

PATHFINDER PROPERTIES PLC

Report and Financial Statements
for the year ended 31 December 2008

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CHAIRMAN'S STATEMENT

Please find enclosed accounts for the year ending 31 December 2008. Also enclosed is a circular which is asking shareholders to vote on the future direction of the company.

As you are no doubt aware the property market has severely declined in the present economic climate, and this is especially the case with development sites. Our main asset in Newark, on which we have bank loan of £2.9m, was professionally valued in August 2008 at £5.9m, the revaluation in August 2009 saw a reduction of over £4m.

Clearly a company of our size would find it difficult to continue trading when it is in breach of its banking covenants by such a large amount.

Therefore in order for the company to survive the board looked for a solution. The enclosed circular sets out the new direction for the company. The board believes this transaction will give shareholders value in the future.

Proposals from the Circular

Following the disposal of the Ilford site and the Brewery site in Newark as announced on 22 May 2009, the Group has been left with a single development at the Newark development site, being the River Edge and the Road Frontage. This development has been progressed to a position whereby the Group can no longer fund any further development from its existing resources. However, the Directors believe that it is not worthwhile progressing with further development of this site in the current economic climate. As a result, the Company effectively has no sustainable business to justify its status as an AIM traded entity. Accordingly, the Directors believe that it is in Shareholders' interests to dispose of its property and, at the same time, release the Group from its liability for the associated bank financing on the Newark site of the Group, in order to establish a new investing policy in an area in which the Directors believe could best provide the basis for establishing Shareholder value. The Company has been approached by a group of investors involved in mining proposals who have the ability to attract investors. The Directors unanimously believe that the proposed change of direction is in the best interests of the Company and its Shareholders.

The Company has agreed to dispose of the River Edge and Road Frontage sites at the Newark development for £1. These two remaining developments are held in a wholly owned subsidiary of the Company, Newark Property Development Limited ("NPD"), which was specifically formed for holding these properties. The Company is therefore proposing to sell NPD to Kerrington Limited ("Kerrington"), a company controlled by a Director of the Company, Gerry Lee. Kerrington will assume responsibility for repayment of the debt of £2.9m due from NPD to Royal Bank of Scotland PLC. Although the Newark development sites are valued at £2.9m in the Company's balance sheet as at 31 December 2008, a current valuation has been undertaken by Knight Frank which values them at £1.85m.

Pathfinder's proposed strategy is to turn it into an investing company and establish a new investing policy to acquire mainly significant minority interests in both listed and unlisted companies and/or assets which the Directors believe represent opportunities to create Shareholder value, specifically within the natural resource sectors, with a focus on Central Asia and Sub-Saharan Africa although such companies may operate worldwide. The focus will be on metals and mature resource situations with both established resources and the ability to increase these through additional exploration and also bring these into production. The Company will be an active investor.

In addition, Pathfinder is proposed to complete a Capital Reorganisation to facilitate the Proposals, to adopt New Articles of Association, to issue Convertible Loan Agreements raising £506,000 and issue Warrants in conjunction with this and then make an initial Investment in IM Minerals Ltd, an exploration company with licences over TiO₂ prospects in Mozambique. Further details of these proposals are included in a Shareholder Circular sent out to Shareholders along with the Report and Accounts.

Edward Azouz

Chairman

26 November 2009

DIRECTORS

Edward Azouz, aged 60, Executive Director and 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.

Gerard Lee, aged 57, 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.

Jeffrey Azouz, aged 62, Non-Executive Director

Jeffery 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.

Dr John Guy Davies, aged 62, 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.

