NORTHACRE

LONDON

Northacre PLC – Report and Accounts 2014

Contents

Proposed new entrance for 1 Palace Street

Chairman's Statement

It is Northacre's ambition to reposition itself as London's No. 1 prime residential developer. This will only manifest itself through increased trading and profitability – a process which has begun with the investment in 33 Thurloe Square and 1 Palace Street as well as the on-going participation in the development of Vicarage Gate.

Northacre's activities in the bidding process for development opportunities has increased nearly fivefold compared to previous years, thanks to our major shareholder's ability to raise finance in a market that, whilst challenging, continues to show long term increases in values. As a result there are clear signs of an increasingly positive attitude in the market towards Northacre and its prospects.

As the founder of Northacre I am pleased to see how well the integration of our new CEO, Niccolò Barattieri di San Pietro has worked with staff and our major shareholder as well as external stakeholders.

The Group now has the real prospect of achieving its ambition to become London's No. 1 developer in the prime residential sector, in particular with the opportunity created by our major redevelopment of 1 Palace Street which is destined to become one of the most significant residential developments in London.

Klas Nilsson
Non-Executive Chairman

Date: 14th July 2014

Early visuals – 1 Palace Street

Chief Executive's Statement

This year has been one of positive momentum for Northacre PLC. In one year we have signed four development management agreements, more than in any other year in the history of the Company. We have also committed over £12m of capital to projects: this is the most ever committed by Northacre PLC in a 12 month period.

It should be noted that we are able to operate successfully in a very competitive market which is testament to the impact our majority shareholder has had on the business.

Business Development

Acquiring properties which meet our stringent criteria, both from a development and investment perspective, has become increasingly challenging. However, in the last twelve months we have expanded our contact base considerably and feel confident that we are uniquely positioned to secure further opportunities. Our track record in the last twelve months should be a testament to that. The collaboration with our shareholder, Abu Dhabi Capital Management LLC (ADCM), has enabled us to pursue opportunities of substantial size, where there are fewer investors pursuing them.

Developments

1 Palace Street

1 Palace Street will be the only residential development overlooking the gardens of Buckingham Palace. This unique attribute along with its imposing Grade II listed façade will facilitate us in delivering the best residential development in London.

This opportunity was sourced and completed by ADCM with Northacre PLC committing to contribute £10m of equity. Since completion took place in early January 2014, we have been working closely with Squire and Partners in order to fully redesign the approved scheme. We expect to submit a new planning application by the middle of July 2014. Should we receive planning approval in the autumn, we will be starting demolition in January 2015.

Vicarage Gate House

Vicarage Gate House is progressing according to the development plan with practical completion scheduled for March 2015. The construction phase has been running very smoothly and no major issues have arisen. Sales have been progressing well and three units have been reserved/exchanged. We have achieved over £4,000 per square foot on the penthouse which is a record for the area.

33 Thurloe Square

33 Thurloe Square is an imposing Grade II listed property overlooking the Victoria & Albert Museum. It was the original residence of Sir Henry Cole the first director of the museum, hence of historic importance for the area. This opportunity was sourced by ADCM and Northacre PLC contributed 15% of the equity.

All our planning objectives were achieved. We secured listed building consent to increase the square footage of the existing property along with consent to build a double basement. This increased the total square footage from 4,777 to 6,500 square feet.

As we were about to start work on site we received an unsolicited offer for £12,750,000 which represents a significant premium to the market. We exchanged contracts on 6th June 2014 and completed on 24th June 2014.

We achieved a net IRR of over 30% for our investors along with a substantial return for Northacre PLC in terms of development management fees, performance fee and return on our invested equity.

13 & 14 Vicarage Gate

This site is adjacent to Vicarage Gate House and is a development of 8 apartments. These two interconnected period buildings will allow us to develop four lateral flats which are very rare in these kinds of buildings. We started works on site at the end of June 2014 with completion due twelve months after.

Vicarage Gate House

33 Thurloe Square

13 & 14 Vicarage Gate

Chester Square

This is a two year project for a private client. Northacre PLC was appointed as a development manager and Intarya, the Group's interior design team, will be working on the interior architecture and furnishings. The client selected Northacre PLC as he wanted a company who had a strong track record in achieving complicated planning and one with a true understanding of the high-end market.

The Lancasters

This project has proved to be an excellent long term investment with a total dividend income of £50m. Following the acquisition of Lancaster Gate (Hyde Park) Limited in December 2013, Northacre PLC realised its full profit from this project and we are now in the process of completing the snagging with a view to transferring the freehold to the residents by the end of the year.

Outlook

With the general elections next year and after such a protracted period of strong growth, we feel that the year ahead will be one of price consolidation for the prime central London residential market. However, in the longer term we firmly believe that the high-end residential market is underpinned by a multitude of factors which will continue to push prices higher.

At present Northacre PLC has about 4% market share in the super prime residential development sphere in London putting us amongst the top ten developers by Gross Development Value (GDV). Our goal is to be in the top three over the next three to five years.

Northacre PLC, with its unique track record, healthy cash balance and strong relationship with our major shareholder, is uniquely positioned to fully exploit the positive trend. We are fully committed to building Northacre PLC into a substantial luxury brand.

Niccolò Barattieri di San Pietro
CEO

Date: 14th July 2014

Financial Review

The Group's financial position improved significantly during the year under review with various events affecting the Group's results and Consolidated Statement of Financial Position at the year end.

Consolidated Income Statement

Group revenue for the year decreased to £3.0m (2013: £3.5m), which reflected a lower level of activity in Intarya, the Group's interior design business. Intarya's revenue fell by 37% to £2.0m (2013: £3.2m) while development management fee income increased by 150% to £1.0m (2013: £0.4m) due to the new agreements signed for the 1 Palace Street and 33 Thurloe Square projects.

Administrative expenses fell by 45% to £4.9m (2013: £8.9m). The decrease reflected the fact that there was no bonus provision in the financial year ended February 2014 in comparison to £4.6m of bonuses and NI accrued in the financial year ended February 2013. The Group achieved significant savings of £0.4m in legal and other professional fees. As forecasted, loan arrangement fees and finance costs decreased to £nil (2013: £0.3m and £2.1m respectively) due to the fact that all of the Group's debt was repaid in prior periods.

On 16th December 2013 the Group acquired Minerva's interest in Lancaster Gate (Hyde Park) Limited. £15m dividends were received during the year with a final payment of £7.3m received following the acquisition.

The total dividends received from The Lancasters Development amounted to £50m.

The Group reported a profit before tax of £12.3m (2013: £16.8m).

Consolidated Statement of Comprehensive Income

The change in fair value of the interest in Lancaster Gate reported for the year, being a decrease of £15m (2013: £18.7m), was due to the realisation of the dividends received of £15m.

Consolidated Statement of Financial Position

The Group has improved its cash position further and as at 28th February 2014 had cash and cash equivalents of £21.2m (2013: £9.2m). The principal source of cash (£22.3m) was the further dividends received from The Lancasters Development. In December 2013 the Group raised an additional £12.5m cash by issuing new shares and through a cashbox acquisition. This improved cash position enabled the Group to invest into two new projects, 1 Palace Street and 33 Thurloe Square. As at 28th February 2014, Northacre PLC had provided a total of £10.3m in cash for these two projects, representing an equity investment of £8.8m in respect of 1 Palace Street and £1.5m through a combination of equity investment and shareholder loan in respect of 33 Thurloe Square.

In addition it permitted the Group to pay a special dividend to shareholders of 40p per share in July 2013.

Looking forward, the Group will focus on securing new projects and will increase both its development income and investment income. Our strengthened financial position means we are better placed than in recent years to take advantage of investment opportunities.

Kasia Maciborska-Singh
Group Financial Controller

Date: 14th July 2014

Vicarage Gate House - Concierge

Vicarage Gate House - Reception

Board of Directors

Niccolò Barattieri di San Pietro
Chief Executive Officer

Niccolò Barattieri di San Pietro has over 18 years' experience in Finance / Real Estate. After spending several years alongside Est4te Four's Partners (who built their reputation in Milan by creating arguably the largest fashion quarter in the world), Niccolò helped Est4te Four to change from a plain developer to a global real estate advisor with developments in Milan, London, New York and Los Angeles. Prior to this Niccolò was the Head Trader for Theorema Asset Management, a $600 million European Equity Hedge Fund. Niccolò was also Head Trader at Newman Ragazzi, a $1 billion European Equity Hedge Fund.

Klas Nilsson
Non-Executive Chairman

Following his training as an architect in Germany, Klas founded Nilsson Architects in 1975. In 1977, he founded Northacre, turning his architectural practice into a wholly-owned subsidiary of the Group. This resulted in a brand new hybrid of architect/developer, fuelled by Klas's passionate desire to see projects through from design to completion, sharing jointly in the creation of the results.

