

## NORTHACRE PLC (the “Company” or “Group”) Results for the year ended 28<sup>th</sup> February 2011

29<sup>th</sup> July 2011

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Northacre PLC today announces its results for the year ended 28<sup>th</sup> February 2011.

Northacre is the brand behind many of London’s landmark addresses. Over the last twenty years Northacre has revived significant areas of Westminster, Kensington and Chelsea, developing in the most sought after locations in the capital for both local and international purchasers.

Northacre’s reputation for creating prestigious, award-winning residences from existing properties is unrivalled.

### Chairman’s Statement

This past year has seen the Group focus on the delivery of The Lancasters Development, in our joint venture with Minerva PLC. The Group has cemented its profile as one of London’s most experienced prime residential developers through this landmark scheme, which has seen the revival of a prominent building in a hitherto undervalued area of central London. The Lancasters has transformed the north side of Hyde Park and will have a lasting impact on the area. The development, which nears completion this summer, is testament to our Group’s continuing focus on quality, steadfast development management, and individuality in the conceptualisation and marketing of each development.

Following the completion of the first phases of The Lancasters in early 2011, we look forward to full completion in late summer 2011. At the same time we are also working to bring forward The Vicarage, a 42,000 Sq ft prime residential development in Kensington, which will see us deliver, as development managers, 14 duplex and lateral apartments. This development, led by Northacre, is due to commence in 2012.

We are engaged in discussions on a number of central London opportunities in which Northacre would act either as a full joint venture partner or take the role of development manager.

There continues to be a relative shortage in the supply of development opportunities and more entrants into the market chasing fewer sites. That said, equity investors are keen to finance prime residential developments undertaken by experienced developers such as Northacre, given the history of strong returns in the sector and the undoubted continuation of London’s appeal as one of the top locations for international buyers looking for a principal or second home.

We have reviewed our cost base and made some efficiencies to suit the changing market conditions. I am gratified by the support and focus of the Board, management and staff within the Group and I am proud to work with one of the top teams in the sector.

### Outlook

Our Group's core skills are in the design, development management, branding and marketing of prime residential developments in central London. As such, we are in an unrivalled position to offer our skills in an advisory capacity with limited equity participation. We look to the future with renewed confidence and focus and are well placed to capitalise on the product success and financial returns as we complete The Lancasters Development.

Klas Nilsson  
Chairman and Chief Executive

Copies of the Annual Report and Accounts will be available at the office of Northacre PLC at 8 Albion Riverside, 8 Hester Road, London SW11 4AX and are available on our website [www.northacre.com](http://www.northacre.com) and are being posted to shareholders.

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## Financial Review

In the year under review, The Lancasters has been the main feature for each of the divisions within the Group. The Intarya designed show apartment (5,385 Sq ft), which opened in summer 2010, helped to attract an excellent level of sales and since the year end has sold for the full asking price. Since the end of February 2011 there has been a good volume of sales such that the Development is now c.70% sold.

The Group's funding has historically consisted of a mix of project financing for individual developments and working capital facilities for the Group's operational needs. These have been augmented in the past year with Directors loans, underwritten by Mr Klas Nilsson and Mr Mohamed AlRafi, and a related party loan from Mr Abdulsalam AlRafi. The aggregate of all Director and related party loans at the year end was £2,877,163 (including interest) of which £1,200,000 was undrawn at the year end (see the detailed notes on these loans in the financial statements attached). Since the year end, additional facilities of £500,000 from Mr Mohamed AlRafi and £2,000,000 from Mr Abdulsalam AlRafi have been secured. The Group has called on these loans to cover a period of lower recurring fee income and settlement of one of two loans from the Northacre PLC Directors Retirement and Death Benefit Scheme. These loans are due to be fully repaid out of the proceeds of The Lancasters profit share.

Our overheads are being reviewed and as a consequence we have made some headcount reduction and other cost savings. The review of costs is an on-going process. We have renewed our efforts to secure more fee income in the Intarya interior design practice and Northacre Development Management Services with a view to delivering a higher sustainable fee income in future years.

## Review of Results

### Headlines

Net assets per share is 92.90 pence (2010: 38.32 pence). Net comprehensive profit for the year is £14,584,963 (2010: Loss of £1,635,169). The loss per share attributable to equity holders is 16.17 pence (2010: 14.72 pence).

### Consolidated Statement of Comprehensive Income

Turnover for the year increased by 10% to £5,664,484 (2010: £5,151,225). The majority share continues to be fee income rather than development profit. The Group's interior design subsidiary, Intarya, reported revenue growth of 11% to £4,249,606 (2010: £3,815,427). The Development Management subsidiary saw an increase in revenue of 24% to £969,652 (2010: £780,710) whereas the architectural subsidiary, Nilsson Architects, has experienced the impact of the economic downturn with the absence of new architectural projects, reporting a decrease in fee income of 20% to £445,226 (2010: £555,088).

Administrative expenses remained at the level of £5.2m (2010: £5.2m) as a result of measures undertaken by the Board at the beginning of last year. Measures taken after the year end have significantly reduced these expenses on an annual basis.

In accordance with International Accounting Standards we have made a fair valuation of our investment at The Lancasters with reference to secured sales as at 28<sup>th</sup> February 2011. This has also been reflected in the results for the year.

### Consolidated Statement of Financial Position

In accordance with International Accounting Standards, the investments in joint ventures (classified as available for sale financial assets in the Consolidated Statement of Financial Position) represent, where appropriate, the cash equity invested in each of our secured development schemes and any fair value adjustments. As mentioned above, we have calculated the fair value of our investment at The Lancasters and including this fair value adjustment the available for sale financial assets amounted to £21.2m (2010: £3.5m).

### Financing

The Group's project funding generally consists of equity, cash and bank borrowings with the aim of maximising its return from the equity invested into the various development opportunities which satisfy the investment criteria.

We are actively seeking development opportunities and we are committed to increasing the Northacre portfolio within prime central London. Increasing fee income from new developments is a priority for the Board.

Ken MacRae  
Finance Director

**Consolidated Statement of Comprehensive Income**  
**For the year ended 28<sup>th</sup> February 2011**

Group	Note	2011 £	2010 Restated £
<b>Group Revenue</b>	3	5,664,484	5,151,225
Cost of sales		<u>(3,268,795)</u>	<u>(2,483,201)</u>
<b>Gross Profit</b>		2,395,689	2,668,024
Administrative expenses		(5,199,700)	(5,161,630)
Other operating income	4	<u>-</u>	<u>3,117</u>
<b>Group Loss from Operations</b>		(2,804,011)	(2,490,489)
Investment revenue	5	66,192	(26,517)
Other losses	6	(1,355,248)	(1,310,760)
Finance costs	7	(217,995)	(120,880)
Share of (loss)/profit of associate	14(a)	<u>(8,971)</u>	<u>6,918</u>
<b>Loss before Taxation</b>	8	<u>(4,320,033)</u>	<u>(3,941,728)</u>
Taxation	10	<u>-</u>	<u>7,120</u>
<b>Loss for the period attributable to equity holders of the Company</b>		<u><u>(4,320,033)</u></u>	<u><u>(3,934,608)</u></u>
Other comprehensive income:			
Changes in fair value of available for sale financial assets	14(b)	<u>18,904,996</u>	<u>2,299,439</u>
<b>Total comprehensive profit/(loss) for the period</b>		<u><u>14,584,963</u></u>	<u><u>(1,635,169)</u></u>
<b>Loss per ordinary share</b>			
Basic - Continuing and total operations	24	(16.17)p	(14.72)p
Diluted - Continuing and total operations	24	(16.17)p	(14.72)p
<b>Company</b>			
<b>Loss for the period attributable to equity holders of the Company</b>		<u><u>(2,341,603)</u></u>	<u><u>(1,396,556)</u></u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the period</b>	11	<u><u>(2,341,603)</u></u>	<u><u>(1,396,556)</u></u>