Victor Lipien, aged 54, 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

E. Elliott

COMPANY NUMBER

2578942 (England and Wales)

REGISTERED OFFICE

Grove Lodge
287 Regents Park Road
Finchley
London N3 3JY

AUDITORS

Chapman Davis LLP
2 Chapel Court
London SE1 1HH

SOLICITORS

Howard Kennedy
19 Cavendish Square
London W1A 2AW

NOMINATED ADVISER AND BROKER

Beaumont Cornish Limited
2nd Floor, Bowman House
29 Wilson Street
London EC2M 2SJ

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 2008

The Directors present their report and the group financial statements of Pathfinder Properties PLC, company number 2578942, for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity during the year was property development. The review of the business, its operations and finances is contained in the Chairman's Statement.

RESULTS AND DIVIDENDS

The group's loss on ordinary activities after taxation was £10,001,000 (2007 – loss £951,000).

The Directors do not recommend the payment of a dividend.

EVENTS SINCE THE YEAR END

These issues are addressed in the Chairman's statement.

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 2008	Ordinary shares of 10p each 31 December 2007
Edward Azouz ¹	10,288,571	10,288,571
Jeffrey Azouz ¹	10,288,571	10,288,571
John Guy Davies	–	–
Gerard Lee ²	13,302,989	13,302,989
Victor Lipien	2,916,630	2,916,630

1 Including shares held by Sunnyview Limited, a company in which Messrs Azouz are shareholders and directors. The shares above are held jointly.

2 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 options 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.

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 (2007 – 30 days).

RISK EXPOSURE

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

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

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

DIRECTORS' REPORT

continued

Interest rate risk

The group continues to finance its operations from the original issue of equity, bank loans and loans from Directors. 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 currency risk.

Credit risk

The group has no significant concentration of credit risk.

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.

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 legislation. 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 2009 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

DIRECTORS' REPORT

continued

SHARE CAPITAL

The authorised and issued share capital of the company at 31 December 2008 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.

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.

AUDITORS

Chapman Davis LLP were appointed auditors of the Company on 19 June 2009. A resolution to re-appoint Chapman Davis LLP, 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.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Monday 21 December 2009 at 11.00 am at Avenue House, 17 East End Road, Finchley, London N3 3QE.

By Order of the Board

E. Elliott

Company Secretary

26 November 2009

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 2008 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 three 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 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.

AUDIT COMMITTEE

The Audit Committee, which meets at least twice a year, comprises the non-executive directors and one executive director, Edward 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.

CORPORATE GOVERNANCE

continued

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 company 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

26 November 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Revenue			
Group and share of joint ventures		70	32
– less: share of joint ventures		–	(5)
Group Revenue	2	70	27
Cost of sales	3	(8,746)	(7)
Gross (loss)/profit		(8,676)	20
Administration expenses	3	(474)	(741)
Goodwill written off		(154)	–
		(9,304)	(721)
Other income		2	88
Operating (loss)	3	(9,302)	(633)
Profit on sale of investment properties		–	3
Profit on sale of fixed asset investments		–	53
		(9,302)	(577)
(Loss) on ordinary activities before investment income, interest and taxation		(9,302)	(577)
Finance income	4	19	50
Finance costs	5	(385)	(521)
		(9,668)	(1,048)
(Loss) on ordinary activities before taxation		(9,668)	(1,048)
Taxation	8	(333)	104
		(10,001)	(944)
(Loss) on ordinary activities after taxation		(10,001)	(944)
Equity minority interests		–	(7)
		(10,001)	(951)
(Loss) for the year attributable to members of the parent company		(10,001)	(951)
		Pence	Pence
(Loss)/per share – Basic and diluted	9	(12.5)	(1.19)

All operations principally relate to Property Development which declined throughout the year and is to be discontinued (see Post Balance Sheet Events Note 26).

