

Company Registration No 3837850 (England and Wales)

PATHFINDER (RIVER QUAY) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

WEDNESDAY



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PATHFINDER (RIVER QUAY) LIMITED

COMPANY INFORMATION

Directors	G Lee E Azouz J Azouz J G Davies
Secretary	Mr E Elliot
Company number	3837850
Registered office	1001 Finchley Road London NW11 7HB
Auditors	Sedley Richard Laurence Voulters 1 Conduit Street London W1S 2XA
Business address	1001 Finchley Road London NW11 7HB
Bankers	The Royal Bank of Scotland 1 Dale Street Liverpool L2 2PP
Solicitors	Howard Kennedy 19 Cavendish Square London W1A 2AW

PATHFINDER (RIVER QUAY) LIMITED

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PATHFINDER (RIVER QUAY) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and financial statements for the year ended 31 December 2006

Principal activities and review of the business

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

The company's only development property was sold during the year for £17million

Results and dividends

The results for the year are set out on page 5

The directors do not recommend payment of an ordinary dividend

Directors

The following directors have held office since 1 January 2006

G Lee
E Azouz
J Azouz
J G Davies

Directors' interests

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

	Ordinary shares of £1 each	
	31 December 2006	1 January 2006
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

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 Nil days (2005 - 5 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

PATHFINDER (RIVER QUAY) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2006

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

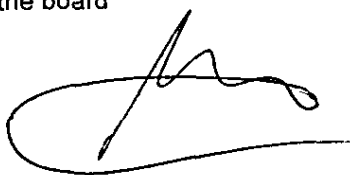
Statement of disclosure to auditor

(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

By order of the board

Mr E Elliot
Secretary
31 July 2007



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 for the year ended 31 December 2006 set out on pages 5 to 13. 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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.

PATHFINDER (RIVER QUAY) LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF PATHFINDER (RIVER QUAY) LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Sedley Richard Laurence Voulters

Sedley Richard Laurence Voulters

31 July 2007

Chartered Accountants
Registered Auditor

1 Conduit Street
London
W1S 2XA

PATHFINDER (RIVER QUAY) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	2	17,000,000	-
Cost of sales		(12,090,248)	-
Gross profit		4,909,752	-
Administrative expenses		(9,222)	(16,766)
Other operating income		59,116	90,000
Operating profit	3	4,959,646	73,234
Other interest receivable and similar income	4	6,183	1,773
Interest payable and similar charges	5	(339,196)	(409,010)
Profit/(loss) on ordinary activities before taxation		4,626,633	(334,003)
Tax on profit/(loss) on ordinary activities	6	(504,251)	129,050
Profit/(loss) for the year	13	4,122,382	(204,953)

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 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Investments	7		2		2
Current assets					
Stocks	8	-		10,751,939	
Debtors	9	6,109,930		785,224	
Cash at bank and in hand		74,010		-	
		<u>6,183,940</u>		<u>11,537,163</u>	
Creditors amounts falling due within one year	10	<u>(2,877,114)</u>		<u>(6,315,662)</u>	
Net current assets		<u>3,306,826</u>		<u>5,221,501</u>	
Total assets less current liabilities		<u>3,306,828</u>		<u>5,221,503</u>	
Creditors amounts falling due after more than one year	11		-	(6,037,056)	
		<u>3,306,828</u>		<u>(815,553)</u>	
Capital and reserves					
Called up share capital	12		200		200
Profit and loss account	13		3,306,628		(815,753)
Shareholders' funds	14		<u>3,306,828</u>		<u>(815,553)</u>

Approved by the Board and authorised for issue on 31 July 2007

G Lee
Director



PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover comprises the value of development stock and work in progress sold during the year. Sales are recognised on the completion of contracts

1.4 Investments

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

1.5 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

1.6 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

1.7 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

1.8 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

1.9 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 2006

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating profit	2006 £	2005 £
Operating profit is stated after charging		
Auditors' remuneration	7,500	5,000
Remuneration of auditors for non-audit work	-	765