**Consolidated Statement of Financial Position**  
**As at 28<sup>th</sup> February 2011**

	Note	2011 £	2010 £
<b>Non-Current Assets</b>			
Goodwill	12	8,828,460	8,828,460
Property, plant and equipment	13	1,250,948	322,159
Investments in associates	14(a)	42,168	51,139
Available for sale financial assets	14(b)	<u>21,205,344</u>	<u>3,456,473</u>
		<u>31,326,920</u>	<u>12,658,231</u>
<b>Current Assets</b>			
Inventories	15	336,008	48,628
Trade and other receivables	16	863,589	2,597,670
Cash and cash equivalents		<u>-</u>	<u>268,407</u>
		<u>1,199,597</u>	<u>2,914,705</u>
<b>Total Assets</b>		<u>32,526,517</u>	<u>15,572,936</u>
<b>Current Liabilities</b>			
Trade and other payables	17	2,683,054	2,567,406
Corporation tax	18	-	-
Borrowings, including lease finance	19	<u>377,251</u>	<u>433,567</u>
		<u>3,060,305</u>	<u>3,000,973</u>
<b>Non-Current Liabilities</b>			
Borrowings, including lease finance	20	2,290,555	1,231,269
Provisions for other liabilities	21	<u>2,350,000</u>	<u>1,100,000</u>
		<u>4,640,555</u>	<u>2,331,269</u>
<b>Total Liabilities</b>		<u>7,700,860</u>	<u>5,332,242</u>
<b>Equity</b>			
Share capital	25	668,091	668,091
Share premium account		18,552,361	18,552,361
Retained earnings		<u>5,605,205</u>	<u>(8,979,758)</u>
<b>Total Equity</b>		<u>24,825,657</u>	<u>10,240,694</u>
<b>Total Equity and Liabilities</b>		<u>32,526,517</u>	<u>15,572,936</u>

**Company Statement of Financial Position**  
**As at 28<sup>th</sup> February 2011**

	Note	2011 £	2010 £
<b>Non-Current Assets</b>			
Property, plant and equipment	13	1,238,914	256,217
Investments	14(c)	<u>10,090,079</u>	<u>10,089,981</u>
		<u>11,328,993</u>	<u>10,346,198</u>
<b>Current Assets</b>			
Trade and other receivables	16	15,037,990	15,076,319
Cash and cash equivalents		<u>-</u>	<u>93,672</u>
		<u>15,037,990</u>	<u>15,169,991</u>
<b>Total Assets</b>		<u><u>26,366,983</u></u>	<u><u>25,516,189</u></u>
<b>Current Liabilities</b>			
Trade and other payables	17	13,718,813	12,809,371
Corporation tax	18	-	-
Borrowings, including lease finance	19	<u>351,759</u>	<u>405,828</u>
		<u>14,070,572</u>	<u>13,215,199</u>
<b>Non-Current Liabilities</b>			
Borrowings, including lease finance	20	2,283,620	1,196,596
Provisions for other liabilities	21	<u>2,020,000</u>	<u>770,000</u>
		<u>4,303,620</u>	<u>1,966,596</u>
<b>Total Liabilities</b>		<u><u>18,374,192</u></u>	<u><u>15,181,795</u></u>
<b>Equity</b>			
Share capital	25	668,091	668,091
Share premium account		18,552,361	18,552,361
Retained earnings		<u>(11,227,661)</u>	<u>(8,886,058)</u>
<b>Total Equity</b>		<u>7,992,791</u>	<u>10,334,394</u>
<b>Total Equity and Liabilities</b>		<u><u>26,366,983</u></u>	<u><u>25,516,189</u></u>

**Consolidated and Company Statements of Cash Flows**  
**For the year ended 28<sup>th</sup> February 2011**

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
<b>Cash flows from operating activities</b>				
Loss for the period before tax	(4,320,033)	(3,941,728)	(2,341,603)	(1,403,676)
Adjustments for:				
Investment revenue	(66,192)	26,517	(53,945)	(32,711)
Finance costs	217,995	120,880	196,127	102,599
Loss on disposal of investment	105,248	723,260	-	-
Share of loss/(profit) in associate	8,971	(6,918)	-	-
Depreciation and amortisation	102,382	111,836	60,000	55,000
Increase in inventories	(287,380)	(19,984)	-	-
Increase in trade and other receivables	1,734,181	803,149	38,329	(1,280,853)
Increase in trade and other payables	1,365,548	348,869	2,159,442	2,559,408
<b>Cash used in operations</b>	(1,139,280)	(1,834,119)	58,350	(233)
Interest paid	(217,995)	(120,880)	(196,127)	(102,599)
Tax refunded	-	7,120	-	7,120
<b>Net cash used in operating activities</b>	(1,357,275)	(1,947,879)	(137,777)	(95,712)
<b>Cash flows from investing activities</b>				
Acquisition of interest in available for sale financial assets	-	(11,100)	-	-
Increase in investments	-	-	(98)	-
Purchase of plant, property & equipment	(1,031,171)	(327,722)	(1,042,697)	(311,217)
Proceeds of sale of available for sale financial assets	1,050,977	1,853,344	-	-
Interest received	13,692	(56,517)	1,445	2,711
Dividends received	52,500	30,000	52,500	30,000
<b>Net cash generated from/(used in) investing activities</b>	85,898	1,488,005	(988,850)	(278,506)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	1,217,849	300,000	1,217,849	300,000
Proceeds from finance leases	-	482,877	-	397,350
Repayment of borrowings	(275,000)	(275,000)	(275,000)	(275,000)
Repayment of finance leases	(158,564)	(143,041)	(130,825)	(119,926)
<b>Net cash from financing activities</b>	784,285	364,836	812,024	302,424
Decrease in cash and cash equivalents	(487,092)	(95,038)	(314,603)	(71,794)
Cash and cash equivalents at the beginning of the year	268,407	363,445	93,672	165,466
<b>Cash and cash equivalents at the end of the year</b>	(218,685)	268,407	(220,931)	93,672

**Consolidated and Company Statements of Changes in Equity**  
**For the year ended 28<sup>th</sup> February 2011**

<b>Group</b>	<b>Called Up Share Capital</b>	<b>Share Premium Account</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 <sup>st</sup> March 2009	668,091	18,552,361	(7,344,589)	11,875,863
Comprehensive Loss for the period	-	-	(3,934,608)	(3,934,608)
Other Comprehensive Profit for the period:				
Changes in fair value of available for sale financial assets	-	-	2,299,439	2,299,439
	<u>668,091</u>	<u>18,552,361</u>	<u>(8,979,758)</u>	<u>10,240,694</u>
As at 1 <sup>st</sup> March 2010	668,091	18,552,361	(8,979,758)	10,240,694
Comprehensive Loss for the period	-	-	(4,320,033)	(4,320,033)
Other Comprehensive Profit for the period:				
Changes in fair value of available for sale financial assets	-	-	18,904,996	18,904,996
	<u>668,091</u>	<u>18,552,361</u>	<u>5,605,205</u>	<u>24,825,657</u>
<b>Company</b>				
	<b>Called Up Share Capital</b>	<b>Share Premium Account</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 <sup>st</sup> March 2009	668,091	18,552,361	(7,489,502)	11,730,950
Total Comprehensive Loss for the period	-	-	(1,396,556)	(1,396,556)
	<u>668,091</u>	<u>18,552,361</u>	<u>(8,886,058)</u>	<u>10,334,394</u>
As at 1 <sup>st</sup> March 2010	668,091	18,552,361	(8,886,058)	10,334,394
Total Comprehensive Loss for the period	-	-	(2,341,603)	(2,341,603)
	<u>668,091</u>	<u>18,552,361</u>	<u>(11,227,661)</u>	<u>7,992,791</u>