Brian Harris
Non-Executive Director

Brian has over 35 years' experience in the building and property industry as a Partner of Built Asset Consultant, EC Harris LLP. A Fellow of the Royal Institution of Chartered Surveyors, he has specialised in cost and project management and is a leading authority on the delivery of capital projects and the management of risk. Brian has been closely involved in the growth of EC Harris LLP into one of the foremost global consultancies. He is a Trustee of the United Kingdom Historic Building Preservation Trust (part of The Prince's Regeneration Trust).

Jassim Alseddiqi
Executive Director

Jassim Alseddiqi is the Chief Executive Officer of Abu Dhabi Capital Management LLC. Jassim is also the Chairman of Injaz Mena Investment Company, and a board member at Abu Dhabi Capital Group, Emirates Buildings Establishment, Qannas Investments plc, and Northacre PLC. Preceding his tenure in the investment world, he was a noted lecturer at the Abu Dhabi-based Petroleum Institute. Jassim holds a Bachelor of Science in Electrical Engineering from the University of Wisconsin-Madison, and earned his Master's of Science degree in Electrical Engineering from Cornell University in the United States. He also has several publications in international engineering journals.

Mustafa Kheriba
Executive Director

Mustafa Kheriba is the Chief Operating Officer of Abu Dhabi Capital Management LLC, and is directly responsible for the day to day operations and financials of ADCM and group companies. Mustafa is also responsible for origination, deal sourcing, fund raising, due diligence, corporate governance and compliance. Prior to ADCM, Mustafa was the Vice President of Operations and Investment Management at Brainnox Investment Group, a German conglomerate based in Dubai. He oversaw their investments portfolio in Eastern Europe and the MENA region. Mustafa has a Masters of Business Administration from Ohio Dominican University, and a Bachelor of Arts from the University of Toronto.

Company Information

Company number:
03442280
Registered in England and Wales

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Strategic Report

For the year ended 28th February 2014

The Directors present their Strategic Report on the Group for the year ended 28th February 2014.

Review of the business

Northacre PLC (the "Company") is the Group's holding company. The principal activity of its operating subsidiaries is property development, development management and the provision of architectural and interior design services for high quality residential property schemes.

Results and performance

The results of the Group for the year are set out in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income on pages 16 and 17.

Net assets per share is 92.39 pence (2013: 150.11 pence). Net profit for the year before fair value recognition movements and consortium relief is £12.3m (2013: £16.8m) with a profit per share after consortium relief of 39.51 pence (2013: 80.96 pence).

Consolidated Income Statement

The Group's revenue for the year is £3.0m (2013: £3.5m) and it represents the Group's fee income rather than development income. Operating loss for the year is £3.2m (2013: £7.7 m). Administrative expenses for the year decreased to £4.9m (2013: £8.9m). Investment revenue of £15.0m (2013: £26.6m) represents dividends received from The Lancasters Development. Following the acquisition of Lancaster Gate (Hyde Park) Limited the 16th December 2013 the Group recognised a £7.2m profit on disposal of available for sale financial assets and a loss of £7.1m which represents all gains and losses previously recognised in the Consolidated Statement of Comprehensive Income up to the time of the disposal of the available for sale financial assets. A net profit on sale of available for sale financial assets amounted to £0.1m. The Group finance costs were £nil (2013: £2.1m) as forecasted due to the entire Group's debt being repaid in prior years. After including the above items the Group recorded a profit before fair value recognition movements and consortium relief of £12.3m (2013: £16.8m).

Consolidated Statement of Comprehensive Income (the Group's interest in The Lancasters Development)

Based on the Group's accounting policy, other comprehensive income or loss represents changes in the fair value of available for sale financial assets.

The movement in the available for sale financial assets consists of the change in value in the investment in The Lancasters Development and represented the Directors' valuation of the investment based on expected profit share which accrued, given the progress being made on The Lancasters Development less dividends received in the year.

The Other Comprehensive Loss reported for the year was £15.0m (2013: loss £18.7m). This represents dividends received during the year of £15.0m (2013: £26.6m). As The Lancasters Development is now fully complete there were no other changes in the fair value of available for sale financial assets in respect of that development (2013: £7.9m).

Consolidated Statement of Financial Position

The investment in available for sale financial assets at the beginning of the year represented the equity value in The Lancasters Development. At the year end the £8.8m represented the equity investment in 1 Palace Street and 33 Thurloe Square projects.

In accordance with IAS 39 'Financial Instruments: Recognition and Measurement', available for sale financial assets are shown at fair value at each reporting date with changes in fair value being shown as 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.

Following the acquisition of Lancaster Gate (Hyde Park) Limited, the fair value balance of The Lancasters Development at the year end amounted to £nil (2013: £22.1m).

During the year under review, the Group entered into two Development Management Agreements for the development of two prime central London developments located at 1 Palace Street and 33 Thurloe Square. The total investment in these projects at 28th February 2014 was £8.8m (2013: £nil) and is disclosed as available for sale financial assets in the Consolidated Statement of Financial Position.

The Group continues to seek further development opportunities in London that will maximise returns to shareholders.

The Lancasters Development dividends

In the year under review, the Group received total dividends of £22.3m (2013: £26.6m) from The Lancasters Development and these were reported within investment revenue (£15.0m) and profit on disposal of available for sale financial assets (£7.2m) in the Consolidated Income Statement. The Group's total profit share to date (net of corporation tax) from The Lancasters Development amounted to £50.0m.

Financing

On 5th December 2013, Northacre PLC announced proposals to raise a total of approximately £12.5m (before expenses) by way of an Open Offer for 5,177,968 new Ordinary Shares and the acquisition of a new company (Cash Box Acquisition) whose sole asset was cash of approximately £8.4 million, in consideration for the issue to Spadille Limited of 10,433,927 consideration shares. The Open Offer closed for acceptances on 20th December 2013.

Strategic Report

For the year ended 28th February 2014 *(Continued)*

The total cash raised and received was £12,489,516 (before expenses), and the Group intends primarily to deploy the proceeds to fund equity investments and working capital on existing development projects. The Board firmly believes that the access to the cash resulting from the Open Offer and Cash Box Acquisition will provide the Group with the requisite financing to take advantage of new opportunities, as and when they arise, whilst also recognising the comfort that can be drawn by the Group's partners, clients and other stakeholders from a strong balance sheet. Whilst no final dividend has been declared prior to the approval of these statements, the Board will continue to actively consider the payment of dividends.

Whilst the Group has not raised debt for a specific development project during the year, the Group maintains a regular dialogue with a range of UK and foreign investors and banks in order to assess appetite and to maintain good relations.

The Group had cash of £21.2m at 28th February 2014, with no debt, (£9.2m of cash with no debt as at 28th February 2013) and the Group has not secured any new facility since the year end.

Key performance indicators ("KPI's")

The KPI's used by the Group are monthly EBITDA (earnings before interest, tax, amortisation, depreciation and impairment of assets), cash projections, growth in revenue and gross profit. Management review these on a regular basis, largely by reference to budgets and reforecasts.

The cash flow projection shows how cash is expected to flow in and out which is an important business decision-making tool. Growth in revenue is a measure of how the Group is growing its business and the Group's goal is to achieve year-on-year growth in fee income as well as development income.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and on-going review by management. Compliance with regulation, legal and ethical standards is a high priority for the Group and the Group's finance department takes on an important oversight role in this regard. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The nature of the Group's business makes it subject to a number of risks. The Directors have set out below the principal risks facing the business:

Changes in the UK tax system and government policy towards foreign ownership of property

The Group's philosophy and track record of delivery and branding are key components to unlocking the significant uplifts in sales revenues which consistently outperform market comparisons. Major contributors to the strength and expansion of the Northacre PLC residential market have been a very favourable tax system for foreigners and any adverse changes could potentially reduce property sale prices. A potential adverse change is the mansion tax which is only a proposal in the United Kingdom, but has proved very controversial and has received widespread media coverage. At present, the most commonly cited trigger point would be a property value of £2 million, with the annual tax only being payable on the value over that.

Management controls

The ability of the Group to implement its strategy in a competitive market requires effective planning and management control systems. The Group's future growth will depend upon its ability to expand whilst improving exposure to operational, financial and management risk.

Liquidity risk

The current uncertain economic climate may impact the Group's cash flows and thereby its ability to pay its creditors as they fall due. A principal responsibility of management is to manage liquidity risk. The Group uses annual budgeting, forecasting and regular performance reviews to assess the longer term profitability of the Group and make strategic and commercial changes as required ensuring cash resources are maintained. Currently the Group has no borrowing arrangements in place and prepares cash flow forecasts which are reviewed at Board meetings to monitor liquidity.

Credit risk

The Group's principal financial assets are bank deposits and cash. The credit risk associated with the bank deposits and cash is limited as the counterparties have high credit ratings assigned by credit-rating agencies. Whilst historically credit risk has been low management continuously monitors its financial assets.