CONSOLIDATED BALANCE SHEET

as at 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Assets			
Non Current Assets			
Goodwill	10	–	154
Property, plant and equipment	11	–	15
Investment in joint ventures	12		
– Share of gross assets		–	23
– Share of gross liabilities		–	(22)
		<u>–</u>	<u>1</u>
Total Non Current Assets		<u>–</u>	<u>170</u>
Current Assets			
Inventories	15	2,900	14,135
Trade and other receivables	16	351	1,305
Cash and cash equivalents		20	926
Total Current Assets		<u>3,271</u>	<u>16,366</u>
Total Assets		<u>3,271</u>	<u>16,536</u>
Liabilities			
Current Liabilities			
Trade and other payables	17	81	434
Interest-bearing loans and borrowings	17	3,109	3,529
		<u>3,190</u>	<u>3,963</u>
Liabilities			
Non Current Liabilities			
Interest-bearing loans and borrowings	18	–	2,141
Total Liabilities		<u>3,190</u>	<u>6,104</u>
		81	10,432
Equity minority interests		–	(350)
Total Net Assets		<u>81</u>	<u>10,082</u>
Equity			
Share capital	20	7,997	7,997
Share premium	21	1,970	1,970
Other reserves	21	–	2,647
Retained earnings	21	(9,886)	(2,532)
Total Equity attributable to equity holders of the parent		<u>81</u>	<u>10,082</u>

Approved by the Board on 26 November 2009 and signed on its behalf by

Gerard Lee
Director

COMPANY BALANCE SHEET

as at 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Assets			
Non Current Assets			
Property, plant and equipment	11	–	5
Investments in subsidiary undertakings	13	–	27,371
Total Non Current Assets		<u>–</u>	<u>27,376</u>
Current Assets			
Trade and other receivables	16	385	51
Cash and cash equivalents		6	546
Total Current Assets		<u>391</u>	<u>597</u>
Total Assets		<u>391</u>	<u>27,973</u>
Liabilities			
Current Liabilities			
Trade and other payables	17	101	18,124
Interest-bearing loans and borrowings	17	209	–
Total Liabilities		<u>310</u>	<u>18,124</u>
Total Net Assets		<u>81</u>	<u>9,849</u>
Equity			
Share capital – issued and fully paid	20	7,997	7,997
Share premium	21	1,970	1,970
Retained earnings	21	(9,886)	(118)
Total Equity		<u>81</u>	<u>9,849</u>

Approved by the Board on 26 November 2009 and signed on its behalf by

Gerard Lee
Director

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Group					
1 January 2007	7,997	1,970	2,647	(1,581)	11,033
Loss for the year	–	–	–	(951)	(951)
31 December 2007	<u>7,997</u>	<u>1,970</u>	<u>2,647</u>	<u>(2,532)</u>	<u>10,082</u>
1 January 2008	<u>7,997</u>	<u>1,970</u>	<u>2,647</u>	<u>(2,532)</u>	<u>10,082</u>
Loss for the year	–	–	–	(10,001)	(10,001)
Adjustment (see below)	–	–	(2,647)	2,647	–
31 December 2008	<u>7,997</u>	<u>1,970</u>	<u>–</u>	<u>(9,886)</u>	<u>81</u>
	Share capital £'000	Share premium £'000		Retained earnings £'000	Total £'000
Company					
1 January 2007	7,997	1,970		340	10,307
Loss for the year	–	–		(458)	(458)
31 December 2007	<u>7,997</u>	<u>1,970</u>		<u>(118)</u>	<u>9,849</u>
1 January 2008	<u>7,997</u>	<u>1,970</u>		(118)	9,849
Loss for the year	–	–		(9,768)	(9,768)
31 December 2008	<u>7,997</u>	<u>1,970</u>		<u>(9,886)</u>	<u>81</u>

The adjustment from other reserves represents the derecognition of the historically created Merger Reserve and Capital Reserve due to the negligible net asset values of all subsidiaries as at 31 December 2008.

