

Company Registration No. 3837850 (England and Wales)

PATHFINDER (RIVER QUAY) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



PATHFINDER (RIVER QUAY) LIMITED

COMPANY INFORMATION

Directors	G Lee	(Appointed 5 February 2004)
	E Azouz	(Appointed 27 January 2004)
	J Azouz	(Appointed 27 January 2004)
	J G Davies	(Appointed 27 January 2004)

Secretary	E Elliot
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Company number	3837850
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Registered office	1001 Finchley Road London NW11 7HB
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Auditors	Sedley Richard Laurence Voulters 1 Conduit Street London W1S 2XA
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Bankers	Bank of Scotland 14/16 Cockspur Street London SW1Y 5BL
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Solicitors	Pinsent Masons 30 Aylesbury Street London EC1R OER
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PATHFINDER (RIVER QUAY) LIMITED

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PATHFINDER (RIVER QUAY) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities and review of the business

The principal activity of the company continued to be that of property development.

The company owns a 3.25 acre site in Manchester within 15 minutes walk of the city centre, adjacent to the River Medlock. The company has obtained planning permission for Phases 1 & 2 which comprise 390 residential apartments and 39,000 sq ft of commercial space. No development activity was undertaken during the year.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Future developments

The directors anticipate the development of Phase 1 to commence during 2005. The directors will look to start Phase 2, which already has planning consent, in the next 18 months, provided the sales of Phase 1 proceed at the expected rate.

A proposal in respect of the sale of Phases 3 and 4 to the directors G Lee and E Azouz was passed during 2004, and this sale is expected to complete during 2005.

Directors

The following directors have held office since 1 January 2004:

G Lee	(Appointed 5 February 2004)
E Azouz	(Appointed 27 January 2004)
J Azouz	(Appointed 27 January 2004)
J G Davies	(Appointed 27 January 2004)
Malcolm Bacchus	(Resigned 5 February 2004)
George Heggie	(Resigned 5 February 2004)
Claire O'Connor	(Resigned 5 February 2004)
M Green	(Resigned 5 February 2004)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
G Lee	-	-
E Azouz	-	-
J Azouz	-	-
J G Davies	-	-

The interests of the directors in the share capital of the ultimate parent company, Pathfinder Properties PLC, are disclosed in that company's financial statements.

PATHFINDER (RIVER QUAY) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to pay suppliers in accordance with the payment terms negotiated with them. Thus, payment is normally made to those suppliers meeting the company's obligations.

On average, trade creditors at the year end represented 5 (2003 - 42) days' purchases.

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Sedley Richard Laurence Voulters, will be deemed to be reappointed for each succeeding financial year.


Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 company will continue in business.

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

On behalf of the board



G Lee

Director

27 October 2005

PATHFINDER (RIVER QUAY) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PATHFINDER (RIVER QUAY) LIMITED

We have audited the financial statements of Pathfinder (River Quay) Limited on pages 4 to 12 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention and 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, 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 is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Sedley Richard Laurence Voulters

27 October 2005

Chartered Accountants
Registered Auditor

1 Conduit Street
London
W1S 2XA

PATHFINDER (RIVER QUAY) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Administrative expenses		(21,818)	(133,419)
Other operating income		90,000	90,000
Operating profit/(loss)	2	68,182	(43,419)
Investment income	3	-	3,793
Other interest receivable and similar income	3	7,893	34,273
Interest payable and similar charges	4	(460,806)	(293,176)
Loss on ordinary activities before taxation		(384,731)	(298,529)
Tax on loss on ordinary activities	5	51,603	92,709
Loss on ordinary activities after taxation	13	(333,128)	(205,820)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

PATHFINDER (RIVER QUAY) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Investments	6		2		2
Current assets					
Stocks	7	10,656,997		10,298,677	
Debtors	8	215,508		198,254	
Cash at bank and in hand		33,862		1,037,764	
		<u>10,906,367</u>		<u>11,534,695</u>	
Creditors: amounts falling due within one year	9	<u>(5,459,676)</u>		<u>(11,812,168)</u>	
Net current assets/(liabilities)			5,446,691		(277,473)
Total assets less current liabilities			5,446,693		(277,471)
Creditors: amounts falling due after more than one year	10		(6,057,292)		-
			<u>(610,599)</u>		<u>(277,471)</u>
Capital and reserves					
Called up share capital	12		200		200
Profit and loss account	13		(610,799)		(277,671)
Shareholders' funds - equity interests	14		<u>(610,599)</u>		<u>(277,471)</u>

The financial statements were approved by the Board on 27 October 2005

G Lee
Director

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

Included in creditors is an amount of £5,369,987 owed to the parent and fellow subsidiary undertakings. These companies have indicated their willingness to continue to support the company, to enable the company to meet its liabilities as they fall due. Therefore, the financial statements have been prepared on a going concern basis which in the opinion of the directors is appropriate.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.4 Stock and work in progress

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

1.5 Deferred taxation

The accounting policy in respect of deferred tax is to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.6 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Pathfinder Properties PLC, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

1.7 Finance costs

The costs relating to the obtaining of loan finance are amortised through the profit and loss account at a constant periodic rate. Loans are included in the balance sheet at the amount received from the lender less the unamortised cost.