Dependencies on key executives and personnel

The Group's strength lays in the expertise and experience of its development management, architectural and interior design teams. The Group has incentivised all key and senior personnel with attractive basic packages. The Directors are also planning to implement a long term incentive plan to retain quality key employees.

The Board of Directors carries out risk management as outlined in Note 2 to the Consolidated Financial Statements.

By Order of the Board

Capita Company Secretarial Services Limited

Corporate Secretary

Date: 14th July 2014

Directors' Report

For the year ended 28th February 2014

The Directors have pleasure in presenting their Directors' Report and Group financial statements for the year ended 28th February 2014.

Dividends

On 4th July 2013 the Group announced that the Directors of Northacre PLC recommended a payment of a special dividend of 40p per Ordinary share which was paid on 22nd July 2013.

No final dividend has been declared prior to the approval of these financial statements and the Board will continue to actively consider the payment of dividends.

Directors and their interests

The Directors who served the Company during the year together with their interests (including family interests) in the shares of the Company, at the beginning and end of the year, were as follows:

	Number of Issued 2.5p Ordinary Shares		
	At 28th February 2014	At 29th February 2013	% of Ordinary Shares
K.B. Nilsson	-	-	-
M.A. AlRafi (resigned 25th June 2013)	-	-	-
K. MacRae (resigned 19th June 2013)	-	25,000	-
E.B. Harris	-	-	-
M.F. Williams (resigned 27th March 2013)	-	-	-
J. Alseddiqi	-	-	-
M. Kheriba	-	-	-
A. de Rothschild (appointed 3rd July 2013 and resigned 11th February 2014)	-	-	-
N. Barattieri di San Pietro (appointed 1st September 2013)	-	-	-

Jassim Alseddiqi has a shareholding in Abu Dhabi Capital Management LLC, the Group's ultimate parent company and therefore has indirect interest in the shares of the Company.

On 15th March 2013, following the recommended cash offer by Spadille Limited, Ken MacRae, ex-Chief Executive Officer, sold 25,000 Ordinary shares of Northacre PLC to Spadille Limited at a price of 96p per share. These shares were equal to 0.09 per cent of the issued Ordinary share capital of Northacre PLC.

On 27th March 2013 the Group announced that Malcolm Williams had resigned as a Non-Executive Director of Northacre PLC.

On 19th June 2013 the Group announced that Ken MacRae had resigned as Chief Executive Officer and Finance Director of Northacre PLC.

On 25th June 2013 the Group announced that Mohamed AlRafi had resigned as a Director of Northacre PLC.

On 3rd July 2013 the Group announced that Alexandre de Rothschild had been appointed as a Non-Executive Director of Northacre PLC. He resigned from the position on 11th February 2014.

On 31st August 2013 the Group announced that Niccolò Barattieri di San Pietro had been appointed as Chief Executive Officer with effect from 1st September 2013.

Substantial shareholdings

As at 31st May 2014, the following held in excess of 3% of the Ordinary share capital of the Company:

Spadille Limited	66.84%
Middle Eastern Properties Limited	25.45%
Mr Ahmed Ali Mukhtar Al Yousuf	3.57%

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and 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 Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and the financial performance and cash flows of the Group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

Directors' Report

For the year ended 28th February 2014 *(Continued)*

- make judgements and accounting estimates that are reasonable and prudent;
- state whether in preparation of the Group and Company financial statements the Group has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of compliance in respect of the UK Corporate Governance Code

The principles of corporate governance and a code of best practice are set out in the UK Corporate Governance Code (UKCGC) issued in September 2012. The UKCGC requires certain disclosures to be made and although, as an AIM company, it is not obliged to report its compliance with UKCGC, the Company is committed to high standards of corporate governance throughout the Group and meeting the disclosure requirements as far as is reasonably practicable for a Group of this size.

The Board of Directors

At the date of this report, the Group Board was made up of three executive and two non-executive Directors. The Board of Directors is responsible for the management, overall strategy and directions of the Group and meets regularly throughout the year. At each meeting a proper agenda is presented noting all the matters that require discussion and approval by the Directors. Generally the information available for discussion consists of project and financial updates.

The Board reserves the right to approve key decisions to ensure it retains proper control and direction of the Group whilst delegating authority to individual Directors who are responsible for day-to-day management of the business.

All Directors have, at the Company's expense, access to the services of the Company Secretary and where necessary, appropriate independent professional advisors.

Board appointments

All appointments to the Board are discussed at a full board meeting and each member is given the opportunity to meet the individual concerned prior to the appointment being made.

As permitted by the UKCGC and the QCA Guidelines, due to the small size of the Board, it is not considered appropriate to establish a Nominations Committee.

The Remuneration Committee

The Remuneration Committee is composed of one executive and one non-executive Director with advice sought, where necessary, from the Chief Executive Officer and the Company Secretary. It meets as required during the financial year to carry out its responsibility of reviewing the performance of the executive Directors and setting the scale and structure of their remuneration packages.

The Company operates within a competitive environment and its performance and success depends on the performance of certain key Directors and employees. Executive remuneration packages are designed to attract, motivate, and retain Directors of the calibre to maintain the Company's position at the forefront of the prime residential sector.

The remuneration packages of individual Directors are structured so that the performance related elements form a more significant proportion of the total packages in order that they are aligned with the interests of the shareholders.

It is a rule of the Remuneration Committee that a Director shall not participate in the decision making in his/her remuneration.

Directors' Report

For the year ended 28th February 2014 *(Continued)*

The Audit Committee

The Audit Committee is composed of one executive and two non-executive Directors. The Audit Committee was formed by the Board of Directors to establish formal and transparent arrangements for considering how the financial reporting and internal control principles should be applied, and for maintaining an appropriate relationship with the Group's auditors.

Re-election of Directors

Directors retire by rotation in accordance with the Company's Articles of Association, which prescribe that at every Annual General Meeting one third of the Directors for the time being shall retire from office. Non-executive Directors are appointed initially on a three year term with a written notice period of three months by either party.

Shareholder relations

The Company maintains a website (www.northacre.com) where the Group's statutory accounts and announcements will be available. The website conforms to the requirements of AIM Rule 26 and all the relevant information can be found there. Queries raised by any shareholder are responded by the appropriate personnel in the Group.

Internal control

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The purpose of the system of internal control is to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss.

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. In particular there are detailed procedures for capital investment into new development schemes and the approval of financial reporting. The Board has reviewed the need for an internal audit team and concluded that given the size of the Group it is not currently appropriate to employ such a function.

The Board has an Authority matrix which is designed to establish internal controls over payment approvals and the execution of legal agreements, representing a further risk management mechanism.

Statement of disclosure to auditors

(a) so far as the Directors are aware, there is no relevant audit information of which the Group'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 Group's auditors are aware of that information.

Auditors

Kingston Smith LLP, have indicated their willingness to continue in office and, in accordance with section 489 of the Companies Act 2006, a resolution proposing that Kingston Smith LLP be re-appointed as auditors of the Group will be put to the Annual General Meeting.

Annual General Meeting

Accompanying this report is the Notice of the Annual General Meeting which sets out the resolutions for the meeting.

By Order of the Board

Capita Company Secretarial Services Limited

Corporate Secretary

Date: 14th July 2014

Independent Auditors' Report to the Shareholders of Northacre Plc

For the year ended 28th February 2014

We have audited the Group and Parent Company financial statements of Northacre PLC for the year ended 28th February 2014, which comprise the Consolidated Income Statement, Consolidated and Company Statements of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated and Company Statements of Cash Flows, Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Directors and auditors

As explained more fully in the Directors' Report (set out on pages 12 to 14) the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 28th February 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Meadows
Senior Statutory Auditor
For and on behalf of Kingston Smith LLP
Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road, London EC1M 7AD

Date: 14th July 2014

Consolidated Income Statement

For the year ended 28th February 2014

Group	Note	2014 £	2013 £
Group revenue	3	2,955,797	3,521,402
Cost of sales		(1,294,225)	(2,235,379)
Gross profit		1,661,572	1,286,023
Administrative expenses		(4,868,726)	(8,943,929)
Group loss from operations		(3,207,154)	(7,657,906)
Investment revenue	4	15,063,052	26,577,553
Profit on disposal of available for sale financial asset	5	111,213	-
Other gains	6	336,264	-
Finance costs	7	(100)	(2,117,427)
Profit for the year before taxation	8	12,303,275	16,802,220
Taxation	11	(102,993)	4,832,506
Profit for the year attributable to equity holders of the Company		**12,200,282**	**21,634,726**
Profit per ordinary share			
Basic – Continuing and total operations	23	39.51p	80.96p
Diluted – Continuing and total operations	23	39.51p	80.96p
Company			
Profit/(loss) for the year attributable to equity holders of the Company		**44,703,358**	**(5,074,317)**

