capable of meeting its/their obligations and that there are no arrears of rent or undisclosed breaches of covenant).
- Unless otherwise stated, we are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination.
- In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property.
- We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any potential for contamination to the subject property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values reported.

BASIS OF VALUATION

We assume that the valuation required is to be Market Value as presently defined by the International Valuation Standards Committee as follows:

The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

We confirm that in assessing the Market Value we have applied the interpretive commentary in the RICS Red Book as set out in PS 3.2.1 to PS 3.2.9.

KNOWLEDGE AND SKILLS OF THE VALUER

The valuer is qualified and employed by Knight Frank LLP, dedicated to residential, development, commercial, rural and leisure property.

The valuer is employed within the Residential Valuation Department which is a specialist department dealing with all types of residential property including residential development sites.

We confirm the valuer has the necessary current knowledge to undertake the valuation competently.

DESCRIPTION

Brewery and Maltings Site

At the time of our inspection, construction of the Brewery had significantly advanced since our last report.

In brief, a significant amount of repairs works to the Brewery building had taken place, including the repairing and renewing of the roof, cleaning the brickwork internally, replacing rotten timbers and forming floors in the building. Repairs to the roof structure of the Maltings Building had also been carried out.

ACCOMMODATION

Brewery & Maltings Building

Detailed planning permission has been granted (subject to conditions). The Brewery scheme comprises the conversion of the existing Grade II listed building to provide 49, 1 & 2 bedroom apartments ranging in size from 634 sq.ft to 1,131 sq.ft together with three retail units, situated at ground floor level. The retail units will provide a total of 3,720 sq.ft of retail space and 8,566 sq.ft of storage space.

The conversion of The Maltings comprises the conversion of the existing Grade II Listed Building to provide a bar/restaurant/café measuring some 10,762 sq.ft.

We have been provided with reduced scale floor plans by the developer's architect and a schedule of accommodation. We have therefore had to adopt the measurements supplied by the developer and as such, would recommend that these are confirmed by the developers architect.

PLANNING

The Brewery & The Maltings Site

We have been provided with an outline planning consent under application number 05/02004/OUTM, which relates to the entire property. This grants permission for 'residential development', but is subject to numerous conditions. The conditions briefly relate to timescales, the number, siting, design and appearance of the buildings, landscaping, vehicle turning, floor levels, compliance with the Design Statement and the Master Plan, windows, archaeological investigation, flood risk assessment, environmental/ground investigation & remediation and design of foundations.

These are under application number 04/01242/LBC and grants permission for the "refurbishment and extension of the existing brewery to form 49 residential units and 3 retail units. Refurbishment and extension of existing Maltings to form bar/café/restaurant plus associated parking". This is subject to various conditions. However, the conditions briefly relate to time scales, approval of materials, details of a number of items including landscaping, rainwater goods, windows, passenger lift, access to roof voids, re- pointing, use of the commercial units, method statement to deal with bats, floor levels, and further intrusive ground/environmental investigation.

DEVELOPMENT ISSUES

The Brewery & The Maltings Site

In our previous report, we reported build costs were at £8.5 million to convert the Brewery, but only to fit the Maltings out to a shell condition. We understand that £3 million has been spent to date and therefore £5.5 million is still left to spend on this building. We understand that the works completed to date include a significant amount of repairs and renewing the roof, working on cleaning the internal brickwork, replacing rotten timbers and forming floors in the building. Repairs to the roof structure of The Maltings have also been carried out.

With reference to the bond, we understand your customer has received a payment for the first Milestone of £113,957 on 27 March 2007. The bond paid was £900,000, hence £786,043 remains held as a bond and will be returned once the required works are complete.

RESIDENTIAL MARKET COMMENTARY AND OVERVIEW

Overview

The latest comparable evidence suggests that the market appears to have entered into a slow period. The Nationwide reported that house prices have slowed to the lowest rate for 12 years and have fallen for the ninth consecutive month, bringing the annual fall to 8.1%. Prices of an average house are £15,000 lower than last year, but are £11,000 higher than three years ago. The monthly change in house prices was -0.8% in April 2008, -2.8% in May 2008, -0.9% in June and -1.7% in July.

Demand from purchasers including investors has been declining over recent months. The decline is subject to a number of external factors including the rising interest rates and cost of borrowing, the credit crunch and the decline of the sub-prime market in the USA.