CASH FLOW STATEMENTS

for the year ended 31 December 2008

	Group Year ended 31 December 2008 £'000	Group Year ended 31 December 2007 £'000	Company Year ended 31 December 2008 £'000	Company Year ended 31 December 2007 £'000
Cash flows used in operating activities				
Operating (loss)	(9,302)	(633)	(9,734)	(253)
Adjustments for:				
Depreciation of property, plant and equipment	15	5	5	3
Goodwill written off	154	–	–	–
Net Investment in Subsidiaries written off	–	–	9,590	–
Operating cash used before working capital changes	(9,133)	(628)	(139)	(250)
Decrease/(increase) in inventories	11,235	(1,880)	–	–
Decrease/(increase) in trade and other receivables	621	108	(334)	1
(Decrease) in trade and other payables	(353)	(99)	(242)	(276)
Cash generated from/(used in) operations	2,370	(2,499)	(715)	(525)
Interest paid	(385)	(521)	(40)	(232)
Taxes paid	–	(220)	–	–
Net cash generated from/(used in) operating activities	1,985	(3,240)	(755)	(757)
Investing activities				
Interest received	19	50	6	27
Proceeds from sale of investment properties	–	14	–	–
Proceeds from sale of investments	–	205	–	69
Net cash generated from investing activities	19	269	6	96
Financing activities				
Minority interest	(350)	(7)	–	–
Proceeds from borrowings	655	2,386	655	–
Repayment of borrowings	(3,216)	–	(446)	–
Joint ventures	1	–	–	–
Net cash (used in)/generated from financing activities	(2,910)	2,379	209	–
Net (decrease) in cash and cash equivalents	(906)	(592)	(540)	(661)
Cash and cash equivalents at beginning of year	926	1,518	546	1,207
Cash and cash equivalents at end of year	20	926	6	546

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

1. 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 and were approved by the Board on 26 November 2009.

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 were accounted for using the gross equity method.

The directors have prepared the group and company financial statements on a going concern basis.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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:

International Accounting

Standards/International

Financial Reporting Standards

(IAS/IFRS)

		<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

NOTES TO THE FINANCIAL STATEMENTS

continued

1. ACCOUNTING POLICIES (continued)

International Accounting

Standards/International

Financial Reporting Standards

(IAS/IFRS)

		<i>Effective date</i>
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
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
International Financial Interpretations Committee (IFRIC)		
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign entity	1 January 2009

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.

Revenue

Revenue comprises gross rental income and service charges receivable from investment properties.

Revenue is derived from activities undertaken in the United Kingdom.

Goodwill

In accordance with IFRS 3 and as allowed by IFRS 1, goodwill was frozen at its net book value as at 1 January 2006 for the year ended 31 December 2007. Goodwill is tested annually for impairment with any impairment losses being recognised immediately in the income statement and goodwill has been fully written off in the income statement for the year ended 31 December 2008.

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

Financial Instruments

The group's financial instruments comprise bank loans, loans from Directors, cash, trade receivables and trade payables and they are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held at the bank.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. ACCOUNTING POLICIES (continued)

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 and expenses.

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.

2. 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.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Depreciation of property, plant and equipment	15	5
Auditors remuneration:		
– audit services	15	95
– other services	33	25
Goodwill written off	154	–
And after crediting:		
– Revenue: rent and similar income receivable from investment properties	70	27

The fees for audit services in relation to the year ended 31 December 2007 and fees for other services in both years were payable to the previous auditor.

Cost of sales amounting to £8,746,000 includes the write downs to net realisable values of the development properties sold in September 2008 and the remaining development property the subject of the proposed sale referred to in the Post Balance Sheet Note 26.

4. FINANCE INCOME

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest on cash and cash equivalents	19	50

NOTES TO THE FINANCIAL STATEMENTS

continued

5. FINANCE COSTS

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest on interest-bearing loans and borrowings	<u>385</u>	<u>521</u>

6. DIRECTORS EMOLUMENTS AND INTERESTS

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Total emoluments of all directors:		
Fees and salaries	<u>156</u>	<u>225</u>
Emoluments of the highest paid director	<u>56</u>	<u>75</u>

No pension contributions are paid in respect of any director.

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 2008 and 2007. No benefits in kind, bonuses or share-based payments have been made.