4 Investment income	2006 £	2005 £
Bank interest	2,344	1,773
Other interest	3,839	-

5 Interest payable	2006 £	2005 £
On bank loans and overdrafts	277,879	409,010
Other interest	61,317	-

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

6	Taxation	2006 £	2005 £
	Domestic current year tax		
	U K corporation tax	211,820	-
	Current tax charge	211,820	-
	Deferred tax		
	Deferred tax charge/credit current year	292,431	(129,050)
		504,251	(129,050)
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	4,626,633	(334,003)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30 00% (2005 - 30 00%)	1,387,990	(100,201)
	Effects of		
	Tax losses utilised	(264,482)	-
	Tax losses carried forward	-	100,201
	Group relief claimed	(911,688)	-
		(1,176,170)	100,201
	Current tax charge	211,820	-

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

7 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2006 & at 31 December 2006	2
Net book value	
At 31 December 2006	2
	<hr/>
At 31 December 2005	2
	<hr/>

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

8 Work in progress

	2006 £	2005 £
Work in progress	-	10,751,939
	<hr/>	<hr/>

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

9 Debtors	2006 £	2005 £
Amounts owed by parent and fellow subsidiary undertakings	6,109,930	14,500
Amounts owed by subsidiary undertakings	-	478,293
Deferred tax asset (see note)	-	292,431
	<u>6,109,930</u>	<u>785,224</u>

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

	2006 £	2005 £
Other debtors	<u>292,431</u>	<u>292,431</u>

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

10 Creditors: amounts falling due within one year	2006 £	2005 £
Bank loans and overdrafts	-	19,647
Trade creditors	-	54,670
Amounts owed to parent and fellow subsidiary undertakings	2,607,288	5,674,980
Amounts owed to subsidiary undertakings	50,506	-
Corporation tax	211,820	-
Accruals and deferred income	7,500	566,365
	<u>2,877,114</u>	<u>6,315,662</u>

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

11	Creditors' amounts falling due after more than one year	2006	2005
		£	£
	Bank loans	-	6,037,056
	Analysis of loans		
	Wholly repayable within five years	-	6,037,056
		-	6,037,056
	Loan maturity analysis		
	In more than one year but not more than two years	-	6,037,056
12	Share capital	2006	2005
		£	£
	Authorised		
	1,000 Ordinary shares of £1 each	1,000	1,000
	Allotted, called up and fully paid		
	200 Ordinary shares of £1 each	200	200
13	Statement of movements on profit and loss account		Profit and loss account
			£
	Balance at 1 January 2006		(815,754)
	Profit for the year		4,122,382
	Balance at 31 December 2006		3,306,628
14	Reconciliation of movements in shareholders' funds	2006	2005
		£	£
	Profit/(Loss) for the financial year	4,122,382	(204,953)
	Opening shareholders' funds	(815,553)	(610,600)
	Closing shareholders' funds	3,306,828	(815,553)

PATHFINDER (RIVER QUAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

15 Employees

Number of employees

There were no employees during the year apart from the directors

16 Control

The company is owned equally by Pathfinder Recovery 1 Limited and Merchant City Limited. The ultimate parent company and controlling party is Pathfinder Properties PLC, a company registered in England and Wales.

Pathfinder Properties PLC prepares group financial statements and copies can be obtained from 1001 Finchley Road, London, NW11 7HB.

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.

The company repaid the loans of £260,000 each from Gerard Lee and A R & V Investments Limited during the year and interest of 8% per annum was paid on these loans. Edward Azouz and Jeffrey Azouz are directors and shareholders of A R & V Investments Limited.

During the year, the company paid £150,000 and £96,000 to Lion House Limited in respect of property development fees and property development costs respectively in respect of the aborted development project situated at River Quarter, Manchester following the sale of the site. Victor Lipien is a director and shareholder of Lion House Limited. Victor Lipien was appointed director of the ultimate parent and controlling party, Pathfinder Properties PLC during the year.