

NORTHACRE PLC (the “Company” or “Group”) Interim Report for the six months ended 31st August 2011

28th November 2011

Northacre PLC today announces its interim results for the six months ended 31st August 2011.

Northacre has produced some of the most successful prime residential developments in central London, delivering over 1million sq ft of apartments and houses. Over the last twenty years Northacre has revived areas of Westminster and Kensington and Chelsea, developing in the most sought after locations in the capital for both local and international purchasers. Northacre’s reputation for creating prestigious, award-winning residences is unrivalled.

Chairman’s Statement

The demand for prime homes in central London continues to show great resilience, even in the face of - or perhaps because of – the wider economic uncertainty and caution which has gripped capital markets. The prime residential market is driven, in particular, by international buyers, as has been the case with the prime London market for some years. In recent months, the crisis of confidence in the Eurozone appears to have benefited the London market, as has continued demand from buyers in various parts of Asia and the Middle East.

The Lancasters, our development on the north side of Hyde Park, in a joint venture with Minerva, continued to sell at a satisfactory rate during the period under review. Since then sales have continued to the extent that the development is almost 85% sold, and all construction work has now been completed. The value of sales has reached substantially in excess of £3,000 per sq ft, a level never previously experienced in the Bayswater area, which is a testament to the high quality of the scheme, which has obtained great publicity internationally.

The first phase of development at Vicarage Gate has commenced with demolition of the existing structure. Construction of this prime site will fully commence by summer 2012. Northacre has a right to participate in profits on the development, which is timed to reach completion in late 2014.

Our interior design subsidiary, Intarya, produced a satisfactory result in what is a competitive market, even though the head of the subsidiary left the business in the summer. With the strength of the London prime market continuing we are confident that the business will secure new contracts in the second half of the year.

Outlook

Even though uncertainty continues to affect the wider economy, the London prime market appears to act as a relative safe haven for international buyers of real estate. For as long as this situation prevails we remain confident that our brand and unrivalled track record will stand us in good stead for the future. The strong growth in the London prime market has meant that securing new development sites at attractive cost is more challenging now than at any time in recent years. However, with our strong contacts in the sector and a growing number of potential partners interested in working with Northacre on new schemes, we are confident of securing a new development in the coming months.

Klas Nilsson
Chairman and Chief Executive

Financial Review

The results for the first half of the current financial year reflect the reduced level of fee income derived from the near-complete Lancasters Development as well as steps taken to reduce activity and costs in other parts of the business. Given that the Group has not secured new development work, development management and architectural services, fee income has decreased in the period under review. Consequently, we have scaled back the architectural practice and continue to employ a small, high quality team to work on evaluating new projects and to serve as the principal design resource for new developments. In the short term, there will be a cost to maintaining this resource.

We continue to maintain a strong interior design capability, in Intarya, which was active during the first half on both international and UK projects. A number of these completed during the first half and most will complete fully during the remainder of this financial year. The Intarya management team are engaged in pitches on a number of new opportunities and we trust that some of these will be secured in the near term.

Review of Results

Headlines

Group revenue for the six month period decreased by 32% to £1.884m (2010: £2.759m – restated). An increased loss before taxation of £3.19m (2010: £1.26m) resulted from higher administrative expenses and finance costs, reflecting the financing the Group secured from related parties. Accordingly, the basic and diluted loss per share attributable to equity holders is 11.95 pence (2010: loss 4.73 pence). Net assets per share is higher, at 119.87 pence (2010: 101.54 pence), reflecting the fair value recognition of our interest in The Lancasters Development, arising from net comprehensive income for the period of £7.209m (2010: £16.896m).

Consolidated Interim Statement of Comprehensive Income (Unaudited)

Group revenue for the six month period decreased by 32% to £1.884m (2010: £2.759m – restated). Development management and architectural services fee income was £0.383m (2010: £0.721m - restated), reflecting the maturing of The Lancasters Development and the lack of a new development. The Group's interior design subsidiary, Intarya, reported a revenue decrease of 26% to £1.501m (2010: £2.038m) but has also seen a scaling back in the cost base in recent months in line with reduced revenue.

Administrative expenses for the six months increased to £3.3m (2010: £2.4m) with the increase being accounted for by non-recurring items and finance costs. However, recent cost saving measures and the elimination of non-recurring costs will result in lower overall administrative expenses in future.