## Notes to the Consolidated Financial Statements For the year ended 28<sup>th</sup> February 2011

### 1. Principal Accounting Policies

The principal accounting policies are as follows:

#### Accounting basis and standards

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1<sup>st</sup> March 2010 and have been applied to and impacted the financial information presented:

- Improvements to IFRSs 2009 - This is the second set of amendments published under the IASBs annual improvements process and incorporates minor amendments to twelve standards and interpretations. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2010.
- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1<sup>st</sup> July 2009.
- IAS 36 (amendment) "Impairment of assets", effective from 1<sup>st</sup> January 2010 clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, "Operating segments".
- IAS 38 (amendment) "Intangible assets", effective from 1<sup>st</sup> January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar economic lives.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1<sup>st</sup> March 2010, but are not currently considered to be relevant to the Group (although they may affect the accounting for future transactions and events):

- IFRIC 16 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1<sup>st</sup> July 2009.
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1<sup>st</sup> July 2009.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1<sup>st</sup> July 2009.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.
- IFRS 2 (amendments), 'Group cash-settled share based payment transactions', was effective from 1<sup>st</sup> January 2010 and expands the guidance contained in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- IAS 32 (amended) 'Classification of rights issues', issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.
- IFRS 5 (amendment) "Non-current assets held for sale and discontinued operations". The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets classified as held for sale or discontinued operations.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1<sup>st</sup> March 2010 and have not been early adopted:

- Improvements to IFRSs 2010 - This is the third set of amendments published under the IASBs annual improvements process and incorporates minor amendments to seven standards and interpretations. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> January 2011.
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' - These amendments provide limited exemption for comparative IFRS 7 disclosures for first-time adopters. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> July 2010.
- Amendments to IFRS 7 'Financial Instruments: Disclosures'. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments are effective for annual periods beginning on or after 1<sup>st</sup> July 2011.
- IFRS 9, 'Financial instruments', issued in November 2009 and effective from 1<sup>st</sup> January 2013. IFRS 9 represents the first phase of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. It sets out the classification and measurement criteria for financial assets and liabilities and requires all financial assets, including assets currently classified under IAS 39 as available for sale, to be measured at fair value through profit and loss unless the assets can be classified as held at amortised cost. Qualifying equity investments held at fair value may have their fair value changes taken through other comprehensive income by election.
- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24 (revised), 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1<sup>st</sup> January 2011 and clarifies and simplifies the definition of a related party. The Group will apply the revised standard from 1<sup>st</sup> March 2011 and when applied the Group and the Parent Company will need to disclose any transactions between its subsidiaries.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1<sup>st</sup> July 2010. The Group will apply the interpretation from 1<sup>st</sup> March 2011.
- Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement' issued in November 2009. The amendment permits a voluntary prepayment of a minimum funding requirement to be recognised as an asset. The amendment is effective for annual periods beginning 1<sup>st</sup> January 2011.

**Business Combinations and Goodwill**

Goodwill relating to acquisitions prior to 1<sup>st</sup> March 2006 is carried at the net book value on that date and is no longer amortised but is subject to annual impairment review. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Goodwill is tested annually for impairment.

**Going Concern**

The Company and Group currently meet their day-to-day working capital requirements partly through monies loaned from the Northacre PLC Directors Retirement and Death Benefit Scheme, partly from the Group's bankers and partly from other loans. The Directors expect the facilities currently agreed to remain in place for the foreseeable future and to be renewed on equally favourable terms in due course. In particular:

- (i) The loan due to Northacre PLC Directors Retirement and Death Benefit Scheme of £750,000 is not repayable until July 2013.
- (ii) The Group's bankers have agreed revised facilities with a review on 30<sup>th</sup> September 2011. An extension to this facility is currently being discussed with the bank.
- (iii) A Director loan of £300,000 was made available by MTAF Group (Mohamed AlRafi) on 16<sup>th</sup> October 2009. The loan is not repayable until dividends from The Lancasters Development are received.
- (iv) An additional Director loan of £300,000 was made available by MTAF Group (Mohamed AlRafi) on 4<sup>th</sup> August 2010. A fixed premium of £50,000 was due on 3<sup>rd</sup> February 2011 as per the loan agreement. The increased loan of £350,000 is not repayable until dividends from The Lancasters Development are received.
- (v) A loan facility of £114,000 was made available by Director Klas Nilsson in September 2009. The loan has no fixed date of repayment.
- (vi) An additional loan of £80,000 was made available by Director Klas Nilsson in July 2010. The Group repaid £52,890 of the balance in the period September 2010 to November 2010. The loan has no fixed date of repayment.
- (vii) A loan facility of £2,000,000 was made available by Abdulsalam AlRafi (father of Director Mohamed AlRafi) on 28<sup>th</sup> January 2011. The loan is available on a drawdown basis and as at 28<sup>th</sup> February 2011 the Group had used £800,000 of the total funds available. The loan is not repayable until dividends from The Lancasters Development are received.
- (viii) A Director loan of £500,000 was made available by MTAF Group (Mohamed AlRafi) on 26<sup>th</sup> May 2011. The loan has no fixed date of repayment.
- (ix) An additional loan facility of £2,000,000 was made available by Abdulsalam AlRafi (father of Director Mohamed AlRafi) on 24<sup>th</sup> June 2011. The loan is available on a drawdown basis and is not repayable until dividends from The Lancasters Development are received.

The Directors have prepared detailed cash flow projections for the period ended 31<sup>st</sup> July 2012 making reasonable assumptions about the levels and timings of income and expenditure, and in particular the timing of receipt of certain fees due from major developments. These projections show that the Group can operate within the current available facilities. On this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

**Significant judgements and estimates of areas of uncertainty**

In preparing these financial statements the Directors are required to make judgements and best estimates of the outcome of and in particular, the timing of revenues, expenses, assets and liabilities based on assumptions. These assumptions are based on historical experience and various other factors that are considered reasonable under the various circumstances. The estimates and assumptions are reviewed on a regular basis with any revisions being applied in the relevant period. The material areas where estimates and assumptions are made are:

- The valuation of goodwill
- The carrying value of property, plant and equipment and depreciation
- The value of investments
- The status and progress of the developments and projects

**Basis of Consolidation**

The Group financial statements include the financial statements of the Company and its subsidiary undertakings, together with the Group's share of the results of associates. The Group's proportion of the voting rights of Lancaster Gate (Hyde Park) Limited increased from 5% to 25.1% on 30<sup>th</sup> June 2010. Lancaster Gate (Hyde Park) Limited continues to be treated as an available for sale financial asset. The Directors do not regard Lancaster Gate (Hyde Park) Limited as an associate because the Directors consider that the Group does not exercise significant influence over its operating and financial activities, despite the fact that the Group holds in excess of 20% of the voting rights in Lancaster Gate (Hyde Park) Limited, because the control of the Board by Minerva PLC, the controlling shareholding they hold and their power to exercise, and actual exercise of, the commercial decision making for Lancaster Gate (Hyde Park) Limited preclude the Group from exercising such influence.

**Depreciation**

Depreciation on property, plant and equipment is provided at rates estimated to write off the cost or revalued amounts, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold improvements	over the period of the lease
Fittings and office equipment	25% straight line
Computer equipment	33 1/3% straight line

**Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation but are instead tested annually for impairment and are subject to additional impairment testing if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment are reviewed annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment charge is recognised in profit or loss in the year in which it occurs. When an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

**Inventories**

Work in progress is valued at the lower of cost and net realisable value. Cost of work in progress includes overheads appropriate to the stage of development. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

**Revenue**

Revenue represents amounts earned by the Group in respect of services rendered during the period net of value added tax. Shares in development profits and bonus fees are recognised when the amounts involved have been finally determined. Fees in respect of project management and interior and architectural design are recognised in accordance with the stage of completion of the contract.