Consolidated Statement of Comprehensive Income

For the year ended 28th February 2014

Group	Note	2014 £	2013 £
Profit for the period attributable to equity holders of the Company		12,200,282	21,634,726
Other comprehensive loss: Changes in fair value of available for sale financial assets	15(a)	(15,000,000)	(18,662,028)
Total comprehensive (loss)/income for the period		**(2,799,718)**	**2,972,698**
Company			
Profit/(loss) for the period attributable to equity holders of the Company		44,703,358	(5,074,317)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period	12	**44,703,358**	**(5,074,317)**

Consolidated Statement of Financial Position

As at 28th February 2014

	Note	2014 £	2013 £
Non-current assets			
Goodwill	13	8,007,417	8,007,417
Property, plant and equipment	14	822,739	919,229
Available for sale financial assets	15(a)	8,824,659	22,148,579
		17,654,815	31,075,225
Current assets			
Inventories	17	168,559	1,378
Trade and other receivables	18	6,667,711	4,585,083
Cash and cash equivalents		21,239,909	9,194,508
		28,076,179	13,780,969
Total assets		**45,730,994**	**44,856,194**
Current liabilities			
Trade and other payables	19	6,615,535	4,741,075
Borrowings, including lease finance		-	-
		6,615,535	4,741,075
Non-current liabilities			
Borrowings, including lease finance		-	-
		-	-
Total liabilities		6,615,535	4,741,075
Equity			
Share capital	24	1,058,388	668,091
Share premium account	24	22,565,286	18,552,361
Merger reserve	24	8,086,293	-
Retained earnings		7,405,492	20,894,667
Total equity		39,115,459	40,115,119
Total equity and liabilities		**45,730,994**	**44,856,194**

Approved by the Board on 14th July 2014

N. Barattieri di San Pietro
Director

Company registration no. 03442280

Company Statement of Financial Position

As at 28th February 2014

	Note	2014 £	2013 £
Non-current assets			
Property, plant and equipment	14	823,633	937,237
Investments	15(c)	16,830,968	8,007,421
		17,654,601	8,944,658
Current assets			
Trade and other receivables	18	10,110,093	3,218,933
Cash and cash equivalents		18,808,382	9,019,416
		28,918,475	12,238,349
Total assets		**46,573,076**	**21,183,007**
Current liabilities			
Trade and other payables	19	9,780,661	30,894,008
Borrowings, including lease finance		-	-
		9,780,661	30,894,008
Non-current liabilities			
Borrowings, including lease finance		-	-
		-	-
Total liabilities		9,780,661	**30,894,008**
Equity			
Share capital	24	1,058,388	668,091
Share premium account	24	22,565,286	18,552,361
Merger reserve	24	8,086,293	-
Retained earnings		5,082,448	(28,931,453)
Total equity		36,792,415	(9,711,001)
Total equity and liabilities		**46,573,076**	**21,183,007**

Approved by the Board on 14th July 2014

N. Barattieri di San Pietro
Director

Company registration no. 03442280

Consolidated and Company Statements of Cash Flows

For the year ended 28th February 2014

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Cash flows from operating activities				
Profit/(loss) for the period before tax	12,303,275	16,802,220	44,227,761	(8,511,585)
Adjustments for:				
Investment revenue	(15,063,052)	(26,577,553)	(42,756,665)	(20,443)
Finance costs	100	2,117,427	-	2,119,810
Loss on disposal of investments	1,108	-	1,108	-
Goodwill on acquisition less stamp duty paid	(368,287)	-	-	-
Profit on sale of available for sale financial assets	(111,213)	-	-	-
Fair value adjustment	(7,148,575)	-	-	-
Depreciation and amortisation	148,181	150,069	113,604	118,605
(Increase)/decrease in inventories	(13,748)	116,628	-	-
(Increase)/decrease in trade and other receivables	(4,834,599)	(946,061)	(8,849,164)	6,089,337
Increase/(decrease) in trade and other payables	5,350,579	1,076,897	(21,055,109)	9,615,255
Cash (used in)/generated from operations	(9,736,231)	(7,260,373)	(28,318,465)	9,410,979
Interest paid	(100)	(2,117,427)	-	(2,119,810)
Corporation tax - consortium relief refunded	3,292,776	2,297,536	2,375,362	1,669,504
Net cash (used in)/generated from operating activities	(6,443,555)	(7,080,264)	(25,943,103)	8,960,673
Cash flows from investing activities				
Purchase of property, plant & equipment	(51,691)	(6,700)	-	-
Increase in investments	(8,824,655)	-	(8,824,655)	-
Acquisition of subsidiary, net of cash acquired	10,502,191	-	-	-
Interest received	63,052	20,494	49,606	20,443
Dividends received	15,000,000	26,557,059	42,707,059	-
Net cash generated from investing activities	16,688,897	26,570,853	33,932,010	20,443
Cash flows from financing activities				
Proceeds from issue of shares	12,489,516	-	12,489,516	-
Proceeds from borrowings	-	13,000,000	-	-
Repayment of borrowings	-	(24,190,342)	-	(699,602)
Repayment of finance leases	-	(22,702)	-	(15,767)
Dividends paid	(10,689,457)	-	(10,689,457)	-
Net cash generated/(used in) from financing activities	1,800,059	(11,213,044)	1,800,059	(715,369)
Increase in cash and cash equivalents	12,045,401	8,277,545	9,788,966	8,265,747
Cash and cash equivalents at the beginning of the year	9,194,508	916,963	9,019,416	753,669
Cash and cash equivalents at the end of the year	**21,239,909**	**9,194,508**	**18,808,382**	**9,019,416**

Consolidated and Company Statements of Changes in Equity

For the year ended 28th February 2014

Group	Called Up Share Capital	Share Premium Account	Merger Reserve	Retained Earnings	Total
	£	£	£	£	£
As at 1st March 2012	668,091	18,552,361	-	17,921,969	37,142,421
Profit for the period	-	-	-	21,634,726	21,634,726
Other comprehensive loss for the period:					
Changes in fair value of available for sale financial assets	-	-	-	(18,662,028)	(18,662,028)
As at 28th February 2013	**668,091**	**18,552,361**	**-**	**20,894,667**	**40,115,119**
As at 1st March 2013	668,091	18,552,361	-	20,894,667	40,115,119
Profit for the period	-	-	-	12,200,282	12,200,282
Other comprehensive loss for the period:					
Changes in fair value of available for sale financial assets	-	-	-	(15,000,000)	(15,000,000)
Transactions with owners of the Company:					
Issue of Ordinary shares	390,297	4,012,925	8,086,293	-	12,489,515
Dividends	-	-	-	(10,689,457)	(10,689,457)
As at 28th February 2014	**1,058,388**	**22,565,286**	**8,086,293**	**7,405,492**	**39,115,459**

Company	Called Up Share Capital	Share Premium Account	Merger Reserve	Retained Earnings	Total
	£	£	£	£	£
As at 1st March 2012	668,091	18,552,361	-	(23,857,136)	(4,636,684)
Total comprehensive loss for the period	-	-	-	(5,074,317)	(5,074,317)
As at 28th February 2013	**668,091**	**18,552,361**	**-**	**(28,931,453)**	**(9,711,001)**
As at 1st March 2013	668,091	18,552,361	-	(28,931,453)	(9,711,001)
Total comprehensive profit for the period	-	-	-	44,703,358	44,703,358
Transactions with owners of the Company:					
Issue of Ordinary shares	390,297	4,012,925	8,086,293	-	12,489,515
Dividends	-	-	-	(10,689,457)	(10,689,457)
As at 28th February 2014	**1,058,388**	**22,565,286**	**8,086,293**	**5,082,448**	**36,792,415**

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014

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 new standards, amendments to standards or interpretations are mandatory for the Group for the first time for the financial year beginning 1st March 2014, but are not currently considered to be relevant to the Group (although they may affect the accounting for future transactions and events):

- IFRS 10, 'Consolidated Financial Statements', effective from 1st January 2014, as amended by IAS 27 Investment Entities. This standard builds on existing principles by identifying the concept of control as the determining factor in which an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 11, 'Joint arrangements', effective from 1st January 2014. This standard establishes principles for financial reporting by parties to a joint arrangement. 'Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)' amends IFRS 11 such that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The effective date is on or after 1st January 2016.
- IFRS 12, 'Disclosure of interests in other entities', effective from 1st January 2014, as amended by IAS 27 Investment Entities. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- Amendment to IAS 32, 'Offsetting Financial Assets and Liabilities', effective from 1st January 2014 clarifies that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 32.
- Amendment to IAS 36, 'Impairment of Assets', effective from 1st January 2014 as amended by 'Recoverable Amount Disclosures for Non-Financial Assets' being the clarification of disclosures required.
- Amendment to IAS 39, 'Financial Instruments - Recognition and Measurement', effective from 1st January 2014 as amended by 'Novation of Derivatives and Continuation of Hedge Accounting which permits an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1st March 2014 and have not been early adopted:

- IFRS 9, 'Financial Instruments', issued in November 2009 and effective from 1st January 2015. 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.
- IFRS 13, 'Fair value measurement', effective from 1st July 2014. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The amendment clarifies the scope of the portfolio exception.
- IAS 19 (Revised), 'Employee Benefits' effective for periods beginning on or after 1st July 2014. These amendments are intended to provide a clearer indication of an entity's obligations resulting from the provision of defined benefit pension plan and how those obligations will affect its financial position, financial performance and cash flow.