In December the interest rates were decreased by 0.25%, interest rates remained static in January and there was a further cut of 0.25% in February and in March, leaving the base rate at 5%. Despite speculation of a further rate cut in May and June, it remains at the same level. These interest rate cuts have gone little way to helping the housing market, which suggests that other factors have a large influence, including the cost of labor, which has now risen to 6%, rising costs of fuel and energy bills and essential basic goods.

Residential values have had a mixed result, in that first time buyers are finding it extremely difficult to get on the ladder; therefore it is necessary for them to rent for longer periods. Consequently, the rental market has held up reasonably well, providing more confidence to the investor market.

Interest rate rises however will mean that investors will require higher returns in order to be able to fund the payment. The recent interest rate cuts were encouraging for this market sector.

The ongoing credit crunch and the resulting global financial market fall out has increased volatility within the residential sector, putting prices under pressure and sales volumes are noticeably lower.

Compared to the market as a whole, the residential owner occupier and investment markets have both been relatively steady over the past few years, with prices generally increasing every year. However the rises in interest rates in 2007, increased volatility within the market which so far has continued through into 2008, despite a couple of interest rate cuts.

There is increased pressure for the interest rate to drop a further quarter of a percent, in an attempt to decrease the volatility of the market. These interest rate cuts have gone little way to helping the housing market, which suggests that other factors have a large influence, including the cost of labor, which has now risen to over 6%, rising costs of fuel and energy bills, essential basic goods and the overall rise of inflation.

The market for flats has become noticeably more difficult over the past two years. Prior to that, there was a good strong market for both owner occupiers and investors. Now, with the perceived over supply of flats, the market has become very much slower and investors buying in bulk will demand significant discounts of between 15% and 20% against prices which might be paid by owner occupiers.

Extreme caution against flats is now being seen by purchasers and lenders alike and therefore this has resulted in the market for more traditional housing sites becoming more competitive. The supply of such sites is generally lower, therefore sustaining demand.

The recent credit crunch has had a negative impact on the amount of first time buyers currently in the market. A number of mortgage companies are now insisting on 10%-25% deposits, which is having a negative impact on affordability and hence stalling the market further. This development would be aimed at the next time buyer market, which although demand has declined over recent months, in this sector of the market, purchasers tend to have deposits within their existing properties to aid the ability of funding. Properties are still selling, and a market does exist, however this is price and affordability sensitive.

This has in turn impacted land values, generally squeezing the values down from late 2007. Sites are becoming increasingly more difficult to sell, particularly with the deepening of the credit crunch, forcing greater numbers of house builders out of the market.

Local Residential Market Commentary

The Warwick and Richardson Brewery, stands adjacent to two further areas of redevelopment, off Northgate in Newark. This whole area totals 6.3 acres and there are three separate planning consents. Plot 3 is the conversion of the Warwick's and Richardson's Brewery and Maltings, an existing Grade II listed building to provide 49, 1, 2 & 3 bedroom apartments together with three retail units on the ground floor. The Maltings will comprise the conversion of the existing Grade II listed building to provide a bar/restaurant and café.

The site is located in an attractive setting by the River Trent, about 250 yards to the north east of Newark town centre. The town offers a good range of facilities and amenities, including a range of national retailers, a market on a Wednesday, Friday and Saturday, good bars, restaurants and entertainment including a new bowling alley and multiscreen cinema. There is a good choice of primary and secondary schools, including private and public schooling. Train services are provided from Newark North gate to London Kings Cross in 1 hour and 15 minutes and Leeds in 55 minutes. Other direct local routes from either Newark Castle Railway Station or Newark North Gate, include Nottingham, Lincoln, Grantham, Retford, Worksop, Doncaster and York.

The town is situated with excellent access on the A1 for commuting north and south and the A46 for the cities of Nottingham and Lincoln.

Newark has seen a considerable amount of development over the last few years, with a good amount of inward investment into the town and the local River Trent environment around the town. A large development has been completed about 250 yards to the south of this development on the opposite side of the River Trent, namely "Brewers Wharf". This consists of residential houses, social housing, apartments, offices and retail warehousing including Waitrose and improvements to Newark Castle Railway Station.

A further large regeneration scheme is also going through the planning stages at present, which is located about half a mile to the south of the site on Lombard Street. This will include a new development including a 28,000 sq.ft Asda superstore, 32,000 sq.ft of retail, provision of residential dwellings, 50 sheltered housing units, a new doctors surgery, a new bus station and car park.