**Current Taxation**

The tax expense for the year represents the total of current taxation and deferred taxation. The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profits as shown in profit or loss, as adjusted for items or expenditure, which are not deductible for tax purposes.

The current tax liability for the year is calculated using tax rates, which have either been enacted or substantially enacted at the reporting date.

**Deferred Taxation**

Deferred tax is provided in full on all temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates which have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**Leased Assets**

Assets held under finance leases and hire purchase contracts are capitalised in the statement of financial position and depreciated over their expected useful lives. The interest element of the rental obligations is charged to profit or loss over the period of the lease on a straight-line basis.

Rentals under operating leases are charged to profit or loss on a straight-line basis over the lease term.

**Investments**

Fixed asset investments are stated at cost less amounts written off.

**Associates**

Associates are all entities over which the Group exercise significant influence but does not exercises control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, which includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associate's profits or losses after acquisition of its interest is recognised in profit or loss and cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Where the Group's share of losses of an associate equals or exceeds the carrying amount of the investment, the Group only recognises further losses where it has incurred obligations or made payments on behalf of the associate.

**Financial Assets**

Available for sale financial assets consist of equity investments in other companies where the Group does not exercise either control or significant influence. The investments reflect loans and capital contributions made in respect of projects undertaken with other partners in which the Group will be entitled to an eventual profit share.

Available for sale financial assets are shown at fair value at each reporting date with changes in fair value being shown in Other Comprehensive Income, or at cost less any necessary provision for impairment where a reliable estimate of fair value is not able to be determined.

**Pension Scheme Arrangements**

The Group operates a money purchase scheme on behalf of one of its Directors (2010: two Directors). It also contributes to certain Directors' and employees' personal pension schemes. Pension costs charged represent the amounts payable to the schemes in respect of the period.

**Foreign currency translation**

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities are translated at the rate of exchange ruling at the reporting date. Exchange differences are taken into account in arriving at Group operating profit.

**Financial Assets****Loans and Receivables**

Trade receivable, loans and other receivables are classified as 'trade and other receivables' and are measured at cost less any provisions. Interest income is recognised by applying the appropriate interest rate of the contractual arrangement.

**Financial Liabilities****Loans and Payables and Borrowings**

Trade payables, other payables and borrowings are classified as 'trade and other payables' and 'borrowings'. These are measured at amortised cost and the interest expense is recognised by applying the appropriate interest rate of the contractual arrangement.

**Borrowings**

Interest-bearing borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method with any differences between the proceeds (net of transaction costs) and the redemption value being recognised over the period of borrowings.

All borrowings are classified as current unless the Group has an unconditional right to defer payment of the borrowings until at least twelve months from the reporting date.

**2. Capital and Financial Risk Management**

The Group manages its capital to ensure that the Group will be able to continue as a going concern, while maximising the return to shareholders through the optimisation of its debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 19 and 20, cash and cash equivalents and equity attributable to equity holders of the Parent Company, comprising issued capital, share premium account and retained earnings.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or increase capital. During the current period the Group sold its interest in Vicarage Gate Holdings Limited for a consideration of £2,250,000. This allowed the Group to strengthen its working capital position.

The Board regularly reviews the capital structure, with an objective to reduce net debt over time whilst investing in the business.

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the property business and the operational risks are an inevitable consequence of being in business. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks by means of a reliable up-to-date information system. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Board of Directors. In addition, the internal financial control board is responsible for the identification of the major business risks faced by the Group and for determining the appropriate course of action to manage those risks. The most important types of risk are credit risk, liquidity and market risk. Market risk includes currency, interest rate and other price risks.

## 3. Segmental Information

The Group's primary segments are business segments. The segmental analysis of the Group's business was derived from its principal activities and are as reported internally to management as follows:

Revenue	2011 £	2010 - restated £
Principal activities:		
Development management	969,652	780,710
Interior design	4,249,606	3,815,427
Architectural design	445,226	555,088
	<u>5,664,484</u>	<u>5,151,225</u>
<b>Loss before Taxation</b>	<b>2011 £</b>	<b>2010 £</b>
Development management	(3,048,535)	(3,261,447)
Interior design	(475,875)	194,590
Architectural design	(786,652)	(881,789)
	<u>(8,971)</u>	<u>6,918</u>
Share of (loss)/profit of associate	(4,320,033)	(3,941,728)
<b>Assets</b>	<b>2011 £</b>	<b>2010 £</b>
Development management	27,482,303	9,495,356
Interior design	2,794,332	3,645,466
Architectural design	2,207,714	2,380,975
	<u>32,484,349</u>	<u>15,521,797</u>
Share of investment in associate	42,168	51,139
<b>Total Assets</b>	<u>32,526,517</u>	<u>15,572,936</u>
<b>Liabilities</b>	<b>2011 £</b>	<b>2010 £</b>
Development management	3,288,677	1,099,710
Interior design	2,272,268	2,647,525
Architectural design	2,139,915	1,585,007
	<u>7,700,860</u>	<u>5,332,242</u>

A geographical analysis of the Group's revenue, assets and liabilities is given below:

Revenue	2011 £	2010 - restated £
United Kingdom	2,595,769	2,451,379
Ireland	818,478	31,125
Russia	76,930	57,113
Saudi Arabia	1,240,672	1,453,390
United Arab Emirates	532,664	465,622
British Virgin Islands	(59,673)	641,650
Thailand	444,644	-
Hong Kong	15,000	-
Switzerland	-	50,946
	<u>5,664,484</u>	<u>5,151,225</u>
<b>Assets</b>	<b>2011 £</b>	<b>2010 £</b>
United Kingdom	31,716,419	14,176,389
Ireland	14,065	1,864
United Arab Emirates	591,417	22,114
Saudi Arabia	83,022	1,279,151
Switzerland	83,402	13,857
Thailand	38,192	-
British Virgin Islands	-	79,561
	<u>32,526,517</u>	<u>15,572,936</u>

	2011	2010
	£	£
<b>Liabilities</b>		
United Kingdom	6,141,113	5,029,197
United Arab Emirates	1,517,849	300,000
Hong Kong	2,365	2,365
USA	19,505	-
Thailand	20,028	-
Canada	-	680
	<u>7,700,860</u>	<u>5,332,242</u>
<b>4. Other Operating Income</b>	<b>2011</b>	<b>2010</b>
	£	£
Rental income	-	2,467
Other income	-	650
	<u>-</u>	<u>3,117</u>
<b>5. Investment Revenue</b>	<b>2011</b>	<b>2010</b>
	£	£
Interest received	13,692	21,386
Dividends received	52,500	30,000
Provision against interest receivable from Empress Partnership LLP	-	(77,903)
	<u>66,192</u>	<u>(26,517)</u>
<b>6. Other Losses</b>	<b>2011</b>	<b>2010</b>
	£	£
Net loss from disposal of interest in Vicarage Gate Holdings Limited	105,248	-
Net surplus from disposal of interest in The Abingdons Partnership	-	(526,740)
Provision for diminution in value of investment	-	587,500
Provision for acquisition of Templeco 643 Limited in lieu of settlement	-	1,250,000
Provision for Northacre PLC Directors Retirement and Death Benefit Scheme profit share	1,250,000	-
	<u>1,355,248</u>	<u>1,310,760</u>
<b>7. Finance Costs</b>	<b>2011</b>	<b>2010</b>
	£	£
Interest on:		
Bank loans and overdrafts	8,643	11,526
Overdue tax	1,474	546
Other loans	207,878	108,808
	<u>217,995</u>	<u>120,880</u>
<b>8. Loss Before Taxation</b>	<b>2011</b>	<b>2010</b>
	£	£
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	102,382	111,836
Operating lease rentals:		
Land and buildings	331,462	135,410
Auditors' remuneration	120,761	88,803
Auditors' remuneration in non-audit capacity:		
Other services relating to taxation	18,675	9,226
All other services	4,871	17,125
Foreign exchange loss	4,037	4,304
	<u>4,037</u>	<u>4,304</u>