Business combinations and goodwill

Goodwill relating to acquisitions prior to 1st 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.

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

1. Principal Accounting Policies *(continued)*

Going Concern

The Company and Group currently meet their day-to-day working capital requirements through monies received from The Lancasters Development dividends and through fees receivable from its projects: Vicarage Gate House, 13-14 Vicarage Gate, 33 Thurloe Square and 1 Palace Street.

The Directors have prepared detailed cash flow projections for the period ending 28th February 2019 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 meet its on-going working capital requirements. 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 valuation of available for sale financial assets
- 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. Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies of the subsidiary and therefore exercises control. The existence and effect of both current voting rights and potential voting rights that are currently exercisable or convertible are considered when assessing whether control of an entity is exercised. Subsidiaries are consolidated from the date at which the Group obtains the relevant level of control and are de-consolidated from the date at which control ceases.

The Group's proportion of the voting rights of Lancaster Gate (Hyde Park) Limited increased from to 5% to 25.1% on 30th June 2010. Despite the increase, Lancaster Gate (Hyde Park) Limited continued to be treated as an available for sale financial asset until 16th December 2013 as the Group did not exercise significant influence. On 16th December 2013 the Group acquired the remaining 74.9% of the issued share capital of Lancaster Gate (Hyde Park) Limited. The subsidiary's results for the period 16th December 2013 to 28th February 2014 are included in financial statements of the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of any depreciation and any provision for impairment.

Depreciation has been calculated on a straight line basis and aims to write off the costs, less estimated residual value of each property, plant and equipment over their expected useful lives using the following periods:

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.

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

1. Principal Accounting Policies *(continued)*

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 performance fees are recognised when the amounts involved have been finally determined and agreed criteria for recognition have been fulfilled. 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 substantively 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 substantively 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

Investments in subsidiaries, associates and joint ventures, and other investments are presented in the Group and Parent financial statements at cost, less any necessary provision or impairment.

Associates

Associates are all entities over which the Group exercise significant influence but does not exercise 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.

Pensions

The Group operates a defined contribution pension scheme under which fixed contributions are payable. Pension costs charged to the income statement represent amounts payable to the scheme during the year.

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.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are charged to the share premium account.

1. Principal Accounting Policies *(continued)*

Equity balances

- Called up share capital represents the aggregate nominal value of ordinary shares in issue.
- The share premium account represents the incremental paid up capital above the nominal value of ordinary shares issued.
- The merger reserve represents the excess over nominal value of the fair value of consideration received for equity shares issued directly to acquire another entity meeting the specific requirements of section 612 of the Companies Act 2006.

Financial assets - loans and receivables

Trade receivables, 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, including lease finance'. 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 cash and cash equivalents and equity attributable to equity holders of the Parent Company, comprising issued capital, share premium account, the merger reserve created following the Cash Box Acquisition 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.

The Board regularly reviews the capital structure, with an objective to minimise net debt whilst investing in the development opportunities.

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. Directors are 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.

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

3. Segmental information

Segmental information is presented in respect of the Group's business segments. The business segments are based on the Group's corporate and internal reporting structure. Segment results and assets include items directly attributable to a segment as well as those that can be allocated to a segment on a reasonable basis. The segmental analysis of the Group's business as reported internally to management is as follows:

Revenue	**2014 £**	**2013 £**
Principal activities:		
Development management	900,705	300,350
Interior design	1,991,837	3,172,369
Architectural design	63,255	48,683
	2,955,797	**3,521,402**

Profit before taxation	**2014 £**	**2013 £**
Development management	12,364,592	17,092,734
Interior design	(105,086)	3,001
Architectural design	43,769	(293,515)
	12,303,275	**16,802,220**

Assets	**2014 £**	**2013 £**
Development management	45,138,754	43,762,088
Interior design	454,183	928,793
Architectural design	138,057	165,313
	45,730,994	**44,856,194**

Liabilities	**2014 £**	**2013 £**
Development management	5,259,612	2,941,712
Interior design	550,923	920,447
Architectural design	805,000	878,916
	6,615,535	**4,741,075**

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

Revenue	**2014 £**	**2013 £**
United Kingdom	2,536,571	2,385,562
Saudi Arabia	396,162	1,135,840
USA	23,064	-
	2,955,797	**3,521,402**

Included in the revenue above are revenues in respect of customers who account for over 10% of the Group's total revenue.

	2014 £	**2013 £**
Customer A (Interior design)	396,162	1,135,840
Customer B (Interior design)	-	40,952
Customer C (Interior design)	-	807,000
Customer D (Interior design)	707,113	1,095,712
Customer E (Development management & interior design)	326,669	-
Customer F (Interior design)	422,206	-
Customer G (Development management)	509,783	-
	2,361,933	**3,079,504**

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

3. Segmental information *(continued)*

Assets	2014 £	2013 £
United Kingdom	45,618,042	44,180,739
Saudi Arabia	112,952	675,455
	45,730,994	44,856,194

Liabilities	2014 £	2013 £
United Kingdom	6,544,924	4,384,169
United Arab Emirates	-	1,648
USA	-	(104)
Spain	-	(828)
Italy	-	(241)
Saudi Arabia	70,611	356,431
	6,615,535	**4,741,075**

4. Investment revenue

	2014 £	2013 £
Interest received	63,052	20,494
Dividends received	15,000,000	26,557,059
	15,063,052	26,577,553

5. Profit on disposal of available for sale financial assets

	2014 £	2013 £
Derecognition of available for sale financial assets	7,259,788	-
Change in fair value of available for sale financial assets previously recognised in Other Comprehensive Income	(7,148,575)	-
	111,213	-

Profit on disposal of available for sale financial assets arises following the acquisition of Lancaster Gate (Hyde Park) Limited on 16th December 2013. A loss of £7.1m represents all gains recognised and booked to Other Comprehensive Income up to the time of derecognition of available for sale financial assets, as these gains are required to be transferred to the Consolidated Income Statement after the available for sale financial assets have been sold.

6. Other gains

	2014 £	2013 £
Written off share capital of dissolved dormant Group's subsidiaries	(1,108)	-
Negative goodwill arising on acquisition of Lancaster Gate (Hyde Park) Limited	337,372	-
	336,264	-

7. Finance costs

Interest on:	2014 £	2013 £
Overdue tax	-	272
Tax penalties/(refund)	100	(6,490)
Other loans	-	2,123,645
	100	2,117,427

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

8. Profit Before Taxation

	2014 £	2013 £
Profit before taxation is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	148,181	150,069
Operating lease rentals:		
Land and buildings	125,062	130,663
Foreign exchange loss	41	75
Fees payable to the Company's auditors for:		
- the audit of the Company's annual accounts	44,446	47,054
Fees payable to the Company's auditors for other services to the Group:		
- the audit of the Company's subsidiaries	42,828	33,680
Total audit fees	**87,274**	**80,734**
Fees payable to the Company's auditors for:		
- taxation compliance services	10,537	13,888
- other taxation advisory services	4,000	41,113
- other services	31,158	17,260
Total other fees	**45,695**	**72,261**

9. Employees

	2014 Number	2013 Number
The average weekly number of employees (including Directors) during the year was:		
Office and management	12	14
Design and management	11	10
	23	**24**

	2014 £	2013 £
Staff costs for the above employees:		
Wages and salaries	1,821,228	5,839,966
Social security costs	62,702	786,068
Other pension costs – money purchase schemes	74,068	115,040
	1,957,998	**6,741,074**

Remuneration in respect of Directors was as follows:	2014 £	2013 £
Aggregate emoluments (including benefits in kind)	655,264	2,280,866
Consultancy fees	57,150	-
Other fees	40,000	186,125
	752,414	**2,466,991**
Company contribution to money purchase pension schemes	**23,354**	**66,280**

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

10. Employees *(Continued)*

Remuneration for each Director (including benefits in kind)	**2014 £**	**2013 £**
K.B. Nilsson	127,150	797,216
K. MacRae	344,764	418,150
M.A. AlRafi	10,000	1,120,000
M.F. Williams	10,000	65,500
E.B. Harris	30,000	66,125
N. Barattieri di San Pietro	213,000	-
A. de Rothschild	17,500	-
	752,414	**2,466,991**

Remuneration of £10,000 (2013: £120,000) for Director M.A. AlRafi was paid to MTAF Group. Remuneration of £30,000 (2012: £66,125) for Director E.B. Harris is payable to EC Harris LLP.

