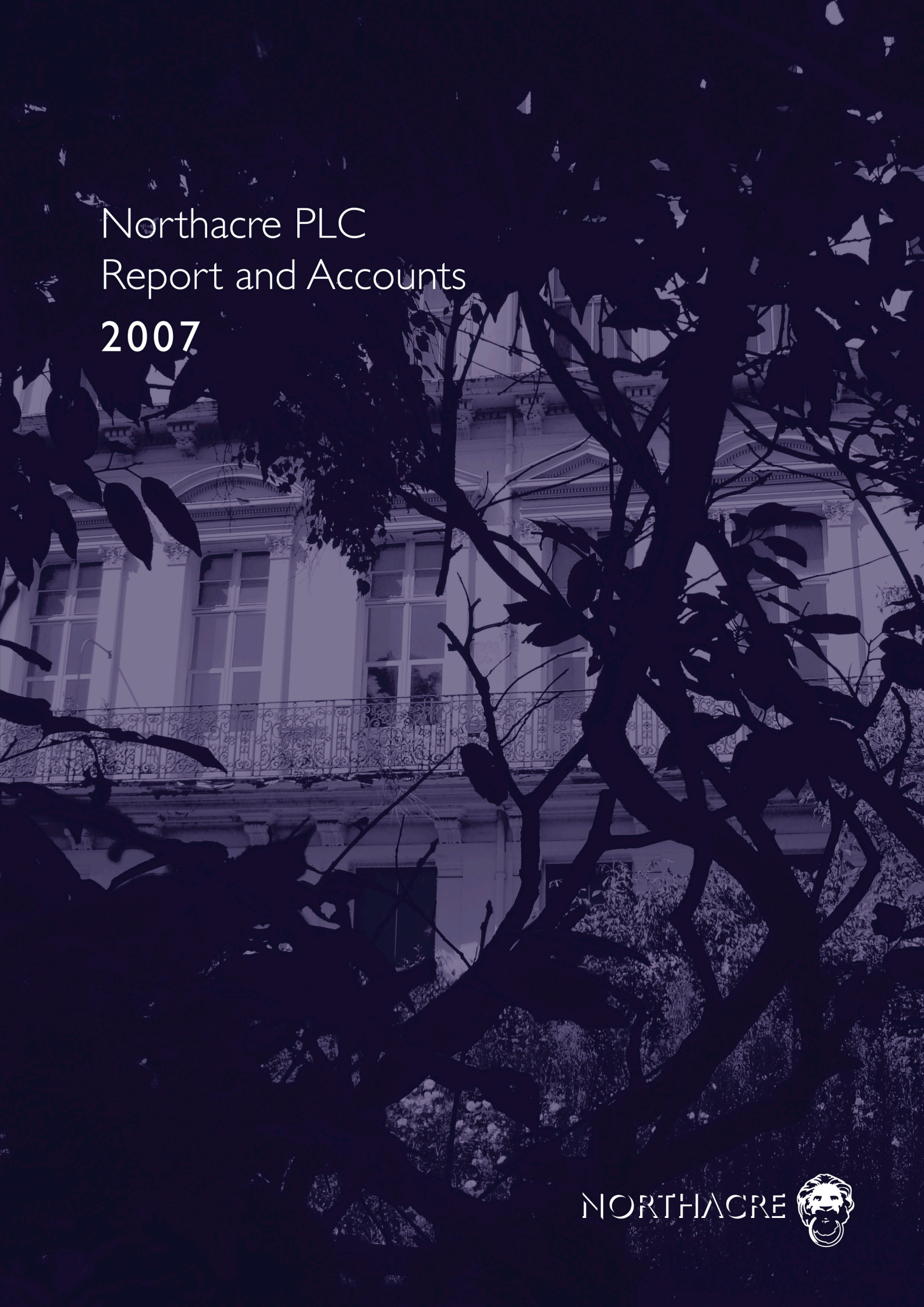
Northacre PLC
Report and Accounts
2007



NORTHACRE

"Northacre has had another year of significant progress. Following the successful marketing of our Mayfair scheme at 44-46 Park Street, the Group secured the bulk of its bonus fee entitlement during the period. These monies have impacted on the Group's balance sheet position.