## 9. Employees

The average weekly number of employees (including Directors) during the year was:

Office and management  
Design and management

2011 Number	2010 Number
15	16
29	32
<u>44</u>	<u>48</u>

Staff costs for the above employees:

Wages and salaries  
Social security costs  
Other pension costs - money purchase schemes

2011 £	2010 £
2,797,222	2,808,630
336,591	353,832
69,850	114,439
<u>3,203,663</u>	<u>3,276,901</u>

Remuneration in respect of Directors was as follows:

Aggregate emoluments (including benefits in kind)  
Fees

2011 £	2010 £
496,731	542,869
55,833	40,000
<u>552,564</u>	<u>582,869</u>

Company contribution to money purchase pension schemes

<u>51,300</u>	<u>69,874</u>
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Remuneration for each Director (including benefits in kind)

K.B. Nilsson  
J.R.G. Hunter  
M.K. Santilale  
M.A. AlRafi  
M.F. Williams  
E.B. Harris

2011 £	2010 £
255,265	203,421
-	201,940
211,466	122,508
30,000	15,000
28,333	20,000
27,500	20,000
<u>552,564</u>	<u>582,869</u>

The amounts above include remuneration in respect of the highest paid Director as follows:

Aggregate emoluments (including benefits in kind)  
Company contribution to money purchase pension scheme

2011 £	2010 £
255,265	203,421
40,860	33,905
<u>296,125</u>	<u>237,326</u>

<b>10. Taxation</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>(a) Analysis of charge in year</b>		
<i>Current tax:</i>		
Corporation tax at the rate of 28% (2010 - 28%)	-	-
Overprovision in prior year	-	(7,120)
Total current tax	<u>-</u>	<u>(7,120)</u>

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28%. The differences are explained below:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	<u>(4,320,033)</u>	<u>(3,941,728)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2010: 28%)	(1,209,609)	(1,103,684)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	49,587	182,022
Depreciation for the period in excess of capital allowances	(17,004)	115
Dividends and distributions received	(14,700)	(8,400)
Utilisation of tax losses	-	215,261
Share of loss/(profit) of associates	2,512	(1,937)
Loss carried forward	1,189,214	716,623
Current tax charge for the year	<u>-</u>	<u>-</u>

**(c) Factors that may affect future tax charges**

No deferred tax asset has been recognised on losses carried forward nor on the origination and reversal of timing differences due to the uncertainty of the timing of taxable profits. The total amount of the unprovided asset is £2,251,143 (2010 - £1,114,364). At the reporting date there are unrelieved capital losses of £nil (2010 - £nil).

The standard rate of corporation tax in the UK changed to 26% from 1<sup>st</sup> April 2011.

**11. Profit of the Parent Company**

As permitted by section 408 of the Companies Act 2006, the profit or loss element of the Parent Company Statement of Comprehensive Income is not presented as part of these financial statements. The Group loss for the financial year of £4,320,033 (2010: £3,934,608) includes a loss of £2,341,603 (2010: £1,396,556), which was dealt with in the financial statements of the Company.

**12. Goodwill**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>	<u>14,940,474</u>	<u>14,940,474</u>
<b>Amortisation</b>		
At the beginning of the year	6,112,014	6,112,014
Charge for the year	<u>-</u>	<u>-</u>
At the end of the year	<u>6,112,014</u>	<u>6,112,014</u>
Net carrying amount	<u><u>8,828,460</u></u>	<u><u>8,828,460</u></u>

In accordance with IAS 36 'Impairment of assets' the Directors have assessed the carrying value of goodwill at the reporting date, and having assessed the fair value less costs to sell of the relevant cash-generating units that carry out the Group's on-going projects, are of the opinion that this is in excess of their carrying value in the financial statements, and that the value in use of the cash-generating units does not materially exceed this amount.

Accordingly, the Directors have used fair value less costs to sell as the recoverable amount in their assessment of potential impairment and as at the reporting date are of the opinion that there has been no impairment to the carrying value of goodwill.

## 13. Property, plant and equipment

Group	Leasehold Improvements £	Fittings and Office Equipment £	Computer Equipment £	Total £
<b>Cost</b>				
At 1 <sup>st</sup> March 2009	-	267,889	300,951	568,840
Additions	-	135,251	192,471	327,722
Disposals	-	(41,166)	(28,390)	(69,556)
At 28 <sup>th</sup> February 2010	-	361,974	465,032	827,006
Additions	984,217	22,105	24,849	1,031,171
Transfers	131,217	(131,217)	-	-
At 28 <sup>th</sup> February 2011	1,115,434	252,862	489,881	1,858,177
<b>Depreciation</b>				
At 1 <sup>st</sup> March 2009	-	233,658	228,909	462,567
Charge for the year	-	9,788	102,048	111,836
Released on disposal	-	(41,166)	(28,390)	(69,556)
At 28 <sup>th</sup> February 2010	-	202,280	302,567	504,847
Charge for the year	-	10,105	92,277	102,382
At 28 <sup>th</sup> February 2011	-	212,385	394,844	607,229
<b>Net Book Value</b>				
At 28 <sup>th</sup> February 2011	1,115,434	40,477	95,037	1,250,948
At 28 <sup>th</sup> February 2010	-	159,694	162,465	322,159
At 28 <sup>th</sup> February 2009	-	34,231	72,042	106,273
<b>Company</b>				
<b>Cost</b>				
At 1 <sup>st</sup> March 2009	-	-	-	-
Additions	-	131,217	180,000	311,217
At 28 <sup>th</sup> February 2010	-	131,217	180,000	311,217
Additions	1,042,697	-	-	1,042,697
Transfers	131,217	(131,217)	-	-
At 28 <sup>th</sup> February 2011	1,173,914	-	180,000	1,353,914
<b>Depreciation</b>				
At 1 <sup>st</sup> March 2009	-	-	-	-
Charge for the year	-	-	55,000	55,000
At 28 <sup>th</sup> February 2010	-	-	55,000	55,000
Charge for the year	-	-	60,000	60,000
At 28 <sup>th</sup> February 2011	-	-	115,000	115,000
<b>Net Book Value</b>				
At 28 <sup>th</sup> February 2011	1,173,914	-	65,000	1,238,914
At 28 <sup>th</sup> February 2010	-	131,217	125,000	256,217
At 28 <sup>th</sup> February 2009	-	-	-	-

14.	<b>Investments</b>		<b>2011</b>
	<b>Group</b>		<b>Interest in</b>
	<b>(a) Interest in Associated Undertaking</b>	<b>£</b>	<b>Associated</b>
	<b>Cost</b>		<b>Undertaking</b>
	At 1 <sup>st</sup> March 2010 and at 28 <sup>th</sup> February 2011		<b>£</b>
	<b>Group's Share of Undistributed Post Acquisition</b>		<b>300</b>
	<b>Results of Associated Undertaking</b>		
	At 1 <sup>st</sup> March 2010		<b>50,839</b>
	Share of undistributed profit	2,482	
	Taxation	<u>(11,453)</u>	<u>(8,971)</u>
	At 28 <sup>th</sup> February 2011		<u>41,868</u>
	<b>Net Book Value</b>		
	At 28 <sup>th</sup> February 2011		<u>42,168</u>
	At 28 <sup>th</sup> February 2010		<u>51,139</u>
	Revenue of Associated Undertaking for the year to 31 <sup>st</sup> December 2010		<u>743,298</u>
	Net Profit of Associated Undertaking for the year to 31 <sup>st</sup> December 2010		<u>219,931</u>
	Net Assets of Associated Undertaking as at 31 <sup>st</sup> December 2010		<u>73,264</u>