	2008 £'000	2007 £'000
Edward Azouz	56	75
Jeffrey Azouz	6	25
John Guy Davies	25	25
Gerard Lee	56	75
Victor Lipien	13	25

Messrs Azouz, Azouz and Lee waived their entitlement to remuneration from 25 September 2008. Mr Lipien waived his entitlement to remuneration from 1 July 2008.

Details of other transactions in which directors have interests are given in note 22 to the financial statements.

7. EMPLOYEES

The average number of employees, including the executive directors, employed by the group during the year was 6 (2007 – 9). Salaries and social security costs amounted to £204,000 (2007 – £359,000) and £19,000 (2007 – £25,000) respectively.

Key management compensation solely relates to the Directors' emoluments as disclosed in note 6.

NOTES TO THE FINANCIAL STATEMENTS

continued

8. TAXATION

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

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Current tax – UK corporation tax at 28% – 30% (2007 – 30%) Group	–	–
	–	–
Deferred tax Group	333	(104)
Charge/(credit) for the year	333	(104)

The deferred tax assets of the group brought forward at 1 January 2008, which was made up of tax losses, have been written off in full.

(b) Factors affecting the tax charge for the year

The corporation tax charge (2007 – credit) for the year is lower than the tax credit or charge, which would be assessed, based on the UK standard rate of corporation tax at 28% – 30%. The differences are explained as follows:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
(Loss) on ordinary activities before tax	(9,668)	(1,048)
(Loss) on ordinary activities multiplied by the standard rate of corporation tax 28% – 30% (2007 – 30%)	(2,755)	(314)
Effects of:		
Expenses not deductible for tax purposes	44	–
Income not taxable	–	(26)
Unrelieved tax losses carried forward	3,044	236
Current tax charge/(credit) for the year	333	(104)

9. LOSS PER SHARE

The calculation of loss per share is based on a loss of £10,001,000 (2007 – loss of £951,000) and on 79,971,393 (2007 – 79,971,393) ordinary shares, being the weighted average number of ordinary shares in issue during the year. There are no factors surrounding the question of dilution of the loss per share calculations.

10. GOODWILL

Goodwill of £154,000 arose on the consolidation of Pathfinder Recovery Ventures Limited, Pathfinder (River Quay) Limited, Fletcher Gate Limited and Newark Property Development Limited and this was written off as at 31 December 2008 to reflect the negligible net asset values of all subsidiaries as at 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

continued

11. PROPERTY, PLANT AND EQUIPMENT

Group	Equipment, fixtures and fittings £'000	Investment properties £'000	Total £'000
Cost			
1 January 2007 and 2008	24	4	28
Additions	–	–	–
Disposals	(24)	–	(24)
31 December 2008	<u>–</u>	<u>4</u>	<u>4</u>
Depreciation & Impairment			
1 January 2007	8	–	8
Charge for year	5	–	5
Disposals	–	–	–
31 December 2007	<u>13</u>	<u>–</u>	<u>13</u>
Charge for 2008	11	4	11
Disposals	(24)	–	(24)
31 December 2008	<u>–</u>	<u>4</u>	<u>–</u>
Net book value at 31 December 2008	<u>–</u>	<u>–</u>	<u>–</u>
Net book value at 31 December 2007	<u>11</u>	<u>4</u>	<u>15</u>

All properties are freehold. Based on open market value at 31 December 2008 it is the opinion of the directors that there is no significant value in these investment properties and an impairment charge of £4,000, equivalent to the cost of these assets has been made.

Company	Equipment, fixtures and fittings £'000
Cost	
1 January 2007 and 2008	12
Additions	–
Disposals	–
31 December 2008	<u>12</u>
Depreciation	
1 January 2007	4
Charge for the year	3
Disposals	–
31 December 2007	<u>7</u>
Charge for 2008	5
Disposals	(12)
31 December 2008	<u>–</u>
Net book value at 31 December 2008	<u>–</u>
Net book value at 31 December 2007	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

12. JOINT VENTURES

During the year ended 31 December 2008 all Joint Venture Arrangements were ceased.