The subject site will form another new residential quarter, enhancing the town further. We would consider this premium scheme of riverside apartments, family housing and loft apartments should complete well within the market, given that Newark has not seen the same amount of development that the nearby cities of Nottingham and Lincoln have seen, saturating their markets.

The success of the development will be dependent upon the developer delivering a high quality scheme given the location within this popular commuter village. Failure to achieve the correct image would be detrimental to the scheme from both the sales and marketing perspective. It is also very important that the development is phased correctly, there are many of the same house types which will need to be stage released.

We would emphasise that it is important to provide a sensibly priced, good quality development to aid its success. Although the property market has quietened down considerably over the last six months, a market does exist, but it is price sensitive and sales are still being achieved.

We are of the opinion that a thorough marketing campaign will be needed throughout the course of the development to maintain the profile of the scheme. We have had regards to the following comparables:

Location	Description
Swan & Salmon Yard, Castlegate, Newark	This is a conversion of an 18th Century Coaching Inn. The river is located to the rear of courtyard, although these apartments are fronting Castlegate and do not have river views. Apartment One is a 2 bedroom, 1st floor apartment, currently on the market at £144,950. Apartment 2 , is 2 bedroom, 2nd floor, slightly smaller, on the market at £139,950

Apartment 4 is a 1 bedroom, top floor apartment on the market for £99,950.

Castle Brewery &
The Old Brewhouse,
Albert Street,
Newark

This development was a further former Brewery, which included conversion in the old gothic offices, brewhouse and brewery building and courtyard. There is also an onsite gym. This was converted approximately 4 years ago. The resales currently available are:

The Brewhouse is currently on the market with Humberts for £290,000. It is a duplex penthouse apartment, 2 bedrooms, 2 bathrooms, plus mezzanine and large open plan kitchen/living/dining area.

The Offices a 2 bedroom apartment is currently on the market with housenetwork.co.uk for £150,000. The accommodation comprises 2 bedrooms, one with es, lounge/dining room and kitchen.

The Courtyard a two bedroom apartment is currently on the market with Winkworth for £149,950. It consists of a first floor apartment with vaulted ceilings, charm and character. The accommodation includes ent hall, lounge, fully fitted kitchen, 2 bedrooms and a bathroom. The approximate floor area is 990 sq.ft, equating to £151 per sq.ft re-sale value.

The Brewhouse a small one bedroom flat is currently on the market with Humberts for £95,000.

The Waterfront,
Farndon Road,
Newark.

This scheme was built by Able homes. Phase One completed approximately a couple of years ago. Phase two has recently been completed. It has pleasant views over Newark Marina. **Penthouse** is currently on the market with Alistair Morrison for £244,950. It consists of three bedrooms, two reception rooms, kitchen.

6b The Waterfront is a two bedroom apartment with open plan living/dining/kitchen, 2 bedrooms and bathroom. It is currently on the market with Alistair Morrison for £159,950

The Ivy's,
Farndon Road,
Newark.

This is a riverside scheme, located in the village of Farndon, approximately 2 miles distant from the subject property. It consists of a development of 3 bedroom/3 storey town houses, which have river views, approximately 1100 sq.ft. Recent sales on this development are being achieved around £230,000

With the benefit of such evidence we have applied this to the subject scheme to form our opinion of value for the proposed dwellings, taking into account the size, location, aspects and specification. We have applied values of between £155 sq.ft. - £190 sq.ft for the Brewery Building. The higher end of this scale is for very small apartments.

COMMERCIAL MARKET COMMENTARY AND OVERVIEW

UK Economic Overview

	Quarter/Month (%)	Trend	Annual Rate (%)	Trend
GDP (Q1)	0.4	▼	2.5	▼
Service Sector Output (Q1)	0.6	▼	3.1	▼
Manufacturing Output (Q1)	0.3		1.3	▼
CPI Inflation (April)	0.6	▲	3.3	▲
Unemployment (Feb-April)	5.3	▲	–	
Retail Sales (May)	3.5		8.1	
Housing: Halifax (May)	-2.4	▼	-3.8	▼
Housing: Nationwide (May)	-2.5	▼	-4.4	▼

Figures from National Statistics (ONS) reveal that UK GDP growth in Q1 2008 was 0.4%, the lowest quarter-on-quarter growth since Q1 2005. The annual rate of GDP growth also slowed to 2.5%, the lowest rate since Q4 2005. However, the UK economy has now recorded 63 consecutive quarters of positive growth and, despite clear evidence that it is now slowing, this far from suggests we are entering recession. Indeed, measured by GDP and inflation, the UK has been more stable over the past 15 years than at any other time in the modern era.