**2010**  
**Interest in**  
**Associated**  
**Undertaking**  
**£**

	£	£
<b>Cost</b>		
At 1 <sup>st</sup> March 2009 and at 28 <sup>th</sup> February 2010		<u>300</u>
<b>Group's Share of Undistributed Post Acquisition Results of Associated Undertaking</b>		
At 1 <sup>st</sup> March 2009		43,921
Share of undistributed profit	17,773	
Taxation	<u>(10,855)</u>	<u>6,918</u>
At 28 <sup>th</sup> February 2010		<u>50,839</u>
<b>Net Book Value</b>		
At 28 <sup>th</sup> February 2010		<u><u>51,139</u></u>
At 28 <sup>th</sup> February 2009		<u><u>44,221</u></u>
Revenue of Associated Undertaking for the year to 31 <sup>st</sup> December 2009		<u>704,499</u>
Net Profit of Associated Undertaking for the year to 31 <sup>st</sup> December 2009		<u>150,964</u>
Net Assets of Associated Undertaking as at 31 <sup>st</sup> December 2009		<u>63,333</u>

**(b) Available for Sale Financial Assets**

<b>Group</b>	<b>2011</b> <b>£</b>	<b>2010</b> <b>£</b>
At 1 <sup>st</sup> March 2010	3,456,473	2,472,538
Additions	-	11,100
Disposals	(1,156,125)	(739,104)
Provision for diminution in value	-	(587,500)
Increase in fair value transferred to equity	<u>18,904,996</u>	<u>2,299,439</u>
At 28 <sup>th</sup> February 2011	21,205,344	3,456,473
<b>Group's Share of Results</b>		
Group's share of loss for the year	<u>-</u>	<u>-</u>
<b>Net Book Value</b>		
At 28 <sup>th</sup> February 2011	<u>21,205,344</u>	<u>3,456,473</u>

The disposal relates to the sale of our interest in Vicarage Gate Holdings Limited to Kokomo Beach Pte Ltd.

A fair valuation exercise has been undertaken based predominantly on the Group's expected profit from secured sales on The Lancasters Development as at 28<sup>th</sup> February 2011.

## (c) Other Investments

Company	Subsidiary Undertakings £	Associated Undertaking £	Total Investments £
<b>Cost</b>			
At 1 <sup>st</sup> March 2010	14,492,583	300	14,492,883
Additions	98	-	98
As at 28 <sup>th</sup> February 2011	<u>14,492,681</u>	<u>300</u>	<u>14,492,981</u>
<b>Impairment</b>			
At 1 <sup>st</sup> March 2010	4,402,902	-	4,402,902
Impairment in the year	-	-	-
As at 28 <sup>th</sup> February 2011	<u>4,402,902</u>	<u>-</u>	<u>4,402,902</u>
Net book value as at 28 <sup>th</sup> February 2011	<u>10,089,779</u>	<u>300</u>	<u>10,090,079</u>
Net book value as at 28 <sup>th</sup> February 2010	<u>10,089,681</u>	<u>300</u>	<u>10,089,981</u>
<b>Company</b>	<b>Subsidiary Undertakings £</b>	<b>Associated Undertaking £</b>	<b>Total Investments £</b>
<b>Cost</b>			
At 1 <sup>st</sup> March 2009	14,492,583	300	14,492,883
Additions	-	-	-
As at 28 <sup>th</sup> February 2010	<u>14,492,583</u>	<u>300</u>	<u>14,492,883</u>
<b>Impairment</b>			
At 1 <sup>st</sup> March 2009	4,402,902	-	4,402,902
Impairment in the year	-	-	-
As at 28 <sup>th</sup> February 2010	<u>4,402,902</u>	<u>-</u>	<u>4,402,902</u>
Net book value as at 28 <sup>th</sup> February 2010	<u>10,089,681</u>	<u>300</u>	<u>10,089,981</u>
Net book value as at 28 <sup>th</sup> February 2009	<u>10,089,681</u>	<u>300</u>	<u>10,089,981</u>

**(d) Group Shareholdings**

The Group has shareholdings in the following companies, all incorporated in England and Wales:

<u>Subsidiary undertakings</u>	<u>Holding</u>	<u>Proportion held</u>	<u>Nature of Business</u>
Waterloo Investments Limited	Ordinary shares	100%	Development management services
Intarya Limited	Ordinary shares	100%	Interior design
Northacre Development Management Services Limited	Ordinary shares	100%	Development management services
Nilsson Architects Limited	Ordinary shares	100%	Design architects
Northacre Capital (1) Limited	Ordinary shares	100%	Property development
Northacre Capital (2) Limited	Ordinary shares	100%	Property development
Northacre Capital (3) Limited	Ordinary shares	100%	Property development
Northacre Capital (5) Limited	Ordinary shares	100%	Property development
Northacre Capital (6) Limited	Ordinary shares	100%	Property development
Northacre Capital (7) Limited	Ordinary shares	100%	Property development
Northacre Residential Limited	Ordinary shares	100%	Dormant
Nilsson Design Limited	Ordinary shares	100%	Dormant
Northacre Land Limited	Ordinary shares	100%	Dormant
Northacre Holdings Limited	Ordinary shares	100%	Dormant
Northacre Design Limited	Ordinary shares	100%	Dormant
Northacre Capital Limited	Ordinary shares	100%	Dormant
Northcare Management Limited	Ordinary shares	100%	Dormant
Northcare Management Services Limited	Ordinary shares	100%	Dormant
Lifestyle (Interiors) Limited	Ordinary shares	100%	Dormant
<u>Associated undertaking</u>			
Campden Estates Limited (year ended 31 <sup>st</sup> December)	Ordinary shares	25%	Residential property lettings and management
<u>Available for sale financial assets</u>			
44-46 Park Street Limited	Ordinary shares	45%	Property development
Lancaster Gate (Hyde Park) Limited	Ordinary shares	25.1%	Property development
The Empress Partnership LLP	Limited Liability Partnership	5%	Property development

15. Inventories	Group		Group	
	2011	2010	2011	2010
	£	£	£	£
Stock	11,845			7,919
Work in progress	324,163			40,709
	<u>336,008</u>			<u>48,628</u>

16. Trade and other receivables	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade receivables	374,511	1,014,064	-	-
Amounts owed by group undertakings	-	-	6,146,872	6,986,808
Other receivables	168,339	185,961	185,659	160,652
Prepayments and accrued income	320,739	1,397,645	8,705,459	7,928,859
	<u>863,589</u>	<u>2,597,670</u>	<u>15,037,990</u>	<u>15,076,319</u>

At the year end there was a provision for doubtful debts of £216,956 (2010: £nil).

17. Trade and other payables	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade payables	819,788	133,251	375,279	152,645
Amounts owed to group undertakings	-	-	12,334,914	11,858,537
Social security and other taxes	530,434	311,272	42,199	78,193
Other payables	228,150	323,831	169,924	227,874
Accruals and deferred income	1,104,682	1,799,052	796,497	492,122
	<u>2,683,054</u>	<u>2,567,406</u>	<u>13,718,813</u>	<u>12,809,371</u>

Included in other payables is a loan due to a Director Klas Nilsson. The loan does not have a fixed date of repayment. Interest is charged at 10% per annum. The total amount outstanding at the year end was £159,314 (2010: £117,730) including interest.