The disclosures relating to the existence of Joint Venture Arrangements in 2007 are as follows:

	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	<u>1</u>	<u>–</u>	<u>–</u>	<u>1</u>

The investment in joint ventures comprised 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

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 £'000
Turnover	<u>5</u>
Operating profit	3
Dividends	<u>(3)</u>
Profit retained	<u>–</u>

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

	Year ended 31 December 2007 £'000
Share of gross assets	23
Share of gross liabilities	<u>(22)</u>
	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

12. JOINT VENTURES (continued)

During 2007 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 £'000	Excelmode Limited £'000
31 December 2007		
Loans to joint ventures	38	—
1 January 2007		
Loans to joint ventures	56	3
Loans to joint ventures were interest free.		

13. INVESTMENTS

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Participating interest £'000	Loans to undertakings in which the company has a participating interest £'000	Total £'000
Cost					
1 January 2008	7,458	19,939	1	3	27,401
Additions	—	—	—	—	—
Disposals	—	(17,772)	(1)	(3)	(17,776)
31 December 2008	7,458	2,167	—	—	9,625
Amounts provided					
1 January 2008	—	30	—	—	30
Transfers	—	—	—	—	—
Arising in the year	7,458	2,137	—	—	9,595
31 December 2008	7,458	2,167	—	—	9,625
Net book value					
31 December 2008	—	—	—	—	—
31 December 2007	7,458	19,979	1	3	27,371

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

NOTES TO THE FINANCIAL STATEMENTS

continued

13. INVESTMENTS (continued)

Details of the group's and the company's investments, which are all entities incorporated in the United Kingdom, 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
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	96%	–	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
PFP Management Limited	59%	–	Provision of management services
Viewland Limited	50%	–	Property investment

* Fletcher Gate Limited and Plainrise Limited were sold on 30 September 2008.

+ The Joint Venture Arrangements were ceased during the year ended 31 December 2008.

All investments held are in ordinary shares.

14. DISPOSAL OF SUBSIDIARIES

In accordance with the passing of the ordinary resolutions to approve the disposal by the Company of the Ilford development site to an acquisition vehicle controlled by Gerard Lee for consideration of £3.5 million and 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 consideration of £500,000 the subsidiary undertakings that held those interest, Plainrise Limited and Fletcher Gate Limited respectively, were sold to Kerrington Limited for nominal amounts. On the effective date of transfer, being 30 September 2008, the net realisable values of the inventories were written down to the value of the bank loan and holding company loan indebtedness as follows:

	Plainrise Limited £'000	Fletcher Gate Limited £'000
Inventories	3,500	500
Bank loan	(2,214)	(500)
Holding company loan	(1,286)	–
Net current assets	–	–

NOTES TO THE FINANCIAL STATEMENTS

continued

15. INVENTORIES – GROUP

	31 December 2008 £'000	31 December 2007 £'000
Land and buildings held for development and property in the course of construction	2,900	14,135

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2008 £'000	31 December 2007 £'000	31 December 2008 £'000	31 December 2007 £'000
Current:				
Trade receivables	46	–	–	–
Amounts owed by group undertakings	–	–	80	37
Other receivables	305	896	305	6
Prepayments and accrued income	–	76	–	8
	351	972	385	51
Non current:				
Deferred tax	–	333	–	–
	351	1,305	385	51

17. CURRENT LIABILITIES

	Group		Company	
	31 December 2008 £'000	31 December 2007 £'000	31 December 2008 £'000	31 December 2007 £'000
Interest-bearing loans and borrowings (see note 19)	3,109	3,529	209	–
Trade payables	–	18	–	–
Amount owed to group undertakings	–	–	–	17,772
Amounts owed to undertakings in which the group has a participating interest	–	38	–	9
Other payables	5	87	25	97
Accruals and deferred income	76	291	76	246
	3,190	3,963	310	18,124

18. NON CURRENT LIABILITIES

	Group		Company	
	31 December 2008 £'000	31 December 2007 £'000	31 December 2008 £'000	31 December 2007 £'000
Interest-bearing loans and borrowings	–	2,141	–	–

19. BORROWINGS AND OTHER FINANCIAL INSTRUMENTS – GROUP

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 arise directly from its operations. Cash, bank loans and loans from Directors are used to finance the group's operations.