Further positive progress has been achieved with all three of our current developments. The Lancasters was granted planning consent in May 2007. A High Court judgement determined that the previous planning refusal by The Royal Borough of Kensington & Chelsea on Vicarage Gate should be quashed and on The Kensington (Odeon) a prolonged campaign for a new cinema and residential scheme is making good progress.

The position of the company at the end of the year under review demonstrates a substantial recovery in comparison with the period 2003-2005. Furthermore the results for the year confirm that our company is once again at the forefront of the prime residential market. The principal risks or uncertainties in our business continue to be planning and procurement based. In relation to the market, there are at least no current signs of a downturn in the global appeal for Central London prime residential property."

John Hunter
Chief Executive

NORTHACRE

HIGHLIGHTS

- Group turnover increased to £8.1m (2006 : £7.9m) with pre-tax profit before goodwill amortisation improving by 12% to £2.6m (2006 : Profit £2.3m).
- Completion of Park Street achieved in the financial year resulting in a performance bonus fee of c. £2.6m of which an on account payment of £2.4m has been received in April 2007.
- Planning consent granted for The Lancasters in May 2007. Works are due to commence on site in September 2007.
- Favourable decision for Vicarage Gate at the High Court hearing in April 2007 enhancing prospects of an early solution to this long outstanding planning dispute.
- Planning to be determined on The Kensington (Odeon) before the end of 2007 with works due to commence on site in the Spring of 2008.
- Group subsidiaries continue to generate improved levels of fee income as a result of an increase in the volume of activity.
- Senior Management further strengthened with new appointments in Marketing, Design and Construction.
- Anticipate further growth with improved performance in the short to medium term.

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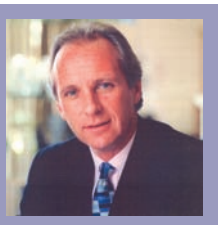
Chief Executive's Review

Overview

Northacre has completed its recovery phase and is now re-establishing itself as the leading brand with the most acclaimed track record in the business of prime residential property development in Central London. To meet the increasing demands of this niche sector, the Group has strengthened its team of development managers, architects and interior designers. With three major schemes on the production line, these landmark developments will without a doubt become some of the finest addresses in Central London. Further growth and improved performance is anticipated in the short to medium term.

"Despite rising interest rates there continues to be an almost insatiable global appetite for high quality residential schemes in Central London. With the developments in hand and under consideration, Northacre is now, once again, in a strong position to provide for this growing demand with a branded product of exceptional design and quality."



John Hunter
Chief Executive

Financial Results

Turnover for the period was £8,087,325 (2006 £7,875,054) with gross profit of £6,588,707 (2006 £5,749,558). Pre-tax profit was £2,597,861 (2006 £2,301,360) before amortisation of goodwill with a basic earnings per share of 5.64 pence (2006 4.58 pence). The Board do not recommend a dividend payment as the company's funds are fully employed. In light of these results and the anticipated future growth prospects, the Board of Directors are committed to review the Company's long term finances with a view to implementing a dividend policy.

Completion of the Mayfair scheme at 44-46 Park Street has had a positive impact on these results with an anticipated final bonus fee entitlement of £2.6m of which £2.4m has been received since the year end. This has enabled the Group to further reduce its debt position. Improved fee income from the subsidiaries has also contributed to the results providing further evidence of sustained growth.

Board Changes

The Board is delighted to welcome Malcolm Williams as Non-Executive Director effective from 17th April 2007. Malcolm brings to the Board a wealth of financial knowledge and experience after spending 38 years with Dresdner Kleinwort Wassertein Limited (formerly Kleinwort Benson Limited).

Operating Subsidiaries

The operating subsidiaries have seen an increase in fee income following the strong performance of their improved development and private client business. In particular the interior design company has seen excellent progress throughout the year with the launch of two show apartments at Park Street and the widening of its client base to include projects in Dubai and Saudi Arabia. The architectural practice has also risen to the challenge with full design production in progress on The Lancasters as well as additional private client work.

Operational Review

The Phillimores

The remaining two apartments at The Phillimores have been sold and the final amount, due under the overage entitlement, has now been received. Having completed this scheme the Group can now focus on the current projects in hand.

Park Street

Our Agents described Northacre's Park Street as "The development that sets new standards for Mayfair", indeed following a successful marketing campaign, all apartment sales were exchanged prior to practical completion of the works. From commencement of this scheme, less than two years ago, the anticipated final bonus fee of £2.6 million demonstrates a healthy return for the Group.