18. Corporation Tax	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Corporation Tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

19. Borrowings, including lease finance	Group		Company	
	2011	2010	2011	2010
Current Liabilities	£	£	£	£
Loan from pension scheme	-	275,000	-	275,000
Finance leases	158,566	158,567	130,828	130,828
Bank overdraft	218,685	-	220,931	-
	<u>377,251</u>	<u>433,567</u>	<u>351,759</u>	<u>405,828</u>

Finance leases are secured on the related assets.

The bank overdraft facility of £500,000 incurs interests at 3.75% per annum over the base rate. The facility is secured by a personal guarantee as detailed in note 27.

**20. Borrowings, including lease finance  
Non-Current Liabilities**

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Loan from pension scheme	750,000	750,000	750,000	750,000
Director loans	693,052	300,000	693,052	300,000
Other loans	824,797	-	824,797	-
Finance leases	22,706	181,269	15,771	146,596
	<u>2,290,555</u>	<u>1,231,269</u>	<u>2,283,620</u>	<u>1,196,596</u>

The loan from the pension scheme of £750,000 is in respect of the Northacre PLC Directors Retirement and Death Benefit Scheme. The loan is due to be repaid on 31<sup>st</sup> July 2013 with interest charged at 4% above the Clearing Bank's base rate.

A Director loan was provided by MTAF Group (Mohamed AlRafi) in two instalments, £100,000 on 22<sup>nd</sup> October 2009 and £200,000 on 28<sup>th</sup> October 2009. Interest is charged at 10% per annum and the lender is entitled to 1.125% of Northacre's dividends from The Lancasters Development. The loan is not repayable until dividends from The Lancasters Development are received.

An additional Director loan of £300,000 was provided by MTAF Group (Mohamed AlRafi) on 3<sup>rd</sup> August 2010. No interest was charged for the first 6 months with a fixed premium of £50,000 due after the initial 6 month period. From 3<sup>rd</sup> February 2011 interest is charged at 10% per annum and the lender is entitled to 0.75% of Northacre's dividends from The Lancasters project. The loan is not repayable until dividends from The Lancasters Development are received.

A loan facility of £2,000,000 was made available by Abdulsalam AlRafi (father of Director Mohamed AlRafi) on 28<sup>th</sup> January 2011. The loan is available on a drawdown basis and as at 28<sup>th</sup> February 2011 the Group used £800,000 of the available funds. Interest is charged at 3% per month. The loan is not repayable until dividends from The Lancasters Development are received.

As at 28<sup>th</sup> February 2011 the Group and Parent Company had obligations under finance leases that are secured on related assets as set out below:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Gross amounts payable:				
Within one year	158,566	158,567	130,828	130,828
In two to five years	22,706	181,269	15,771	146,596
In over five years	-	-	-	-
	<u>181,272</u>	<u>339,836</u>	<u>146,599</u>	<u>277,424</u>
Less: finance charges allocated to future periods	<u>(44,751)</u>	<u>(83,210)</u>	<u>(29,324)</u>	<u>(55,442)</u>
	<u>136,521</u>	<u>256,626</u>	<u>117,275</u>	<u>221,982</u>

**21. Provisions for other liabilities**

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Loan settlement costs and profit share payable	<u>2,350,000</u>	<u>1,100,000</u>	<u>2,020,000</u>	<u>770,000</u>

On 22<sup>nd</sup> June 2010, the Company entered into an agreement to acquire the entire issued share capital of Templeco 643 Limited for a consideration of £1,250,000. The Company acquired Templeco 643 Limited as settlement in lieu of the loan arrangement agreement to share in the profits of The Abingdons Partnership therefore the total consideration of £1,250,000 was reported within other losses in the year to 28<sup>th</sup> February 2010 (see note 6). Of the consideration, £75,000 was paid on 22<sup>nd</sup> June 2010 with a further £75,000 paid on 16<sup>th</sup> August 2010. The balance of £1,100,000 is due from the proceeds of the dividends from The Lancasters Development.

An additional provision of £1,250,000 represents the profit share payable to the Northacre PLC Directors Retirement and Death Benefit Scheme in relation to sale of Group's interest in The Abingdons Partnership. The amount will be paid from dividends received from The Lancasters Development.

**22. Future financial commitments**
**Operating Leases**

	Group		Company	
	2011	2010	2011	2010
	£ Land & Buildings	£ Land & Buildings	£ Land & Buildings	£ Land & Buildings
Net amount payable on operating leases which expire:				
Within one year	103,956	91,363	103,956	91,363
In two to five years	584,702	494,157	584,702	494,157
In over five years	<u>774,740</u>	<u>857,241</u>	<u>774,740</u>	<u>857,241</u>
	<u>1,463,398</u>	<u>1,442,761</u>	<u>1,463,398</u>	<u>1,442,761</u>

	Group		Company	
	2011 £ Other	2010 £ Other	2011 £ Other	2010 £ Other
Net amount payable on operating leases which expire:				
Within one year	46,467	21,134	16,320	9,705
In two to five years	144,978	37,875	65,280	23,478
In over five years	8,160	-	8,160	-
	<u>199,605</u>	<u>59,009</u>	<u>89,760</u>	<u>33,183</u>

### 23. Capital Commitments

At the reporting date there were no outstanding commitments for capital expenditure.

### 24. Earnings per Share

Loss per share of 16.17p (2010: 14.72p) is calculated on the loss attributable to ordinary shares of £4,320,033 (2010: £3,934,608) divided by the weighted number of ordinary shares in issue during the period.

Computation of basic earnings per share:	2011	2010
Net loss	(£4,320,033)	(£3,934,608)
Weighted average number of shares outstanding	26,723,643	26,723,643
Basic loss per share	(16.17)p	(14.72)p
Diluted loss per share	(16.17)p	(14.72)p

There were no potentially dilutive instruments in issue during the current or preceding year. All amounts shown relate to continuing and total operations. There was no impact on loss per share arising from the prior period restatement (see note 29).

### 25. Share Capital

	2011 £	2010 £
Called up, allotted and fully paid:		
26,723,643 Ordinary shares of 2.5p each	668,091	668,091
Nil 'A' shares of 2.5p each	-	-
	<u>668,091</u>	<u>668,091</u>

### 26. Contingent Liabilities

A third party has brought a claim against a subsidiary Company, Waterloo Investments Limited, regarding payment of a profit share of a completed development. Legal proceedings were commenced by the third party in 2001. The amount claimed is £744,008. Waterloo Investments Limited has counterclaimed against the third party for £333,708 plus interest and costs. No provision has been made in these financial statements for this liability as the Board is of the opinion that there is no prospect that the claim against Waterloo Investments Limited will be successful.

A former Director has made a claim against the Company for wrongful and unfair dismissal. The dispute with the former Director remains unresolved as at the date of approval of these financial statements. Substantial claims are asserted including an unfair dismissal claim but the Board remains of the view that the claims are unlikely to succeed. Nonetheless, as is usual in any litigation, without prejudice commercial settlement terms will be further considered as may be appropriate. At present the Board are of the opinion that the claims are unlikely to succeed and no provision has therefore been made in the financial statements.

The Company and Group trading subsidiaries have given an unlimited guarantee and debenture secured on the assets of the Group to its bankers in respect of a facility arrangement. At the reporting date the net amount owed to the bank was £218,685 (2010: £nil).