NOTES TO THE FINANCIAL STATEMENTS

continued

19. BORROWINGS AND OTHER FINANCIAL INSTRUMENTS – GROUP (continued)

(a) Borrowings

	31 December 2008 £'000	31 December 2007 £'000
Interest-bearing loans and borrowings		
– Repayable within one year	3,109	3,529
– Repayable after one year	–	2,141
	<u>3,109</u>	<u>5,670</u>

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

Loans from directors as detailed in the Related Party Transactions Note 22 charge interest of 8% per annum which was also charged on the balances due on the related current account.

(b) Financial assets

The group's financial assets comprise cash and cash equivalent on deposit amounting to £20,000 (2007 – £926,000), which bears interest based on bank base rates.

(c) 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.

(d) Maturity

	31 December 2008 £'000	Group 31 December 2007 £'000
Repayable within one year	3,109	3,529
Repayable in two to five years	–	2,141
Total borrowings	<u>3,109</u>	<u>5,670</u>

(e) Undrawn borrowing facilities

At 31 December 2008 and 2007 the group had no undrawn borrowing facilities.

20. SHARE CAPITAL

	31 December 2008 £'000	31 December 2007 £'000
Authorised:		
250,000,000 (2007 – 250,000,000) ordinary shares of 10p each	<u>25,000</u>	<u>25,000</u>
Allotted, issued and fully paid:		
79,971,393 (2007 – 79,971,393) ordinary shares of 10p each	<u>7,997</u>	<u>7,997</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

21. SHARE PREMIUM AND OTHER RESERVES

	Share premium account £'000	Merger reserve £'000	Capital reserve £'000	Retained earnings £'000
GROUP				
1 January 2008	1,970	2,494	153	(2,532)
Loss for the year	–	–	–	(10,001)
Adjustment	–	(2,494)	(153)	2,647
31 December 2008	1,970	–	–	(9,886)

The adjustment from the Merger Reserve and Capital Reserve represents the derecognition on consolidation due to the negligible net asset values of all subsidiaries as at 31 December 2008.

	Share premium account £'000	Retained earnings £'000
COMPANY		
1 January 2008	1,970	(118)
Loss for the year	–	(9,768)
31 December 2008	1,970	(9,886)

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 2008 £'000	Year ended 31 December 2007 £'000
	Transactions for the year	
GROUP		
Kerrington Developments Limited		
Property development costs	1,687	1,490
Kerrington Property Services Limited,		
Office costs	8	13
Management Fees	20	20
Elesys Limited		
Office costs	3	2
Directors fees	13	25
Kerrington Limited		
Rent	20	8
Sentinal Properties Limited		
Directors fees	56	75

During 2008, the group received loans of £455,000 (2007 – 250,000) from Kerrington Limited. Interest of 8% was charged on the loans. The loans were repaid during the year, and interest of £15,000 (2007 – less than £1,000) was charged to the group to include interest on current account balances. The balance outstanding at the year end was £302,000 due to the company (2007 – £nil).

Gerard Lee is a director and shareholder of Kerrington Developments Limited, Kerrington Property Services 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 property development was conducted on an arms length basis.

Victor Lipien is a director and shareholder of Elesys Limited.

NOTES TO THE FINANCIAL STATEMENTS

continued

22. RELATED PARTY TRANSACTIONS (continued)

During 2008 the group received a loan of £200,000 from AR & V. Investments Limited. Interest of 8% was charged on the loan and interest of £9,000 was charged to the group. The balance outstanding at the year end was £209,000. Edward and Jeffrey Azouz are directors and shareholders of AR & V. Investments Limited.