Consolidated Interim Statement of Financial Position (Unaudited)

In accordance with International Accounting Standards, the investments in joint ventures (classified as available for sale financial assets) represent, where appropriate, the cash equity invested in each of our secured development schemes and any fair value adjustments. We have calculated the fair value of our investment at The Lancasters with reference to secured sales as at 31st August 2011. This has been reflected in the results for the period.

Including this fair value adjustment the available for sale financial assets amounted to £31.6m (2010: £20.5m), which principally reflects our opinion of the entitlement to profits from The Lancasters joint venture project.

Financing

Financing of the Group's activities is split between corporate and project-level financing.

At the corporate level, financing is derived from the Pension Scheme loan (£0.75m) and from the new Eurobond (£10.5m) which Northacre has issued, and which was announced to the market on 28th October 2011. The Eurobond was listed on the Channel Islands Stock Exchange on 1st November 2011 and has a call date of 4th April 2013, subject to the right to extend for a further 6 months to 4th October 2013. The Pension Scheme loan has a maturity date of 31st July 2013.

The project level financing on the Vicarage is dealt with by our partner on the project as Northacre no longer has an equity interest and in respect of The Lancasters, there is no longer any bank debt.

Summary

The Board is committed to securing new development opportunities in the prime central London residential development market. We will seek appropriate new opportunities that meet our criteria and those of our partners. We have recently evaluated a number of development opportunities and even though the market is very competitive for new development sites, we are confident of securing a new opportunity in the near term.

Ken MacRae
Finance Director

Copy of the announcement will be available on our website:
www.northacre.com.

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Northacre PLC
Consolidated Interim Statement of Comprehensive Income (Unaudited)

	Note	6 Months ended 31.8.2011 Unaudited £'000	6 Months ended 31.8.2010 Unaudited Restated £'000	Year ended 28.2.2011 Audited £'000
Continuing Operations				
Group Revenue	2	1,884	2,759	5,664
Cost of sales		<u>(1,189)</u>	<u>(1,478)</u>	<u>(3,268)</u>
Gross Profit		695	1,281	2,396
Administrative expenses		<u>(3,295)</u>	<u>(2,376)</u>	<u>(5,200)</u>
Group Loss from Operations		(2,600)	(1,095)	(2,804)
Investment revenue		25	28	66
Other losses	3	-	(97)	(1,355)
Finance costs		(619)	(100)	(218)
Loss for the period from continuing operations		<u>(3,194)</u>	<u>(1,264)</u>	<u>(4,311)</u>
Discontinued Operations				
Share of loss from associated undertaking		<u>-</u>	<u>-</u>	<u>(9)</u>
Loss before Taxation	2	(3,194)	(1,264)	(4,320)
Taxation		<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period attributable to equity holders of the Company		<u>(3,194)</u>	<u>(1,264)</u>	<u>(4,320)</u>
Other comprehensive income:				
Changes in fair value of available for sale financial assets		<u>10,403</u>	<u>18,160</u>	<u>18,905</u>
Total comprehensive income for the period		<u>7,209</u>	<u>16,896</u>	<u>14,585</u>
Loss per ordinary share				
	4			
Basic		(11.95)p	(4.73)p	(16.17)p
Diluted		(11.95)p	(4.73)p	(16.17)p

There were no acquisitions or disposals of any activities in the period.

Northacre PLC sold its interest in its associated company, Campden Estates Limited, after the reporting date (see note 11).

Northacre PLC
Consolidated Interim Statement of Financial Position (Unaudited)

	Note	31.8.2011 Unaudited £'000	31.8.2010 Unaudited £'000	28.2.2011 Audited £'000
Non-Current Assets				
Goodwill		8,828	8,828	8,828
Property, plant and equipment		1,169	290	1,251
Investments in associates		-	51	42
Non-current asset held for sale	5	42	-	-
Available for sale financial assets	6	31,608	20,461	21,205
		<u>41,647</u>	<u>29,630</u>	<u>31,326</u>
Current Assets				
Inventories		124	734	336
Trade and other receivables		961	2,054	864
		<u>1,085</u>	<u>2,788</u>	<u>1,200</u>
Total Assets		<u>42,732</u>	<u>32,418</u>	<u>32,526</u>
Current Liabilities				
Trade and other payables	7	9,670	2,694	2,683
Borrowings, including lease finance		278	336	377
		<u>9,948</u>	<u>3,030</u>	<u>3,060</u>
Non-Current Liabilities				
Borrowings, including lease finance		750	1,152	2,291
Provisions for other liabilities	8	-	1,100	2,350
		<u>750</u>	<u>2,252</u>	<u>4,641</u>
Total Liabilities		<u>10,698</u>	<u>5,282</u>	<u>7,701</u>
Equity				
Share capital		668	668	668
Share premium account		18,552	18,552	18,552
Retained Earnings		12,814	7,916	5,605
Total Equity		<u>32,034</u>	<u>27,136</u>	<u>24,825</u>
Total Equity and Liabilities		<u>42,732</u>	<u>32,418</u>	<u>32,526</u>