With regard to particular sectors within the economy, output growth in the services sector increased by 0.6% during Q1 2008, the lowest rate of growth since Q1 2005. Within the service sector itself, output growth in Business Services and Finance, a key area of growth over the last five years, was just 0.4% in Q1, the lowest since Q4 2002. The statistical evidence is now showing clearly that events in the financial markets which began in July last year are impacting on the sector's overall performance. Surprisingly, output from the manufacturing sector increased by 0.3% in Q1, although given current economic conditions and the long term trend in the sector it is unlikely that this that will be sustained going forward.

On an annual basis, CPI inflation increased to 3.3% in May, the highest increase since July 1992. This is now considerably above the Government target level of 2.0%, and prompted a letter of explanation from Bank of England governor Mervyn King to the Chancellor of the Exchequer.

Furthermore, in the month of May alone, CPI inflation increased by 0.6%, having increased by 0.8% in the previous month of April which amounted to the sharpest such increase in seven years. The Bank of England is now warning that inflation could well move beyond 4% this year.

It is well documented that continuing increases in gas and electricity prices, together with rising food prices, have contributed much to the headline rate of inflation. Encouragingly, however, while headline inflation has moved progressively upwards, core inflation, which excludes energy and food, has actually fallen from 2.0% to 1.5% over the last 11 months. This marks a key difference between the inflationary years of the 1970s and early 1980s from the current economic climate. On those previous occasions, sharp rises in inflation were driven largely by rises to core inflation.

The Monetary Policy Committee (MPC) voted to hold interest rates at 5.00% in their monthly meeting in June, with their last decision having been to cut the rate by a quarter point last April. Despite the ongoing problems in the financial markets and clear signs of a wider economic slowdown, the decision to maintain rates rather than cut them further reflects increasing concerns over the inflation outlook. On balance, the risks to growth and inflation are counterbalancing each other, suggesting that the MPC will keep rates on hold. However, against the backdrop of a downturn, retail sales growth in May was surprisingly strong. Sales were up 8.1% compared with May 2007, representing one of the strongest outturns in 25 years. If this strength is repeated in June and July, the scales will tip towards interest rate hikes.

Despite the surprising retail sales figures for May, commentators are arguing that falling house prices will, ultimately, have an impact on consumer spending. With mortgage lenders withdrawing most of their products and raising their rates, the clear downturn now evident in the UK housing market could also be deep and prolonged. According to the Halifax and Nationwide Indices, average house prices fell by 2.5% and 2.4% respectively in the month of May alone. The sharp falls have resulted from a sudden fall in demand for housing brought about by a combination of restricted affordability (following rapid growth in house prices over recent years) and, more recently, a squeeze on spending power and the reduced availability of credit.

Following a three month period of stability at the beginning of 2008, SWAP rates moved out sharply from mid-April. Towards the end of June, five year SWAP rates stood at 6.2%, reflecting a significant change in sentiment within the market towards rising levels of inflation. Despite the continued uncertainty in the credit markets, the LIBOR edged down gradually through April and much of May, in accordance with the quarter point reduction in the interest rate. However, as inflation fears have become more apparent, the LIBOR rate moved out again in June, albeit marginally, to stand at 5.95%.

In stark opposition to evidence in the market, latest figures from the Bank of England reveal that lending to commercial property reached a record high in Q1 2008. Lending increased by £33bn on the previous quarter to total £202bn and increased by 21% on the total of a year ago. However, these figures should be treated

with a high degree of caution. The most likely explanation is that the freeze of the CMBS market from the second half of 2007 has meant that lenders have been forced to hold any new debt on their balance sheets and, as the Bank of England data do not cover securitisations, this has created an “artificial” boost to the figures in Q4 2007 and Q1 2008. Owing to the turmoil in the credit markets, banks have effectively held onto debt that they would otherwise not have had.

According to the latest figures from Property Data, net investment by overseas investors is now markedly higher than for any other type of investor. During Q1 2008, net investment from overseas investors totalled close to £2.3bn. In contrast, the UK institutions have emerged as clear net disinvestors over the last year, with -£2.5bn of dis-investment in Q1 2008.