## 27. Related Party Transactions

## Group

The Group's related parties as defined by International Accounting Standard 24, the nature of the relationship and the amount of transactions with them during the period were as follows:

Related Party	Nature of Relationship	2011		2010		Nature of Transactions
		£	£	£	£	
		Total transactions in the year	Balance at the year end	Total transactions in the year	Balance at the year end	
J.R.G. Hunter	1	1,428	34,360	(28,296)	32,932	Amount owed by J.R.G. Hunter to Northacre PLC at 28 <sup>th</sup> February 2011. The highest amount owed by J.R.G. Hunter in the year was £34,360 (2010: £86,574)
J.R.G. Hunter	1	10,187	193,623	43,915	183,436	Amount included in accrued income in respect of services provided at arm's length to J.R.G. Hunter
J.R.G. Hunter	1	(193,623)	(193,623)	-	-	Provision against accrued income in respect of services provided at arm's length to J.R.G. Hunter
Campden Estates Limited	2	-	-	3,117	-	Rent and services payable by Campden Estates Limited for use of office space
Campden Estates Limited	2	-	-	(3,584)	-	Amount owed by Campden Estates Limited to Northacre PLC at 28 <sup>th</sup> February 2011
Northacre PLC Directors Retirement and Death Benefit Scheme	3	-	(3,000)	-	(3,000)	Management fee receivable from the Scheme
Northacre PLC Directors Retirement and Death Benefit Scheme	3	-	(750,000)	-	(750,000)	Loan repayable to the Scheme by Northacre PLC
Northacre PLC Directors Retirement and Death Benefit Scheme	3	275,000	-	-	(275,000)	Loan repayable to the Scheme by Northacre PLC. The loan was repaid on 26 <sup>th</sup> June 2010
Northacre PLC Directors Retirement and Death Benefit Scheme	3	(19,517)	(98,883)	(11,372)	(79,366)	Interest payable to the Scheme on the loans to Northacre PLC
Northacre PLC Directors Retirement and Death Benefit Scheme	3	18,680	108,465	51,680	89,785	Disbursements paid by Northacre PLC on behalf of the Scheme
Northacre PLC Directors Retirement and Death Benefit Scheme	3	(1,250,000)	(1,250,000)	-	-	Provision in respect of profit share to the Scheme in relation to the sale of Group's interests in The Abingdons Partnership
K.B. Nilsson	4	(27,110)	(140,617)	(106,748)	(113,507)	Amount owed to K.B. Nilsson from Northacre PLC at 28 <sup>th</sup> February 2011. The highest amount owed to K.B. Nilsson in the year was £(193,507) (2010:£(106,748))
K.B. Nilsson	4	(14,474)	(18,697)	(4,223)	(4,223)	Interest payable to K.B. Nilsson on the loan to Northacre PLC

Related Party	Nature of Relationship	2011		2010		Nature of Transactions
		£	£	£	£	
		Total transactions in the year	Balance at the year end	Total transactions in the year	Balance at the year end	
K.B. Nilsson	4	-	-	-	-	K.B. Nilsson has provided a personal guarantee for £570,000 to the Group's bankers as security in respect of all liabilities of the Group to the bank
E.B. Harris	5	(30,000)	(50,000)	(20,000)	(20,000)	Non-executive Directors fees for March 2009 - February 2011 invoiced from E.C. Harris LLP
M. Williams	6	(28,333)	-	(20,000)	-	Non-executive Directors fees for March 2010 - February 2011
M.A. AlRafi	7	-	(300,000)	(300,000)	(300,000)	Loan repayable to MTAF Group (M.A. AlRafi) by Northacre PLC
M.A. AlRafi	7	(30,230)	(40,559)	(10,329)	(10,329)	Interest payable to MTAF Group (M.A. AlRafi) on the £300,000 loan To Northacre PLC
M.A. AlRafi	7	1,350	(13,650)	(15,000)	(15,000)	Executive Directors fees for March 2010 – February 2011
M.A. AlRafi	7	(350,000)	(350,000)	-	-	Loan repayable to MTAF (M.A. AlRafi) by Northacre PLC including a £50,000 fixed premium
M.A. AlRafi	7	(2,493)	(2,493)	-	-	Interest payable to MTAF Group (M.A. AlRafi) on the £300,000 loan to Northacre PLC
M.A. AlRafi	7	(1,973)	-	-	-	Loan repayable to MTAF Group (M.A. AlRafi) by Northacre PLC. Amount received in the year was £200,000 and amount repaid £201,973 including interest £1,973
A. AlRafi	8	(800,000)	(800,000)	-	-	Loan repayable to A. AlRafi by Northacre PLC
A. AlRafi	8	(24,797)	(24,797)	-	-	Interest payable to A. AlRafi on the £800,000 loan to Northacre PLC
A. AlRafi	8	(100,000)	-	-	-	Loan arrangement fee paid to A. AlRafi for £2m loan facility

## Nature of Relationships

- 1 J.R.G. Hunter was a Director until 11<sup>th</sup> February 2010.
- 2 Campden Estates Limited is an associated undertaking of Northacre PLC.
- 3 J.R.G. Hunter and K.B. Nilsson are trustees and potential beneficiaries of the Northacre PLC Directors Retirement and Death Benefit Scheme.
- 4 K.B. Nilsson is a Director of the Company.
- 5 E.B. Harris is a Director of the Company, and a member of E.C. Harris LLP.
- 6 M. Williams is a Director of the Company.
- 7 M.A. AlRafi is a Director of the Company.
- 8 A. AlRafi is the father of M.A. AlRafi.

**Company**

The Directors', associated company and pension fund transactions in the Company are included in the Group disclosure above. In addition to these, the Company has the following related party transactions as defined by International Accounting Standard 24.

Related Party	Nature of Relationship	2011		2010		Nature of Transactions
		£	£	£	£	
		Total transactions in the year	Balance at the year end	Total transactions in the year	Balance at the year end	
Group entities	1	791,061	-	885,281	-	Management Fees receivable in year from Group subsidiaries provided at arm's length
Group entities	1	(69,998)	-	(67,498)	-	Management Fees payable in year to Group subsidiaries provided at arm's length
Nature of Relationships						

1 The Group entities are wholly owned subsidiaries of the Company.

The balances at the reporting date are shown under notes 16 and 17 of the financial statements.

**28. Events after the Reporting Date**

On 24<sup>th</sup> June 2011 the Company secured an additional loan facility of £2,000,000 that was made available by Abdulsalam AlRafi (father of Director and shareholder Mohamed AlRafi). The loan is available on a drawdown basis and as at 21<sup>st</sup> July 2011 the Group had used £1,100,000 of the funds available. Interest is charged at 3% per month. The loan is due to be repaid within 18 months of the date of the first drawdown.

An additional loan of £500,000 was provided by Director Mohamed AlRafi. The loan was provided in four instalments: £100,000 on 26<sup>th</sup> May 2011, £130,000 on 9<sup>th</sup> June 2011, £150,000 on 13<sup>th</sup> June 2011 and £120,000 on 20<sup>th</sup> June 2011. Interest is charged at 3% per month. The loan does not have a fixed date of repayment but it is the Directors' intention to repay the loan as soon as additional funding is secured.

Since the end of the year there were changes to the Board of Directors. Jayne McGivern was appointed as Chief Executive Officer of the Group on 11<sup>th</sup> March 2011 and resigned from the position on 17<sup>th</sup> May 2011. Klas Nilsson has taken on the role of Interim Chief Executive Officer. On 24<sup>th</sup> June 2011 Manish Santilale resigned as Finance Director. His resignation was followed by the appointment of Ken MacRae as Finance Director.

**29. Prior year restatement**

Group revenue and administrative expenses for the year ended 28<sup>th</sup> February 2010 have been restated to remove management fees receivable and payable of £991,057. There is no impact on the total comprehensive loss for the period or net assets at 28<sup>th</sup> February 2010.