Northacre PLC
Consolidated Interim Statement of Cash Flows (Unaudited)

	6 Months ended 31.8.2011 Unaudited £'000	6 Months ended 31.8.2010 Unaudited £'000	Year ended 28.2.2011 Audited £'000
Cash flows from operating activities			
(Loss) for the period before tax	(3,194)	(1,264)	(4,320)
Adjustments for:			
Investment revenue	(25)	(28)	(66)
Finance costs	619	100	218
Loss on disposal of investment	-	97	105
Share of loss from associated undertaking	-	-	9
Depreciation and amortisation	118	55	102
Decrease/(increase) in working capital	465	(14)	2,813
	(2,017)	(1,054)	(1,139)
Cash used in operations			
Interest paid	(619)	(100)	(218)
	(2,636)	(1,154)	(1,357)
Net cash used in operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	(35)	(23)	(1,031)
Proceeds of sale of available for sale financial assets	-	1,058	1,051
Interest received	5	8	14
Dividends received	20	20	52
	(10)	1,063	86
Net cash (used in)/generated from investing activities			
Cash flows from financing activities			
Proceeds from borrowings	2,800	-	1,218
Repayment of borrowings	(32)	(275)	(275)
Repayment of finance leases	(79)	(79)	(159)
	2,689	(354)	784
Net cash inflow/(outflow) from financing activities			
Increase/(decrease) in cash and cash equivalents	43	(445)	(487)
Cash and cash equivalents at beginning of period	(219)	268	268
	(176)	(177)	(219)
Cash and cash equivalents at end of the period			

Cash and cash equivalents at 31st August 2011 and 31st August 2010 represent bank overdrafts repayable on demand and are as included within 'Borrowings, including lease finance' in the Consolidated Interim Statement of Financial Position (Unaudited).

Northacre PLC
Consolidated Interim Statement of Changes in Equity (Unaudited)

	Called Up Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
As at 1st March 2010	668	18,552	(8,980)	10,240
Total Comprehensive Income for the period	<u>-</u>	<u>-</u>	<u>16,896</u>	<u>16,896</u>
As at 31st August 2010	668	18,552	7,916	27,136
Total Comprehensive Loss for the period	<u>-</u>	<u>-</u>	<u>(2,311)</u>	<u>(2,311)</u>
As at 28th February 2011	668	18,552	5,605	24,825
Total Comprehensive Income for the period	<u>-</u>	<u>-</u>	<u>7,209</u>	<u>7,209</u>
As at 31st August 2011	<u><u>668</u></u>	<u><u>18,552</u></u>	<u><u>12,814</u></u>	<u><u>32,034</u></u>

Northacre PLC
Notes to the Unaudited Interim Financial Statements
For the Six Months ended 31st August 2011

1. Basis of Preparation and Accounting Policies

Basis of preparation

The interim financial information for the six months ended 31st August 2011 and 31st August 2010 is unaudited. The interim financial information was approved by the Board of Directors on 28th November 2011.

The statutory financial statements for the year ended 28th February 2011, prepared under International Financial Reporting Standards (IFRS), have been reported on by the Group auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under s498 of the Companies Act 2006.

These accounts have been prepared in accordance with International Accounting (IAS) 34 'Interim Financial Reporting'.

The interim financial information does not constitute statutory financial statements within the meaning of the Companies Act 2006.

Accounting Policies

The accounting policies adopted are consistent with those applied as at 28th February 2011 and those that the Directors expect to be adopted as at 29th February 2012. They are set out in full in the financial statements for the year ended 28th February 2011.