Retail Market Overview

	<i>Quarterly (%) Q1 2008</i>	<i>Monthly (%)</i>	<i>Year to date (%)</i>	<i>12 months to April (%)</i>	<i>12 months to May (%)</i>
Income Return	1.3	0.4	2.3	5.0	5.1
Capital Growth	-4.7	-1.1	-6.7	-17.3	-18.3
Rental Growth	0.4	0.1	0.5	1.5	1.5
Equivalent Yield	6.0	6.3	–	6.2	6.3
Total Return	-3.5	-0.7	-4.5	-13.1	-14.1

Source: All figures from May IPD Monthly Index, except Quarterly, from IPD Quarterly Digest Q1 2008

Total returns for all retail have continued to fall since June 2007 and over the 12 months to May totalled -14.1%. Retail is now the poorest performing sector of the three asset classes.

At -14.1% for the 12 months to May, retail total returns remain the lowest of the three main property sectors, having fallen from 12.3% in March.

Capital growth within the sector continues to decline and totalled -18.3% over the 12 months to May, the lowest of any of the major sectors. On a monthly basis, the rate of decline in capital growth is reducing, however, recording -1.1% in April, which compares to the -3.9% recorded in December 2007. On a quarterly basis capital growth fell -3.5% in Q1 2008, considerably less severe than the -8.2% during Q4 2007.

Rental growth in the 12 months to May has slipped slightly to 1.5%, a fall of just six basis points from April’s figure. Rental growth during Q1 2008 stands at 0.4%, broadly in line with growth recorded in the previous three quarters.

The latest figures on retail sales for May provided by National Statistics reveal that sales increased by a very surprising 8.1% compared with last year, suggesting that consumer spending patterns remain surprisingly robust considering the conditions in the credit markets and the clear slowdown in the housing market. However, commentators suggest that consumers can only battle against the perilous state of their finances for so long. Indeed, the positive tone from the official figures contrasts increasingly with more gloomy figures from CBI and BRC surveys which are pointing to a more clear slowdown in sales.

The MPC’s decision to leave interest rates at 5.00% for the second month in a row is a clear demonstration that the inflation outlook remains the primary concern, having surged to 3.3% in May (CPI). With energy and food prices increasing, the MPC has stated it expects inflation to rise further still. However, the disruption in the financial markets and falling business and consumer confidence could lead to economic slowdown, which itself could pull down inflation.

Investment Market Commentary

Since the Autumn of 2007, the investment market has gone through a quick and sudden correction, which has resulted in a general outward shift in yields of between 0.5% and 2%, dependent upon the investment characteristics of the property and whether it is considered prime or secondary. As a result, we are no longer

witnessing high volumes of money chasing after investment products, with many investors losing appetite for property.

Further, because of the recent downturn many investors have withdrawn investment properties from the market as they have been unable to reach their aspirations in terms of value. In addition, the lack of available stock determines that even if investors are able to achieve relatively suitable values, there is extremely limited stock available for them to re-invest. As a result, all these factors determine that very little property is currently being transacted.

That said, those investors that are remaining relatively active are those property companies or high net worth individuals that are looking to take advantage of the re-pricing within the investment market and are picking up those properties that either offer potential rental or capital growth or asset management opportunities in the medium term. However, we have noticed that institutional investors have now essentially withdrawn from the market.

What is also apparent, despite the recent credit crunch in the market; certain elements of the debt driven market are still relatively active. However, we are noting that the high street banks are becoming picky as to whom and to what type of property they will now secure against with many banks no longer actively lending against commercial property. As a result, many banks have now reduced their loan to value ratios and are now charging considerably more for borrowing facilities. Therefore, the current conundrum for debt driven investors is firstly achieving finance and secondly achieving finance at a rate that enables the transaction 'to wash it's own face', as cuts in interest rates are no longer being passed on to borrowers.

The main factors currently influencing the investment market reflect the changes in the economy and the relative uncertainty as to when capital values are set to bounce back. Current research suggests that prime yields are continuing to witness further outward movement with further shifts anticipated in the short to medium term.

Retail Market Commentary

Leisure

In terms of the A3/leisure market within the Newark area, this is essentially limited to older premises within the centre and more modern newer themed bars and restaurants on the outskirts.

In terms of typical A3 leisure rents in the region, prime rents are generally achieved in strong leisure locations, which benefit from a good roadside prominence. Rents being achieved are generally between £269.10 and £322.92 per sq m (£25 and £30 per sq ft). With regard to strong secondary locations within the main leisure offer, rents are typically between £193.75 and £269.10 per sq m (£18 and £25 per sq ft), while solus or regional units are achieving between £139.93 and £182.99 per sq m (£13 and £17 per sq ft) dependant upon the size, style and nature of the unit together with the potential market catchment.