Vicarage Gate

Following a favourable outcome at the High Court hearing in April 2007, it is the Group's intention to seek an early settlement of this difficult planning struggle at Vicarage Gate. Although our planning application is due to return to another Public Inquiry, we plan in the meantime to explore whether an early mutually satisfactory solution can be reached with the Royal Borough of Kensington and Chelsea (RBK&C).

The Kensington

Following extensive and detailed public consultation with local residents and the Planning Department of RBK&C a revised application has been submitted on The Kensington. This application is due to be determined by the Planning Committee before the end of 2007. The Group is confident of a positive outcome and looks forward to commencing the works on site in the spring of 2008.

The Lancasters

Planning consent for The Lancasters was secured in May 2007. The consented scheme is designed to create 193,000 square feet of residential accommodation comprising 92 apartments of which 11 units are to provide for affordable housing. The joint venture plans to explore the prospects of identifying a donor site with the capacity to provide a larger number of affordable units elsewhere in the local vicinity. Works are programmed to commence on site in September 2007 with the first phase of completed apartments available for occupation in 2010.

Financial Review

Evaluating Performance

As noted in our previous year's annual report it is the Board's intention to implement a more transparent method of recognising the significant value added during the life of the development of our schemes. In previous years the amounts due under the contracts have only been recognised when they have been finally determined which is usually at the end of the project. However it is the Board's view that when certain critical milestone events are achieved through the duration of each project, significant value is, theoretically, added to the value of our equity investment in that project. Accordingly, in the future, we feel that this value should be noted in the results each year. We are in the process of agreeing a suitable policy with our auditors.

"The priority of the Group's finances continues to be investment in schemes that can deliver strong and sustainable shareholder returns whilst ensuring there is a sound capital and leverage discipline."

Manish Santilale
Finance Director

Review of Results

Headlines

Net Assets per share increased to 41.3 pence (2006 : 35.7 pence). Net profit for the year is £1.3m (2006 : £1.0m) with an earnings per share of 5.64 pence (2006 : 4.58 pence).

Profit and Loss Account

Operating profit before tax and amortisation of goodwill for the year is £2.6m (2006 : £2.3m).

Although the Group's turnover has only increased slightly to £8.1m (2006 : £7.9m) it can be noted, compared to the previous year, that a larger proportion of the turnover is fees receivable to the Group rather than profit shares or bonus fees. The Group fee income in the year increased to £5.5m (2006 : £3.5m) reflecting the greater volume of work in progress in the year. In particular the Group's subsidiaries have all seen very significant increases to their fee income this year and are now at a level which we feel is commensurate with our expectations. The interior design company achieved an increase of fee income to £2.0m (2006 : £1.2m) for the year under review with the architectural design company increasing to £1.6m (2006 : £0.7m).

Administration costs for the year increased to £5.2m (2006 : £4.8m) partly due to additional staff and partly due to additional general expenses as a result of the increase in business.

After including the above items the Group recorded a net profit before tax of £1.3m (2006 : £1.0m).

Balance Sheet

The investment in joint ventures represents the cash equity invested in each of our development schemes. The investment in the year increased to £2.4m (2006 : £1.6m) representing the additional equity invested in The Lancasters scheme.

Debtors at the year end include the anticipated final performance bonus fee of £2.6m (2006 : £nil) due on the completion of Park Street of which a payment of £2.4m has been received in April 2007. This amount has been fully utilised in reducing the Group's debt position and in funding the additional equity investment in The Lancasters.

Financing

The Group's activities are financed through a mixture of equity, cash and bank borrowings.

The Group aims to gear property acquisitions with appropriate structured bank debt allowing the Group to maximise its return from the equity invested. The Group has secured, together with its partners, a total of £296m of committed facilities to finance the development of the three principal developments in hand.

Since the year end, The Lancasters joint venture has completed a refinancing of the senior debt loan facility. The new £215m facility for the joint venture has allowed the Group's equity investment to date to be returned. This has been placed with selected financial institutions to provide security, liquidity and flexibility for investment in future opportunities.

The priority of the Group's finances continues to be investment in schemes that can deliver strong and sustainable shareholder returns whilst ensuring there is a sound capital and leverage discipline.

Outlook

The completion of Park Street is itself another fine example of a Northacre prime residential development. Since the year end, the receipt of our bonus fee entitlement has enabled the Group to reduce its debt position. The performance of our operating subsidiaries has also contributed to these good results.