There are no other related party transactions other than key management compensation which is disclosed in note 6.

23. CAPITAL COMMITMENTS

There are no capital commitments entered into by the group or the company.

24. CONTINGENT LIABILITY

The company has no outstanding guarantees in respect of interest-bearing loans and borrowings of subsidiary undertakings (2007 such guarantees existed amounting to £5,670,000).

25. COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s230 Companies Act 1985, the company has not presented its own income statement. The amount of group loss dealt with in the accounts of the company is a loss of £9,768,000 (2007 – loss of £458,000).

26. POST BALANCE SHEET EVENTS

- The Company has entered into a Share Purchase Agreement with Kerrington under the terms of which Kerrington has agreed to pay the Company £1 in consideration of the transfer to Kerrington of the entire issued share capital of NPD. The Completion of the Share Purchase Agreement is conditional on the passing of a resolution by the Shareholders of the Company authorising the disposal of the sites owned by NPD known as the River Edge site and the Road Frontage sites at Northgate, Newark.

Kerrington has agreed to purchase the shares in NPD subject to charges registered in favour of the Royal Bank of Scotland Plc in relation to an outstanding debt of £2.9m.

- It is proposed that the 79,971,393 Existing Ordinary Shares will be consolidated and sub-divided on the basis of and according to the steps set out as follows:

It is proposed that every Existing Ordinary Share shall be sub-divided and reclassified as one Ordinary Share of 0.1p (**Subdivided Share**) and one deferred share of 9.9p (**Deferred Share**).

It is then proposed that every 20,000 Subdivided Shares will be consolidated into 1 New Ordinary Share of £20 unless a shareholding therefore equals or exceeds 20,000 Existing Ordinary Shares then Shareholders will be left with a fractional entitlement to the resulting Ordinary Shares if the Resolutions are approved.

Following the sub-division of the Existing Ordinary Shares and subsequent consolidation of the Subdivided Shares, the nominal value of each Ordinary Share will be £20 each. The 2006 Act provides that a Company may only lawfully issue new shares for a subscription price at or above the nominal value of those shares. In order that the Company may issue the New Ordinary Shares, pursuant to the Proposals, the Company proposes that each ordinary share in the capital of the Company then having a nominal value of £20 be sub-divided into 2,000 Ordinary Shares of 1 pence each.

- The Company has entered into Convertible Loan Agreements to provide an aggregate loan amount of £506,000 for a term of two years from the date of drawdown. Following a six month period from the date of drawdown of Convertible Loan monies, the Company shall also be entitled to repay the Loan monies. At any time after one calendar month following the drawdown of Convertible Loan monies the Lender is entitled to request that any amount still outstanding of such loan be converted into Ordinary Shares in the Company at a conversion price of 1.5p per Ordinary Share.
- The Company intends to invest £200,000 into IM Minerals Ltd to acquire a 4.67% shareholding.
- The Interim Financial Statements for the six months ended 30 June 2009 have been released coterminously with these financial statements.

INDEPENDENT AUDITORS' REPORT

For the year ended 31 December 2008

TO THE SHAREHOLDERS OF PATHFINDER PROPERTIES PLC

We have audited the financial statements of Pathfinder Properties PLC for the year ended 31 December 2008 which comprises the group income statement, the group and company statement of changes in shareholders' equity, the group and parent company balance sheets, the group and parent company cash flow statement and the related notes 1 to 26. 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 the 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, and as regards the group financial statements, Article 4 of the IAS Regulations. 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, of 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. The other information comprises only the Chairman's statement and Director's Report. 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.

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 2008 and of the loss of the group for the period then ended;
- have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulations and
- the information given in the directors' report is consistent with the financial statements.

Chapman Davis LLP
Chartered Accountants and Registered Auditor
London

26 November 2009