We are not aware of nor have we been able to find any further comparable rental evidence, subsequent to our valuation report in May of last year, which supports us altering our opinion of rental value on the restaurant, bars and the café bar. We have therefore applied a rental value of £150.69 per sq m (£14 per sq ft) to the leisure units, which reflects the varying sizes of the units, their location / position within the scheme and also their prominence. In relation to the gallery area, we have assumed that this will be let as part of the bar / restaurant and have applied half rate to this £150.70 per sq m (£7 per sq ft).

We consider that if the units were to become vacant, there would be a reasonable level of demand in the accommodation from both regional and national operators. It is our opinion that a marketing period of between 18 and 24 months may be required in order to let the units and that incentives equating to between 6 and 9 months rent free may have to be granted to ingoing tenants. We are of the view that terms certain ranging between 5 and 15 years could be achieved on the units.

Retail

Despite the sharp and sudden corrections in the investment market together with the global economic climate since the autumn of last year, the owner occupier market within the UK remains relatively stable. As a result

the market has not yet witnessed dramatic declines in rental or capital values for prime properties with only small reductions witnessed in rents on secondary / tertiary premises. However, due to the nature of the current economic climate, what has been evident is a general reduction in the number of enquiries that are now being witnessed against commercial premises, which has therefore had an impact on the level of demand.

In terms of 'out of town' retail space, prime rents generally vary between £236.81 and £312.16 per sq m (£22 and £29 per sq ft) however, this predominantly relates to retail parks with open A1 consent. Such parks are well located with good transport links on a major arterial route with a good ratio of car parking and roadside prominence with the park providing a good layout and configuration. In relation to the smaller retail parades in 'out of town' locations or solus units, rents can vary between £86.11 and £215.28 per sq m (£8 per sq ft to £20 per sq ft) again dependent upon predominately the prominence, location, configuration, specification and age. Further, the demographics of the surrounding catchment are also paramount to a potential occupier.

In relation to the subject premises, the retail units within the scheme benefit from no roadside prominence although those units within the brewery building may benefit upon completion from a link through to the North Gate Retail Park.

From our investigations and enquiries into the Newark property market, taking into consideration the nature and size of the town, we are not aware of any further rental transactions that are comparable in relation to retail premises, subsequent to our report dated May 2007.

We are of the opinion that typical retailers that may be of interest in these units would include newsagents, convenient store operators, post office, an off licence, dvd rental, florists, bakery and possibly a bank. Typical retailers would include certain national operators or predominantly regional traders. We are of the opinion that the typical lease terms likely to be achieved would be based on a 5 year term certain on effectively full repairing and insuring terms. It is our opinion that marketing periods of up to 24 months may be necessary in order to let all these units and that ingoing tenants may require between 6 and 9 months rent free.

It is our opinion that the 3 units within the brewery building have an excessive amount of storage accommodation at lower ground floor level and as a result a potential occupier would see this a extra and unnecessary cost and would therefore look for a discount to reflect such a high ratio of storage to retail / sales accommodation. The accommodation is further restricted by relatively low floor to ceiling heights.

We are aware of the following comparable rental transactions;

Retail Comparables

Location	Description
18 Castlegate, Newark on Trent, Nottinghamshire	The property comprises a Grade 2 listed building arranged over a lower ground, ground and one upper floor providing a nightclub with 4 bars and 2 dance floors totalling 990.5 sq m (10,661 sq ft). The property is located within the town centre of Newark within a secondary retailing location. The entire property is let to Company Time Limited on a 20 year lease at an initial rent of £102,870 per annum from completion of purchase. The rent is subject to 5 yearly reviews with the first review being increased to a minimum of 3% per annum compounded, or open market value, whichever is the greater. We are aware that the tenant reflects a good covenant strength. We are aware that the property sold at auction in July 2008 for £1.1 million, which reflects a net initial yield of 9.35%.
11 High Pavement, Nottingham	The subject property comprises a 4-storey building with a bar/restaurant on the ground and first floor with residential flats to the second and offices to the third. The property comprises 147.25 sq m (1,585 sq ft) on the ground floor with the first floor of 86.95 sq m (936 sq ft) and the second floor of 91.97 sq m (990 sq ft). The third floor totals 36.33 sq m (391 sq ft) while the basement totals 28.52 sq m (307 sq ft). The premises are located in a prominent position within the heart of the Lace Market area of Nottingham city centre.