1.8 Recognition of profit

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

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

2	Operating profit/(loss)	2004	2003
		£	£
	Operating profit/(loss) is stated after charging:		
	Auditors' remuneration	5,000	6,746
		<u> </u>	<u> </u>
3	Investment income	2004	2003
		£	£
	Income from shares in group undertakings	-	3,793
	Bank interest	7,893	34,269
	Other interest	-	4
		<u> </u>	<u> </u>
		7,893	38,066
		<u> </u>	<u> </u>
4	Interest payable	2004	2003
		£	£
	On bank loans and overdrafts	460,806	293,176
		<u> </u>	<u> </u>

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

5	Taxation	2004 £	2003 £
	Domestic current year tax		
	Adjustment for prior years	-	(3,151)
	Receipt in respect of group relief	-	(14,732)
		<hr/>	<hr/>
	Current tax charge	-	(17,883)
	Deferred tax		
	Deferred tax charge/credit current year	(51,603)	(74,826)
		<hr/>	<hr/>
		(51,603)	(92,709)
		<hr/>	<hr/>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(384,731)	(298,529)
		<hr/>	<hr/>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2003: 0.00%)	-	-
		<hr/>	<hr/>
	Effects of:		
	Tax losses utilised	-	(14,732)
	Adjustments to previous periods	-	(3,151)
		<hr/>	<hr/>
		-	(17,883)
		<hr/>	<hr/>
	Current tax charge	-	(17,883)
		<hr/>	<hr/>

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

6 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2004 & at 31 December 2004	2

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Pathfinder (River Quarter Phase 1) Limited	England & Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2004 £	Profit for the year 2004 £
Pathfinder (River Quarter Phase 1) Limited	(21,861)	(21,863)

7 Work in progress

	2004 £	2003 £
Work in progress	10,656,997	10,298,677

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8 Debtors	2004 £	2003 £
Trade debtors	26,438	-
Amounts owed by parent and fellow subsidiary undertakings	-	14,732
Amounts owed by subsidiary undertakings	25,689	-
Other debtors	-	71,744
Deferred tax asset (see note 11)	163,381	111,778
	<u>215,508</u>	<u>198,254</u>

Amounts falling due after more than one year and included in the debtors above are:

	2004 £	2003 £
Other debtors	<u>163,381</u>	<u>111,778</u>

The other debtor falling due in more than one year is deferred tax asset which is expected to be realised from future development profits.

9 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	-	5,617,823
Trade creditors	5,420	77,287
Amounts owed to parent and fellow subsidiary undertakings	5,369,987	5,472,769
Amounts owed to subsidiary undertakings	2	2
Taxes and social security costs	549	-
Accruals and deferred income	83,718	644,287
	<u>5,459,676</u>	<u>11,812,168</u>

The bank loan is secured on the company's development property.

Bank loans and overdrafts are shown net of unamortised finance costs amounting to £nil (2003: £44,673).

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

10 Creditors: amounts falling due after more than one year	2004 £	2003 £
Bank loans	6,057,292	-
Analysis of loans		
Wholly repayable within five years	6,057,292	5,617,823
	6,057,292	5,617,823
Included in current liabilities	-	(5,617,823)
	6,057,292	-
Loan maturity analysis		
In more than one year but not more than two years	6,057,292	-

The bank loan is secured by charge on company's development property. The bank loan was renegotiated during the year. The loan had originally been repayable in December 2004, however this is now due to be repaid in November 2006.

11 Provisions for liabilities and charges

The deferred tax asset (included in the debtors, note 8) is made up as follows:

	2004 £	2003 £
Balance at 1 January 2004	(111,778)	
Profit and loss account	(51,603)	
Balance at 31 December 2004	(163,381)	
	2004 £	2003 £
Tax losses available	(163,381)	(111,778)

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

12 Share capital	2004	2003
	£	£
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
200 Ordinary shares of £1 each	200	200
	<u> </u>	<u> </u>
13 Statement of movements on profit and loss account		Profit and loss account £
Balance at 1 January 2004		(277,671)
Retained loss for the year		(333,128)
		<u> </u>
Balance at 31 December 2004		(610,799)
		<u> </u>
14 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Loss for the financial year	(333,128)	(205,820)
Opening shareholders' funds	(277,471)	(71,651)
	<u> </u>	<u> </u>
Closing shareholders' funds	(610,599)	(277,471)
	<u> </u>	<u> </u>

15 Employees

Number of employees

There were no employees during the year apart from the directors.

16 Control

The ultimate parent company is Pathfinder Properties PLC, a company registered in England and Wales.

Pathfinder Properties PLC prepares group financial statements and copies can be obtained from 61 Chandos Place, London WC2N 4HG.

17 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.