Following receipt of our new planning consent for The Lancasters, it is clear that a substantial uplift in value has been created for the joint venture. The main works for procuring this high quality scheme will commence in September. By building out this 'Revival' development we plan to exploit the full potential for further enhanced value from our branded marketing campaign on this Hyde Park project.

After a period of extensive consultation in the public arena, a new mixed-use cinema and residential scheme for The Kensington (Odeon) site has emerged with good prospect of success at planning for a decision later this year. We plan to commence the works immediately thereafter and hence anticipate a start date early 2008.

It is our fervent hope that an early solution can be reached to resolve the Vicarage Gate planning struggle without the need to re-run a Public Inquiry. This may well involve revisiting the original proposal for transferring the existing use, for elderly persons accommodation, elsewhere in the local community.

Despite rising interest rates there continues to be an almost insatiable global appetite for high quality residential schemes in Central London. With the developments in hand and under consideration, Northacre is once again in a strong position to provide for this growing demand with a branded product of exceptional design and quality.

Based on its skills for generating added value through the development process, the Group continues to seek further opportunities to acquire an equity position, together with a structured performance related entitlement to profits. In this manner, we anticipate achieving further improvement in fee income and growth for enhanced shareholder value.

Company Information

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

Secretary
D.A. Salmon

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Devonshire House
60 Goswell Road
London EC1M 7AD

Nominated Advisor and Broker
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London EC2N 1PH

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Solicitors
Campbell Hooper
35 Old Queen Street
London SW1H 9JD

44-46 Park Street - this Mayfair Revival scheme was sold during construction.

Apartments by Lifestyles Interiors set new standards for quality and design.

Directors' Report
For the year ended 28 February 2007

The directors have pleasure in presenting their report and financial statements for the year ended 28th February 2007.

Principal Activities

The group is involved in acting as property developer, development manager, architect and interior designer for high quality residential property schemes.

Review of the Business

Improved Performance

The position of the company at the end of the year under review demonstrates a substantial recovery in comparison with the period 2003-2005. Furthermore the results for the year confirm that our company is once again at the forefront of the prime residential market. The principal risks or uncertainties in our business continue to be planning and procurement based. In relation to the market, there are at least no current signs of a downturn in the global appeal for Central London prime residential property.

Review of Results

Net Assets per share increased to 41.3 pence (2006 - 35.7 pence). Net profit for the year is £1.3m (2006 - £1.0m) with an earnings per share of 5.64 pence (2006 - 4.58 pence).

Profit and Loss Account

Operating profit before tax and amortisation of goodwill for the year is £2.6m (2006 - £2.3m).

The Group's turnover increased to £8.1m (2006 - £7.9m) mainly due to increased group fee income as a result of increased work in progress. Administration costs for the year increased to £5.2m (2006 - 4.8m) partly due to additional staff and partly due to additional general expenses as a result of the increase in business.

After including the above items the Group recorded a net profit before tax of £1.3m (2006 - £1.0m).

Balance Sheet

The investment in joint ventures represents the cash equity invested in each of our development schemes. The investment in the year increased to £2.4m (2006 - £1.6m) representing the additional equity invested in The Lancasters scheme.

Debtors at the year end include the anticipated final performance bonus fee of £2.6m (2006 - £nil) due on the completion of Park Street of which a payment of £2.4m has been received in April 2007. This amount has been fully utilised in reducing the Group's debt position and in funding the additional equity investment in The Lancasters.

Results and Dividend

The results of the group for the year are set out on page 14. The directors do not recommend a dividend payment as the company's funds are fully employed. In light of these results and the anticipated future growth prospects, the board of directors are committed to review the company's long term finances with a view to implementing a dividend policy.

Directors' Report
For the year ended 28 February 2007 (continued)

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 2007	At Appointment or 1st March 2006 (re-stated)	% of Ordinary Shares
J.R.G. Hunter	5,000,000	5,000,000	22.0%
K.B. Nilsson	5,000,000	5,000,000	22.0%
M.K. Santilale	2,000	2,000	0.0%
E.B. Harris	-	-	-

M.F. Williams was appointed as director on 17th April 2007.