The subject premises are held by way of a freehold and are currently let in their entirety to two individuals trading as BrassMonkey for a term of 35 years from 29 September 1999 at a passing rent of £50,000 per annum. The rent is subject to review with the next rent review due in September 2009. The current passing rent is £50,000 per annum. We understand the subject premises are currently being marketed at an asking price of £750,000 which reflects a net initial yield of 6.3%.

14-16 High Road,
Beeston,
Nottinghamshire

The property comprises a retail unit constructed over a ground and basement together with 3 upper floors comprising retail together with ancillary space on the basement, first, second and third floors. The property is located within the town of Beeston and is situated within the main retail offer of the town. The property is situated in a prominent position at the corner of Station Road and The Square. The property is currently let to Clinton Cards (Essex) Limited for a period of 10 years from 22 January 2007 with a tenant option to break at the end of year 5 (January 2012). We understand the lease is drawn on effectively full repairing and insuring terms and that the passing rent of £55,500 per annum, which is considered to be rack rented by the marketing agents. The property is currently being marketed at an asking price of £910,000 which reflects a net initial yield of 5.77%. Clinton Cards are considered a strong national covenant with a nationwide portfolio of retail units.

VALUATION

Residential – The Brewery & The Maltings

The Market Value of the freehold interest of the subject site with the benefit of the current planning permission for 49 units, 3 retail units, a bar, café, restaurant and gallery, **not including the return of the remaining bond**, as described in this report, as at the date of inspection is:- **£513,000 (Five Hundred and Thirteen Thousand Pounds)**.

The Market Value of the freehold interest of the subject site with the benefit of the current planning permission for 49 units, 3 retail units, a bar, café, restaurant and gallery, **including the return of the remaining bond**, as described in this report, as at the date of inspection is:- **£1,300,000 (One Million, Three Hundred Thousand Pounds)**.

We are of the opinion that the Residential Gross Development Value, assuming the development is 100% completed in accordance with the detailed plans provided, based on the floor areas provided, as at the date of this report, is: **£6,986,365 (Six Million, Nine Hundred and Eighty Six Thousand, Three Hundred and Sixty Five Pounds)**.

Commercial

The gross values of the commercial elements of the site, which have been based on the plans and floor areas provided, as at the date of this report are listed below as follows:

Brewery and Maltings

Newark Brewery Retail 1	£287,500
Newark Brewery Retail 2	£175,500
Newark Brewery Retail 3	£191,300
Maltings Bar	£619,500
Maltings Café	£158,000
Maltings Restaurant	£619,500
Maltings Gallery	£49,000

Riverside

Riverside Deli Café	£200,500
Riverside Café Bar	£320,000
Total	£2,620,800

Valuation Assumptions

- We have assumed that all the units will be available to let with vacant possession.
- We have assumed that the refurbishment of the property has been completed.
- We have assumed that the units will be left as a shell ready for an occupier to fit out.
- We have assumed a 20% return on costs.
- We have used the developers build costs.
- We have assumed the information provided to us regarding the S.106 is correct, having not had sight of this.
- In arriving at our opinion of value the investment approach to valuation has been adopted.
- The capitalisation of Market Rent for each of the units by applying an appropriate multiplier to reflect the characteristics of each unit, the subject property as a whole together with its location and the nature of the town.
- In relation to the retail units a yield of 9% - 9.5% has been applied and with regard to the leisure accommodation within both The Maltings and River Edge developments, we have applied a yield of 9.5%.
- Purchasers costs of 5.75% have been deducted from the commercial figures listed above.

Valuation Summary

Brewery and Maltings

Market Value £1,300,000 (including return of remaining bond) GDV £9,086,665

Market Value £513,000 (not including return of remaining bond) GDV £9,086,665

Disclosure

Our valuation is for the use only of the party of whom it is addressed and no responsibility is accepted to any third party for whole or any part of its contents.

If our opinion of value is disclosed with persons other than the addressee of this report the basis of our valuation should be stated.

Neither whole or any part of this valuation report, nor any reference there to maybe included in the published document, circular or statement nor published in any way out our prior written approval of the form and contents in which it may appear.

Yours sincerely

Kirsty Watkinson Dip.Surv MRICS

Associate

For and On Behalf Of Knight Frank LLP

PART 4

CONSENTS

1. Lamberts Chartered Surveyors has given and not withdrawn its written consent to the issue of this Document with the inclusion of its report and references to its name in the form and context in which they appear.
2. Knight Frank LLP has given and not withdrawn its written consent to the issue of this Document with the inclusion of its report and references to its name in the form and context in which they appear.