Going Concern

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

- (i) The loan due to the Northacre PLC Directors Retirement and Death Benefit Scheme of £750,000 is not due for repayment until 31st July 2013.
- (ii) The Group's bank facility was agreed until and cancelled on 1st November 2011.
- (iii) A Eurobond loan facility of £10,500,000 was agreed with Abu Dhabi Capital Management LLC ("ADCM") on 20th October 2011 and drawn down in full on 31st October 2011. This loan allowed the Group to repay its bankers facility and all Directors and related party loans. A fixed premium of £800,000 was due on signature of the agreement. The Eurobond has a call date of 4th April 2013 subject to the right to extend for a further 6 months to 4th October 2013.
- (iv) A Director loan of £300,000 was made available by MTAF Group (Mohamed AlRafi) on 16th October 2009. The loan was repaid on 31st October 2011 after the loan from ADCM was received. A premium of £390,000, triggered by the signing of the ADCM Eurobond agreement and early redemption of the loan, was paid on 31st October 2011. Due to the early redemption of the loan the premium paid is substantially lower than the estimated amount which would have been payable if the loan premium was paid at a future date out of The Lancasters profit share.
- (v) An additional Director loan of £300,000 was made available by MTAF Group (Mohamed AlRafi) on 4th August 2010. A fixed premium of £50,000 was due on 3rd of February 2011 as per the loan agreement. The increased loan of £350,000 was repaid on 31st of October 2011 after the loan from ADCM was received. A premium of £260,000, triggered by the signing of the ADCM Eurobond agreement and early redemption of the loan, was paid on 31st October 2011. Due to the early redemption of the loan the premium paid is substantially lower than the estimated amount which would have been payable if the loan premium was paid at a future date out of The Lancasters profit share.
- (vi) A loan facility of £114,000 was made available by the Director Klas Nilsson in September 2009. An additional amount of £80,000 was made available by the Director Klas Nilsson in July 2010. The Group repaid £84,890 of the total balance in the period September 2010 to March 2011. The remaining loan balance was repaid on 31st October 2011 after the loan from ADCM was received.

(vii) A loan facility of £2,000,000 was made available by Abdulsalam AlRafi (father of Director Mohamed AlRafi) on 28th January 2011 with a further £2,000,000 made available on 24th June 2011. The loan was available on a drawdown basis and as at 31st August 2011 the Group had used £3,600,000 of the total funds available. The last drawdown was made on the 13th September 2011. The full £4,000,000 loan was repaid on 31st October 2011 after the loan from ADCM was received.

(viii) A Director loan of £500,000 was made available by MTAF Group (Mohamed AlRafi) on 26th May 2011. It was a temporary loan and the loan was repaid on 15th August 2011.

The Directors have prepared detailed cash flow projections up to 28th February 2013 making reasonable assumptions about the levels and timing of income and expenditure, and in particular the timing of receipt of certain fees due from major developments. These projections show that the Group can operate within the available facilities. On this basis the Directors consider it appropriate to prepare this interim financial information on a going concern basis.

Significant judgements and estimates of areas of uncertainty

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

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

Basis of Consolidation

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

Revenue

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

Investments

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

Associates

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

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.

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.

Capital and Financial Risk Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 1 - Going Concern, cash and cash equivalents and equity attributable to equity holders of the Parent Company, comprising issued capital, share premium account and retained earnings.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or increase capital.

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

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

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

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

2. Segmental Information

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

Revenue	6 Months ended 31.8.2011 Unaudited £'000	6 Months ended 31.8.2010 Unaudited £'000 Restated	Year ended 28.2.2011 Audited £'000
Development management	261	391	970
Interior design	1,501	2,038	4,249
Architectural design	122	330	445
	<u>1,884</u>	<u>2,759</u>	<u>5,664</u>
Loss before Taxation	6 Months ended 31.8.2011 Unaudited £'000	6 Months ended 31.8.2010 Unaudited £'000	Year ended 28.2.2011 Audited £'000
Development management	(2,315)	(951)	(3,048)
Interior design	(373)	(90)	(476)
Architectural design	(506)	(223)	(787)
	<u>(3,194)</u>	<u>(1,264)</u>	<u>(4,311)</u>
Share of loss of associate	-	-	(9)
	<u>(3,194)</u>	<u>(1,264)</u>	<u>(4,320)</u>
Assets	31.8.2011 Unaudited £'000	31.8.2010 Unaudited £'000	28.2.2011 Audited £'000
Development management	38,549	26,420	27,482
Interior design	2,418	3,763	2,794
Architectural design	1,723	2,184	2,208
	<u>42,690</u>	<u>32,367</u>	<u>32,484</u>
Share of investment in associate	-	51	42
Non-current asset held for sale	42	-	-
	<u>42,732</u>	<u>32,418</u>	<u>32,526</u>