The amounts above include remuneration in respect of the highest paid Director as follows:	**2014 £**	**2013 £**
Aggregate emoluments (including benefits in kind)	344,764	1,120,000
Company contribution to money purchase pension scheme	6,854	-
	351,618	**1,120,000**

The total emoluments of £344,764 (2013: £1,120,000) above includes compensation for loss of office of £251,500 (2013: £nil); fees of £nil (2013: £120,000) and bonus of £nil (2013: £1,000,000).

11. Taxation

(a) Analysis of charge in year	**2014 £**	**2013 £**
Current tax:		
Corporation tax credit	-	(2,534,970)
Adjustment in respect of prior periods	311,298	(2,297,536)
Total current tax	**311,298**	**(4,832,506)**
Deferred tax:		
Deferred tax credit	(208,305)	-
Total deferred tax	**(208,305)**	**-**
Total tax charge	**102,993**	**(4,832,506)**

(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 23% (2013: 24%).	**2014 £**	**2013 £**
The differences are explained below:		
Profit on ordinary activities before tax	**12,303,275**	**16,802,220**
Profit on ordinary activities multiplied by the standard rate of corporation tax of 23% (2013: 24%)	2,829,753	4,032,533
Effects of:		
Expenses not deductible for tax purposes	19,851	134,847
Depreciation for the period in excess of capital allowances	18,919	16,277
Dividends and distributions received	(3,450,000)	(6,373,694)
Utilisation of tax losses	666,704	1,630,864
Other timing differences	(328,727)	562,240
Loss carried forward	243,500	-
Consortium relief	-	(2,538,037)
Consortium relief in respect of prior periods	311,298	(2,297,536)
Current tax charge/(credit) for the year	**311,298**	**(4,832,506)**

11. Taxation *(Continued)*

(c) Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed to 24% from 1st April 2012 and to 23% from 1st April 2013. The standard rate of corporation tax was further reduced to 21% from 1st April 2014.

12. Profit of the Parent Company

As permitted by section 408 of the Companies Act 2006, the profit or loss element of the Parent Company Income Statement is not presented as part of these financial statements. The Group profit for the financial year of £12,200,282 (2013: £21,634,726) includes a profit of £44,703,358 (2013: loss £5,074,317), which was dealt with in the financial statements of the Company.

13. Goodwill

Group	2014 £	2013 £
Cost	14,940,474	14,940,474
Amortisation and impairment		
At the beginning of the year	6,933,057	6,933,057
Impairment charge for the year	-	-
At the end of the year	6,933,057	6,933,057
Net book value	**8,007,417**	**8,007,417**

The Group performs an annual goodwill impairment review in accordance with IAS 36 'Impairment of Assets' based on its cash generating units (CGUs). The CGU that has associated goodwill allocated to it is the Group as a whole. This is the smallest identifiable group of assets that generate cash inflows to which goodwill is allocated. Although the interior design business is a separate CGU goodwill was not specifically allocated to it when the goodwill arose because it was treated as an integrated business when the Group was originally restructured. The Directors consider that it is now not appropriate to allocate goodwill to this CGU.

Recoverable amount

In accordance with IAS 36 the recoverable amount of the cash generating unit is calculated, being the higher of value in use and fair value less costs to sell.

The fair value less costs to sell of the CGU is determined using cash flow projections derived from the business plan covering a five year period which has been approved by the Board. They reflect the Directors' expectations of the level and timing of revenue, expenses, working capital and operating cash flows, based on past experience and future expectations of business performance particularly future development projects.

Discount rates

The pre-tax discount rate applied to the cash flow projections are derived from the Group's weighted average cost of capital. The discount rate applied is 6% (2013: 6%) reflecting the future expected cost of capital for the Group.

Growth rates

Due to the nature of the Group's development business growth rates are not relevant. The cash flow projections assume a 100% probability of winning a level of development projects over the five years and make assumptions on the probability of achieving certain development performance fee criteria.

The business growth rates have been assumed to be nil (2013: nil) for the Intarya interior design business.

Sensitivity analysis

The following point changes in assumptions would cause the recoverable amount to fall below the current carrying value:

- A 41.3% increase in the discount rate to 47.3% for the latter five year period
- A 25.6% decrease in the development revenue cash flows over the five year period
- A 43.4% decrease in the other interior design revenue cash flows over the five year period

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

14. Property, plant and equipment

Group	**Leasehold Improvements**	**Fittings and Office Equipment**	**Computer Equipment**	**Total**
Cost	**£**	**£**	**£**	**£**
At 1st March 2012	1,115,434	70,672	381,769	1,567,875
Additions	-	-	6,700	6,700
Disposals	-	-	(180,000)	(180,000)
At 28th February 2013	**1,115,434**	**70,672**	**208,469**	**1,394,575**
Additions	-	2,754	48,937	51,691
At 28th February 2014	**1,115,434**	**73,426**	**257,406**	**1,446,266**
Depreciation				
At 1st March 2012	123,072	31,739	350,466	505,277
Charge for the year	113,605	13,904	22,560	150,069
Disposals	-	-	(180,000)	(180,000)
At 28th February 2013	**236,677**	**45,643**	**193,026**	**475,346**
Charge for the year	113,604	10,544	24,033	148,181
At 28th February 2014	**350,281**	**56,187**	**217,059**	**623,527**
Net book value				
At 28th February 2014	**765,153**	**17,239**	**40,347**	**822,739**
At 28th February 2013	**878,757**	**25,029**	**15,443**	**919,229**
At 29th February 2012	**992,362**	**38,933**	**31,303**	**1,062,598**

Company	**Leasehold Improvements**	**Fittings and Office Equipment**	**Computer Equipment**	**Total**
Cost	**£**	**£**	**£**	**£**
At 1st March 2012	1,173,914	-	180,000	1,353,914
Disposals	-	-	(180,000)	(180,000)
At 28th February 2013	**1,173,914**	**-**	**-**	**1,173,914**
Additions	-	-	-	-
At 28th February 2014	**1,173,914**	**-**	**-**	**1,173,914**
Depreciation				
At 1st March 2012	123,072	-	175,000	298,072
Charge for the year	113,605	-	5,000	118,605
Disposals	-	-	(180,000)	(180,000)
At 28th February 2013	**236,677**	**-**	**-**	**236,677**
Charge for the year	113,604	-	-	113,604
At 28th February 2013	**350,281**	**-**	**-**	**350,281**
Net book value				
At 28th February 2014	**823,633**	**-**	**-**	**823,633**
At 28th February 2013	**937,237**	**-**	**-**	**937,237**
At 29th February 2012	**1,050,842**	**-**	**5,000**	**1,055,842**

There were no assets held under finance lease or hire purchase contracts.

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

15. Investments

(a) Available for sale financial assets

Group	2014	2014	2013	2013
	£	£	£	£
At 1st March		22,148,579		40,810,580
Increase in The Lancasters Development fair value	-		7,895,058	
Dividend received	(15,000,000)		(26,557,059)	
Derecognition	(7,148,575)		-	
Increase in 1 Palace Street and 33 Thurloe Square fair value	8,824,655		-	
Net movement transferred from comprehensive income		(13,323,920)		(18,662,001)
At 28th February		**8,824,659**		**22,148,579**
Net book value				
At 28th February		**8,824,659**		**22,148,579**

The decrease in available for sale financial assets represents £15.0m (2013: £26.5m) dividends received from The Lancasters Development and derecognition of the available for sale financial assets following the acquisition of Lancaster Gate (Hyde Park) Limited on 16th December 2013.

The Company is committed to invest £10m into the 1 Palace Street development. At 28th February 2014 the Company had paid £8,824,640 of this commitment.

The £15 investment in 33 Thurloe Square represents a 15% equity stake. At 28th February 2014 the Company had paid costs of £1,459,774 which have been treated as a shareholder loan and included within trade and other receivables in the Consolidated and Company Statements of Financial Position.

(b) Other investments

Company	Subsidiary Undertakings	Other Investments	Total
Cost	£	£	£
At 1st March 2013	14,492,681	-	14,492,681
Additions	-	8,824,655	8,824,655
As at 28th February 2014	**14,492,681**	**8,824,655**	**23,317,336**
Impairment			
At 1st March 2013	6,485,260	-	6,485,260
Impairment in the year	1,108	-	1,108
As at 28th February 2014	**6,486,368**	**-**	**6,486,368**
Net book value as at 28th February 2014	**8,006,313**	**8,824,655**	**16,830,968**
Net book value as at 28th February 2013	**8,007,421**	**-**	**8,007,421**

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

(b) Other Investments *(Continued)*

Company	**Subsidiary Undertakings**	**Other Investments**	**Total**
Cost	**£**	**£**	**£**
At 1st March 2012	14,492,681	-	14,492,681
As at 28th February 2013	**14,492,681**	**-**	**14,492,681**
Impairment			
At 1st March 2012	6,485,260	-	6,485,260
Impairment in the year	-	-	-
As at 28th February 2013	**6,485,260**	**-**	**6,485,260**
Net book value as at 28th February 2013	**8,007,421**	**-**	**8,007,421**
Net book value as at 29th February 2012	**8,007,421**	**-**	**8,007,421**

(c) Group Shareholdings

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

Subsidiary undertakings	**Holding**	**Proportion held**	**Nature of Business**
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%	Dormant
Northacre Capital (3) Limited	Ordinary shares	100%	Dormant
Northacre Capital (5) Limited	Ordinary shares	100%	Property development
Northacre Capital (7) Limited	Ordinary shares	100%	Dormant
Northacre International Limited	Ordinary shares	100%	Dormant
Lancaster Gate (Hyde Park) Limited	Ordinary shares	100%	Property development

Templeco 643 Limited was dissolved on 29th October 2013.