Pathfinder Properties Plc

(Registered in England and Wales with company number 2578942)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY given that an extraordinary general meeting of Pathfinder Properties Plc (the “Company”) will be held at Avenue House, East End Road, Finchley, London N3 3QE on 15 September 2008 at 11.00 am for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as Ordinary Resolutions.

ORDINARY RESOLUTIONS

1. To approve the disposal by the Company of the Ilford development site to an acquisition vehicle controlled by Gerard Lee for a consideration of £3,500,000 in cash.
2. To approve the disposal by the Company of the Victorian Brewery at the Newark development site to an acquisition vehicle controlled by Gerard Lee for a consideration of £500,000 in cash plus an undertaking from the acquisition vehicle to complete the Victorian Brewery development.

BY ORDER OF THE BOARD

BA Gemal
Company Secretary
29 August 2008

Registered Office:
1001 Finchley Road
London
NW11 7HB

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
3. A form of proxy is enclosed and to be valid must be completed and returned so as to reach the Registrars of the Company, Capita Registrars Limited, 34 Beckenham Road, Beckenham, Kent BR3 4BR (together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power or written authority) not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
4. Copies of the directors’ service contracts and a statement of the directors’ share interests and those of their families will be available for inspection at the Registered Office of the Company during normal business hours on each business day from the date of this notice until the conclusion of the Extraordinary General Meeting.
5. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Company’s register of members at 1001 Finchley Road, London, NW11 7HB 48 hours before the time of meeting (or in the case of adjournment 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting.
6. In the case of joint holders of shares in the Company, the vote of the senior holder shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose seniority will be determined by the order in which the names appear in the Company’s register of members.

PATHFINDER PROPERTIES PLC

(Company number 2578942)

FORM OF PROXY

I am a member of the company, entitled to attend and vote at any general meeting of the company. I appoint the person named below, or failing him/her the chairman of the meeting, as my proxy to vote on my behalf at the annual general meeting of the company to be held at the following place and time, and at any adjournment:

Name of member:	
Name of proxy:	
Place of meeting:	Avenue House, East End Road, Finchley, London N3 3QE
Date of meeting:	15 September 2008 at 11.00 am.

The proxy will vote on the following resolutions, as indicated:

Ordinary resolutions	For	Against	Withheld
1. To approve the disposal by the Company of the Ilford development site to an acquisition vehicle controlled by Gerard Lee for a consideration of £3,500,000 in cash.			
2. To approve the disposal by the Company of the Victorian Brewery at the Newark development site to an acquisition vehicle controlled by Gerard Lee for a consideration of £500,000 in cash plus an undertaking from the acquisition vehicle to complete the Victorian Brewery development.			

Please indicate with an X in the space provided how you wish your votes to be cast on the resolution. If you sign and return this form without indicating how the proxy is to vote, he/she will have discretion to vote either way or to abstain.

Signature

Date

NOTES

- To appoint as a proxy a person other than the Chairman of the Meeting insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
 - To appoint the **Chairman** as your **sole proxy** in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
 - To appoint a **person other than the Chairman as your sole proxy** in respect of all your shares, delete the words 'the Chairman of the meeting (or)' and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
 - To appoint **more than one proxy**, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the Meeting'. All forms must be signed and should be returned together in the same envelope.
- Unless otherwise indicated the proxy will vote as he thinks fit or, at his discretion, abstain from voting.
- The Form of Proxy below must arrive at the Company's Registrars, Capita Registrars Limited, 34 Beckenham Road, Beckenham, Kent BR3 4BR, during usual business hours accompanied by any Power of attorney under which it is executed (if applicable) no later than 48 hours before the time set for the meeting.
- A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
- The Form of Proxy is for use in respect of the shareholder account specified above only and should not be amended or submitted in respect of a different account.
- The 'Vote Withheld' option is to enable you to abstain on any particular resolution. Such a vote is not a vote in law and will not be counted in the votes 'For; and 'Against' a resolution.
- Shares held in uncertified form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. (Shareholders wishing to vote online should visit www.capitaregistrars.com/shareholders and follow the instructions.)**
- Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the Meeting should you subsequently decide to do so.



3rd Fold and tuck in

BUSINESS REPLY SERVICE
Licence No. MB122



Capita Registrars
The Registry
34 Beckenham Road
BECKENHAM
Kent
BR3 4BR

1st Fold

2nd Fold

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