Liabilities

	31.8.2011 Unaudited £'000	31.8.2010 Unaudited £'000	28.2.2011 Audited £'000
Development management	6,210	3,759	3,289
Interior design	2,268	908	2,272
Architectural design	2,220	615	2,140
	<u>10,698</u>	<u>5,282</u>	<u>7,701</u>

3. Other Losses

	6 Months ended 31.8.2011 Unaudited £'000	6 Months ended 31.8.2010 Unaudited £'000	Year ended 28.2.2011 Audited £'000
Net loss from disposal of interest in Vicarage Gate Holdings Limited	-	-	(105)
Provision for diminution in value of investment	-	(97)	-
Provision for Northacre PLC Directors Retirement and Death Benefit Scheme profit share	-	-	(1,250)
	<u>-</u>	<u>(97)</u>	<u>(1,355)</u>

4. Loss Per Share

	6 Months ended 31.8.2011 Unaudited	6 Months ended 31.8.2010 Unaudited	Year ended 28.2.2011 Audited
Weighted average number of shares in issue	26,723,643	26,723,643	26,723,643
Loss for the period attributable to equity holders of the Company (£'000)	<u>(3,194)</u>	<u>(1,264)</u>	<u>(4,320)</u>
Basic Loss Per Share (pence)	<u>(11.95)</u>	<u>(4.73)</u>	<u>(16.17)</u>
Diluted Loss Per Share (pence)	<u>(11.95)</u>	<u>(4.73)</u>	<u>(16.17)</u>

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

There was no impact on loss per share arising from the prior year restatement (see note 12).

5. Non-Current Asset Held for Sale

The investment in Campden Estates Limited has been presented as held for sale following a Board decision on 1st July 2011 to sell the interest in the associated undertaking. The completion date for the transaction was 27th September 2011.

6. Available for Sale Financial Assets

	Unaudited £'000
At 1st March 2011	21,205
Increase in fair value transferred to equity	10,403
At 31st August 2011	31,608

A fair value exercise has been undertaken based predominantly on Northacre's expected profit from secured sales on The Lancasters Development as at 31st August 2011.

7. Trade and Other Payables

	31.8.2011 Unaudited £'000	31.8.2010 Unaudited £'000	28.2.2011 Audited £'000
Trade payables	758	603	820
Social security and other taxes	260	441	530
Other payables	50	350	69
Accruals and deferred income	1,266	1,096	1,105
Directors loans	4,986	204	159
Loan settlement costs and profit share payable	2,350	-	-
	9,670	2,694	2,683

8. Provisions for Other Liabilities

	31.8.2011 Unaudited £'000	31.8.2010 Unaudited £'000	28.2.2011 Audited £'000
Loan settlement costs and profit share payable	-	1,100	2,350

On 22nd June 2010, the Company entered into an agreement to acquire the entire issued share capital of Templeco 643 Limited for a consideration of £1,250,000. The Company acquired Templeco 643 Limited as settlement in lieu of the loan arrangement agreement to share in the profits of The Abingdons Partnership. Of the consideration, two payments of £75,000 each were made on 22nd June 2010 and 16th August 2010. The balance of £1,100,000 is due from the proceeds of the dividends from The Lancasters Development and is now classified as a current liability (see note 7).

An additional provision of £1,250,000 represents the profit share payable to the Northacre PLC Directors Retirement and Death Benefit Scheme in relation to the sale of Group's interest in The Abingdons Partnership. The amount will be paid from dividends received from the Lancasters Development and is now classified as a current liability (see note 7).