Northacre Capital (8) Limited changed its name to Northacre International Limited on 3rd July 2013.

The holding in Lancaster Gate (Hyde Park) Limited is held by Northacre Capital (5) Limited.

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

16. Acquisition of subsidiary

On 16th December 2013 the Group obtained control of Lancaster Gate (Hyde Park) Limited by acquiring the remaining 74.9% of the issued shares and voting rights of the company. As a result the Group's equity interest in Lancaster Gate (Hyde Park) Limited increased from 25.1% to 100%.

Lancaster Gate (Hyde Park) Limited is the company that was established by Northacre PLC and Minerva Limited as a joint venture to acquire, manage and develop The Lancasters Development. This development reached its practical completion in November 2011 and the last apartment was sold in June 2013. Northacre PLC acquired Minerva's interest and in return, the Group has full ownership and received all dividend distributions whilst continuing to manage the on-going snagging process.

The purchase of Minerva's stake and taking on the snagging process is not expected to have a material effect on the Group's operations or financial performance. Since the date of acquisition to 28th February 2014 the subsidiary contributed a profit of £56,754 to the results of the Group.

The fair value of the assets and liabilities acquired which were equivalent to their book values at the date of acquisition were as follows:

	Fair values
	£
Cash and cash equivalents	16,684,593
Work in progress	153,433
Other receivables	337,357
Accruals and deferred income	(2,193,630)
Trade and other payables	(83,221)
Corporation tax payable	(1,199,268)
Net assets	**13,699,264**

The consideration for the acquisition and the goodwill arising on acquisition were as follows:

	£
Consideration paid	6,182,402
Fair value of net identifiable assets	(13,699,264)
Fair value of the previously held investment	7,148,575
Stamp duty	30,915
Negative goodwill	**(337,372)**

On 23rd December 2013 the Group acquired NTA CB Limited as part of total capital raising of £12.5m as detailed in note 24.

NTA CB Limited had a balance sheet comprising solely of £8,347,142 of cash and the company was dissolved following the completion of the transaction.

17. Inventories

		Group
	£	£
Stock	9,099	1,316
Work in progress	159,460	62
	168,559	**1,378**

The Company had no stock or work in progress in either the prior or current reporting period.

18. Trade and other receivables

		Company		Group
	£	£	£	£
Trade receivables	3,763,209	701,485	-	-
Amounts owed by group undertakings	-	-	7,096,422	339,408
Other receivables	2,734,177	3,818,280	2,891,453	2,853,322
Prepayments and accrued income	170,325	65,318	122,218	26,203
	6,667,711	**4,585,083**	**10,110,093**	**3,218,933**

At the year end there was no provision for doubtful debts (2013: £nil). Included within other receivables is a total of £1,459,774 (2013: £nil) which represents amounts paid on behalf of Bassamey Property Holdings Limited, a vehicle which will deliver the development of the 33 Thurloe Square project. The project is being financed from existing cash resources of Northacre PLC and other investors and amounts paid by Northacre PLC represent a shareholder loan.

A deferred tax asset of £208,305 (2013: £nil) has ben recognised on losses carried forward and is included in other receivables.

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

19. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade payables	297,211	89,194	54,223	39,122
Amounts owed to group undertakings	-	-	8,411,065	28,847,596
Social security and other taxes	534,829	81,607	16,092	40,753
Other payables	5,055	16,290	2,270	9,522
Accruals and deferred income	5,778,440	4,553,984	1,297,011	1,957,015
	6,615,535	**4,741,075**	**9,780,661**	**30,894,008**

20. Corporation tax

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Corporation Tax	-	-	-	-
	-	-	-	-

21. Future financial commitments

Operating leases	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
	Land & Buildings	Land & Buildings	Land & Buildings	Land & Buildings
Net amount payable on operating leases which expire:				
Within one year	147,975	147,975	147,975	147,975
In two to five years	591,900	591,900	591,900	591,900
In over five years	330,815	478,790	330,815	478,790
	1,070,690	**1,218,665**	**1,070,690**	**1,218,665**

Operating leases	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
	Other	Other	Other	Other
Net amount payable on operating leases which expire:				
Within one year	31,804	34,077	12,920	12,920
In two to five years	33,465	58,588	19,380	32,300
In over five years	-	-	-	-
	65,269	**92,665**	**32,300**	**45,220**

22. Capital commitments

As per the announcement dated 18th September 2013, the Company is committed to invest £10m in Palace Revive Limited, a special purpose company financed by a variety of institutional investors, established to acquire a property at 1 Palace Street. The company paid £8,824,640 in the period to 28th February 2014 with a further £1,175,360 equity contribution to be paid post year-end.

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

23. Earnings per share

Profit per share of 39.51p (2013: 80.96p) is calculated on the profit attributable to Ordinary shares of £12,200,282 (2013: £21,634,726) divided by the weighted number of Ordinary shares in issue during the period.

Computation of basic earnings per share:	**2014**	**2013**
Net profit	£12,200,282	£21,634,726
Weighted average number of shares outstanding	30,879,049	26,723,643
Basic profit per share	39.51p	80.96p
Diluted profit per share	39.51p	80.96p

There were no potentially dilutive instruments in issue during the current or preceding year. All amounts shown relate to continuing operations.

24. Equity

Share capital	**2014**	**2013**
	£	**£**
Called up, allotted and fully paid:		
42,335,538 (2013: 26,723,643) Ordinary shares of 2.5p each	1,058,388	668,091
	1,058,388	**668,091**

On 5th December 2013, Northacre PLC announced a proposal to raise a total of approximately £12.5m (before expenses) by way of an Open Offer for 5,177,968 Ordinary Shares and the acquisition of NTA CB Limited (Cash Box Acquisition) whose sole asset was cash of approximately £8.4 million, in consideration for the issue to Spadille Limited of 10,433,927 consideration shares. The total number of new shares issued was 15,611,895 at £0.80 pence per share.

Share premium account and reserves	**Share premium**	**Merger reserve**
	£	**£**
At 1st March 2013	18,552,361	-
Cash box acquisition	-	8,086,293
Premium on shares issued	4,012,926	-
At 28th February 2014	**22,565,287**	**8,086,293**

The share premium account represents the incremental paid up capital above the nominal value of the Ordinary shares of 2.5p issued.

The merger reserve was created on the issue of 10,433,927 shares to Spadille Limited in consideration for the acquisition of NTA CB Limited (Cash Box Acquisition) with sole assets of £8,347,142. NTA CB Limited has been dissolved following the completion of the transaction.

25. Dividends

	2014	**2013**
	£	**£**
A special dividend paid during the year of 40p	10,689,457	-
	10,689,457	-

No final dividend has been declared prior to the approval of these financial statements and the Board will actively continue to consider the payment of dividends.

26. Contingent liabilities

The Company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other group companies' VAT liabilities amounting to £477,048 (2013: £nil).

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

27. Related party transactions

Group

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

Related Party	Nature of Relationship	2014 £ Total transactions in the year	2014 £ Balance at the year end	2013 £ Total transactions in the year	2013 £ Balance at the year end	Nature of Transactions
Northacre PLC Directors Retirement and Death Benefit Scheme	1	-	-	699,602	-	Loan repayable to the Scheme by Northacre PLC. Loan was repaid on 27th December 2012
Northacre PLC Directors Retirement and Death Benefit Scheme	1	-	-	24,859	-	Interest payable to the Scheme on the loan to Northacre PLC. All interest was paid on 27th December 2012
Northacre PLC Directors Retirement and Death Benefit Scheme	1	-	-	1,200,000	-	Provision in respect of profit share to the Scheme in relation to the sale of Group's interests in The Abingdons Partnership. It was paid on 30th November 2012
K. Nilsson	2	57,150	(57,150)	-	-	Consultancy fees for services provided for the 1 Palace Street project for the period December 2013 to February 2014
E.B. Harris	3	30,000	(30,000)	66,125	(30,000)	Non-executive Directors fees for March 2013 - February 2014 invoiced from E.C. Harris LLP
M. Williams	4	10,000	-	65,500	(5000)	Non-executive Directors fees for March 2013
M.A. AlRafi	5	10,000	-	120,000	-	Executive Directors fees for March 2013 – June 2013
M.A. AlRafi	5	-	(975,000)	1,000,000	(975,000)	Bonus of £1,000,000 was payable from The Lancasters Development dividends. £25,000 was paid on 28th November 2012 and the balance of £975,000 was paid post year end on 28th March 2014
A. de Rothschild	6	17,500	(17,500)	-	-	Non-executive Directors fees for July 2013 - February 2014
ADCM Ltd	7	1,100,000	-	-	-	Consultancy fees charged for April 2013 – February 2014 with £1,200,000 being paid in the year
ADCM Ltd	7	116,544	27,596	-	-	Expenses charged by ADCM Ltd as per the consultancy agreement. £144,140 was paid in the year with £27,596 credit outstanding at the year end