9. Related Party Transactions

	Nature of Relationship	31.8.2011 Unaudited £'000	31.8.2010 Unaudited £'000	28.2.2011 Audited £'000	Nature of Transactions
J.R.G. Hunter	1	35	34	33	Amount owed by J.R.G. Hunter to Northacre PLC
J.R.G. Hunter	1	198	217	194	Amount included in accrued income in respect of services provided at arm's length to J.R.G. Hunter
J.R.G. Hunter	1	(194)	-	(194)	Provision against accrued income in respect of services provided at arm's length to J.R.G. Hunter
Northacre PLC Directors Retirement and Death Benefit Scheme	2	(3)	(3)	(3)	Management fees receivable from the Scheme
Northacre PLC Directors Retirement and Death Benefit Scheme	2	(750)	(750)	(750)	Loan repayable to the Scheme by Northacre PLC
Northacre PLC Directors Retirement and Death Benefit Scheme	2	(116)	(82)	(99)	Interest payable to the Scheme on the loan to Northacre PLC
Northacre PLC Directors Retirement and Death Benefit Scheme	2	108	98	108	Disbursements paid by Northacre PLC on behalf of the Scheme
Northacre PLC Directors Retirement and Death Benefit Scheme	2	(1,250)	-	(1,250)	Profit share payable to the Scheme in relation to the sale of Group's interests in The Abingdons Partnership
K.B. Nilsson	3	(109)	(194)	(141)	Amount owed to K.B. Nilsson from Northacre PLC
K.B. Nilsson	3	(104)	(11)	(19)	Interest payable to K.B. Nilsson on the loan to Northacre PLC
K.B. Nilsson	3	-	-	-	K.B. Nilsson personal guarantee of £570,000 to the Group's bankers as a security in respect of all liabilities of the Group to the bank
E.B. Harris	4	(15)	(35)	(50)	Non-executive Directors Fees invoiced from E.C. Harris LLP
M.A. AlRafi	5	(300)	(300)	(300)	Loan repayable to MTAF Group (M.A. AlRafi) by Northacre PLC
M.A. AlRafi	5	(58)	(26)	(41)	Interest payable to MTAF Group (M.A. AlRafi) on £300,000 loan to Northacre PLC
M.A. AlRafi	5	(350)	(350)	(350)	Loan and premium repayable to MTAF Group (M.A. AlRafi) by Northacre PLC
M.A. AlRafi	5	(20)	-	(2)	Interest payable to M. A. AlRafi on £350,000 loan to Northacre PLC
M.A. AlRafi	5	(3)	(5)	(14)	Executive Directors fees
A. AlRafi	6	(3,600)	-	(800)	Loan repayable to A. AlRafi by Northacre PLC
A. AlRafi	6	(449)	-	(25)	Interest payable to A. AlRafi on the £3.6m loan to Northacre PLC

Nature of Relationship

- J.R.G. Hunter was a Director until 11th February 2010.
- J.R.G. Hunter and K.B. Nilsson are trustees and potential beneficiaries of the Northacre PLC Directors Retirement and Death Benefit Scheme.
- K.B. Nilsson is a Director of the Company.
- E.B. Harris is a Director of the Company, and a member of E.C. Harris LLP.
- M.A. AlRafi is a Director of the Company.
- A. AlRafi is the father of M.A. AlRafi.

10. Contingent Liabilities

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

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

The Company and Group trading subsidiaries have given an unlimited guarantee and debenture secured on the assets of the Group to its bankers in respect of a facility arrangement. At the reporting date the net amount owed to the bank was £177,601.

11. Events after the Reporting Date

On 27th September 2011 Northacre PLC sold its 25% interest in Campden Estates Limited for a total consideration of £170,000. Profit from the sale of this investment will be recognised in the period to 29th February 2012.

On 20th October 2011 Northacre PLC entered into a secured Eurobond agreement with a SPV established by Abu Dhabi Capital Management LLC. The total loan amount is £10.5m. This loan allowed the Group to repay its current Directors and related party loans and banker's overdraft facility. Interest is charged at 33% per annum and the loan carries a fixed premium of £800,000. The Eurobond has a call date of 4th April 2013 subject to the right to extend for a further 6 months to 4th October 2013. The signing of the agreement crystallised a total premium of £650,000 which was paid to MTAF Group (Mohamed AlRafi) on 31st October 2011.

12. Prior Year Restatement

Group revenue and administrative expenses for the six months ended 31st August 2010 have been restated to remove management fees receivable and payable of £228,700. There is no impact on the total comprehensive income for the period or net assets at 31st August 2010.

13. Other Information

The interim statement was approved by the Directors on 28th November 2011.

A copy of the announcement will be made available on our website:

www.northacre.com

Independent Review Report to Northacre PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31st August 2011 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. We have read other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information contained in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. Our work is undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Rules of the Alternative Investment Market.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months to 31st August 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Rules of the Alternative Investment Market.

Devonshire House
60 Goswell Road
London EC1M 7AD

28th November 2011

Kingston Smith LLP
Chartered Accountants