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

27. Related party transactions *(Continued)*

Group

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

Related Party	Nature of Relationship	2014 £ Total transactions in the year	2014 £ Balance at the year end	2013 £ Total transactions in the year	2013 £ Balance at the year end	Nature of Transactions
Palace Revive Developments Limited	8	2,705,004	-	-	-	Development management fees for period of January 2014 to December 2014 as per development management agreement.
Palace Revive Developments Limited	8	58,949	10,770	-	-	Expenses paid on behalf of Palace Revive Developments Limited. £10,770 represents expenses paid but not reclaimed at the year end.
Palace Real Estate Partners LP	9	8,824,640	8,824,640	-	-	Amount invested by Northacre PLC into Palace Real Estate Partners LP to develop 1 Palace Street project.

Nature of Relationships

1. K.B. Nilsson is a trustee and beneficiary of the Northacre PLC Directors Retirement and Death Benefit Scheme.
2. K.B. Nilsson is a Director of the Company.
3. E.B. Harris is a Director of the Company, and a member of E.C. Harris LLP.
4. M. Williams was a Director of the Company (resigned on 27th March 2013).
5. M.A. AlRafi was a Director of the Company (resigned on 25th June 2013).
6. A. de Rothschild was a Director of the Company (resigned on 11th February 2014)
7. ADCM Ltd is a fully owned subsidiary of ADCM LLC, the Group's ultimate parent company.
8. Palace Revive Developments Limited is a company set up to develop 1 Palace Street project and is controlled by ADCM Ltd.
9. Palace Real Estate Partners LP is a partnership that controls Palace Revive Developments Limited.

Company

The Directors' 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 (revised).

Related Party	Nature of Relationship	2014 £ Total transactions in the year	2014 £ Balance at the year end	2013 £ Total transactions in the year	2013 £ Balance at the year end	Nature of Transactions
Group entities	1	231,000	-	264,931	-	Management fees receivable in year from Group subsidiaries provided at arm's length
Group entities	1	(60,000)	-	(51,372)	-	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 18 and 19 of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 28th February 2014 *(Continued)*

28. Events after the reporting date

On 23rd April 2014 the Group announced that it has entered into a Development Management Agreement with Vicarage Gate (1314) Limited. Under the agreement the Company will be the Development Manager for the development of the 13 & 14 Vicarage Gate project. Under the terms of the Development Management Agreement, the Company will be entitled to a fixed development management fee and a performance fee.

On 19th May 2014 the Group announced that it intends to change its accounting reference date from 28th February to 31st December.

On 25th June 2014 the Group announced a sale of 33 Thurloe Square project for the agreed price of £12.75m.The Group anticipates that the total proceeds from its participation in the project (comprising of both return on its equity investment and fees under the DMA) will be approximately £1.2 million.

29. Immediate and ultimate parent undertakings

The immediate and ultimate parent undertakings are Spadille Limited and Abu Dhabi Capital Management LLC respectively.

(Registered in England and Wales with Company number 03442280)

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "Meeting" or "AGM") of Northacre PLC (the "Company") will be held at Northacre PLC, 8 Albion Riverside, 8 Hester Road, London SW11 4AX on 26th August 2014 at 9.30am for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following Resolutions as ordinary resolutions:

1. To adopt the Company's audited accounts for the financial year ended 28th February 2014 and the Strategic Report, Directors' Report and Auditors' Report on those accounts.
2. To re-elect as a Director Klas Bengt Nilsson, who retires by rotation.
3. To elect as a Director Niccolò Barattieri di San Pietro.
4. To re-appoint Kingston Smith LLP as auditor of the Company to hold office as such until the next general meeting at which accounts are laid before the Company.
5. To authorise the Directors to determine the remuneration of the auditor.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions, which in the case of Resolution 6 will be proposed as an ordinary resolution and Resolution 7 will be proposed as a special resolution:

6. That, in accordance with section 551 of the Companies Act 2006 (the "Act"), the Directors of the Company be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £317,516.54 (representing thirty per cent of the Company's issued share capital as at 14th July 2014) provided that this authority shall:

6.1 operate in substitution for and to the exclusion of any previous authority given to the Directors pursuant to section 551 of the Act; and

6.2 unless renewed, varied or revoked by the Company, expire on whichever is the earlier of the conclusion of the next AGM of the Company or the date falling 15 months after the passing of this Resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted and the Directors of the Company may allot shares or grant rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

7. That, subject to the passing of Resolution 6, the Directors of the Company be generally empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined by section 560(1) of the Act) for cash, pursuant to the general authority conferred by Resolution 6 (as varied from time to time by the Company in general meeting) or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment and/or sale, provided that this power shall:

7.1 be limited to the allotment of equity securities up to an aggregate nominal amount of £105,838.85 (representing ten per cent of the Company's issued share capital as at 14th July 2014); and

7.2 expire on whichever is the earlier of the conclusion of the next AGM of the Company or the date falling 15 months after the passing of this Resolution (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this Resolution has expired.

By Order of the Board

Capita Company Secretarial Services Ltd
Corporate Secretary
Date: 14th July 2014

Registered Office:
Northacre PLC
8 Albion Riverside
8 Hester Road
London
SW11 4AX

Explanatory Note to Resolution 6

Authority to allot shares

Resolution 6, which will be proposed as an ordinary resolution, will allow the Company to allot ordinary shares or grant rights to subscribe for or convert securities into ordinary shares up to an aggregate nominal amount of £317,516.54. This amount represents approximately thirty per cent of the Company's issued share capital as at 14th July 2014.

This authority will replace the authority given to the Directors at the AGM on 19th August 2013, which was also capped at thirty per cent of the Company's issued share capital.

The Directors have no present intention to issue new ordinary shares, other than pursuant to the exercise of options under an employee share scheme. Such schemes facilitate the recruitment, retention and incentivisation of key employees and the alignment of their interests with those of the shareholders.

Explanatory Note to Resolution 7

Authority to relax the restrictions when shares are issued for cash

Unless they are given the appropriate authority, Directors may allot new equity shares for cash or sell any shares held in treasury (excluding shares issued under an employee share scheme) only if they have first been offered to existing shareholders in proportion to their shareholdings. There may, however, be occasions where it is in the best interests of the Company for the Directors to have the authority to allot equity securities for cash (or sell any shares held in treasury) without first being required to offer such shares to existing shareholders.

Resolution 7, which will be proposed as a special resolution, requests that shareholders grant this authority, but only for securities having a maximum aggregate nominal value of £105,838.85, which represents approximately ten per cent of the Company's issued ordinary share capital as at 14th July 2014.

This authority will replace the authority given to the Directors at the AGM on 19th August 2013 which was capped at ten per cent of the Company's issued share capital. The Directors have no present intention to exercise this new authority. However, the Directors consider it prudent to maintain the flexibility to take advantage of business opportunities that this authority provides, as is usual practice for public companies.

As with Resolution 6, it is proposed that the authority sought in this Resolution will expire at the conclusion of the Company's next AGM or 15 months from the passing of the Resolution, whichever is the earlier.

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1. Only those members registered on the Company's register of members at:
   - 6.00pm on 24th August 2014; or,
   - if this Meeting is adjourned, at 6.00pm on the day which is two days prior to the adjourned meeting,

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which each proxy is authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy form is one of multiple instructions being given by you. All forms must be signed and should be returned together in the same envelope.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of a proxy using a hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
   - received at the above address no later than 9.30am on 24th August 2014.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent ID RA10 by 9.30am on 24th August 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of a proxy by joint members

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services on 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday to Friday, excluding UK public holidays).

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

10. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrars, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Asset Services no later than 9.30am on 24th August 2014.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member, provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

12. As at 14th July 2014 the Company's issued share capital comprised 42,353,538 ordinary shares of 2.5p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 14th July 2014 is 42,335,538.

Communication

13. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

- Calling our shareholder helpline on 0871 664 0300 (calls cost 10 pence per minute plus network extras). Lines are open 8.30am to 5.30pm, Monday to Friday, excluding UK public holidays (from outside the UK: +44 (0) 20 8639 3399); or

You may not use any electronic address provided either in this notice of annual general Meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Designed by Consultants in Design
020 7348 6934 www.consultantsindesign.co.uk

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