Substantial Shareholdings

As at the 8th August 2007, the following (in addition to the directors) held in excess of 3% of the ordinary share capital of the company:

Fitel Nominees Limited	16.1%
Sutterton Label Printers Limited	5.7%
Fiske Nominees Limited	3.4%

Donations

During the year, the group made charitable donations of £150 (2006 - £920).

Policy and Practice on the Payment of Creditors

It is the group's policy to maintain good relationships with its suppliers. Payment terms are agreed with each supplier in advance and these terms adhered to. Due to the nature of the business the directors do not consider that a meaningful trade creditors days figure can be calculated.

Auditors

Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors to the company for the ensuing year.

Directors' Report
For the year ended 28 February 2007 (continued)

Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

Statement of Disclosure to Auditor

(a) so far as the directors are aware, there is no relevant audit information of which the 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.

By Order of the Board

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D.A. Salmon
Secretary

Date: 21st August 2007

Independent Auditors' Report to the Shareholders of Northacre PLC

We have audited the financial statements of Northacre PLC for the year ended 28th February 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and 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 described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions with the company is not disclosed.

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and company's affairs as at 28th February 2007, and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 21st August 2007

Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Consolidated Profit and Loss Account For the year ended 28th February 2007

	Note	2007 £	2006 £
Group Turnover - continuing activities	2	8,087,325	7,875,054
Cost of sales		(1,498,618)	(2,125,496)
Gross Profit		6,588,707	5,749,558
Administrative expenses		(5,243,275)	(4,799,714)
Other operating income	3	62,239	67,085
Group Operating Profit - continuing activities		1,407,671	1,016,929
Share of profit of associate	11(a)	23,359	12,823
Operating Profit including share of associates and joint ventures		1,431,030	1,029,752
Profit on Ordinary Activities before Interest and Investment Income		1,431,030	1,029,752
Income from investments		60,000	70,000
Interest receivable		8,983	7,481
Interest payable and similar charges	4	(163,360)	(67,081)
Profit on Ordinary Activities before Taxation	5	1,336,653	1,040,152
Taxation	7	(55,906)	–
Retained Profit for the Year	19	1,280,747	1,040,152
Basic earnings per ordinary share	18	5.64p	4.58p

There are no recognised gains or losses other than as stated above.

Consolidated Balance Sheet at 28th February 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed Assets					
Intangible fixed assets	9		7,567,252		8,828,460
Tangible fixed assets	10		21,075		20,748
Investments in associates	11(a)		66,238		47,317
Investments in joint ventures	11(b)		2,412,830		1,596,225
			10,067,395		10,492,750
Current Assets					
Work in progress	12	113,682		24,267	
Debtors	13	3,924,886		884,075	
Cash at bank and in hand		32,952		427,443	
		4,071,520		1,335,785	
Creditors: Amounts falling due within one year	14	(3,209,412)		(2,179,779)	
Net Current Assets/(Liabilities)			862,108		(843,994)
Total Assets less Current Liabilities			10,929,503		9,648,756
Creditors: Amounts falling due after more than one year	15		(1,550,000)		(1,550,000)
Net Assets			9,379,503		8,098,756
Capital and Reserves					
Called up share capital - equity interests	19		567,841		567,841
Share premium account	19		17,449,610		17,449,610
Profit and loss account	19		(8,637,948)		(9,918,695)
Shareholders' Funds	19		9,379,503		8,098,756

Approved by the board on 21st August 2007

J.R.G. Hunter Director

K.B. Nilsson Director

Balance Sheet at 28th February 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed Assets					
Investments	11(c)		10,089,977		10,089,968
Current Assets					
Debtors	13	11,710,409		7,106,259	
Creditors: Amounts falling due within one year	14	(10,566,031)		(8,356,885)	
Net Current Assets/ (Liabilities)			1,144,378		(1,250,626)
Total Assets less Current Liabilities			11,234,355		8,839,342
Creditors: Amounts falling due after more than one year	15		(1,550,000)		(1,550,000)
Net Assets			9,684,355		7,289,342
Capital and Reserves					
Called up share capital - equity interests	19		567,841		567,841
Share premium account	19		17,449,610		17,449,610
Profit and loss account	19		(8,333,096)		(10,728,109)
Shareholders' Funds	19		9,684,355		7,289,342

Approved by the board on 21st August 2007

J.R.G. Hunter Director

K.B. Nilsson Director

The Lancasters - fronting its own private garden and Hyde Park. Planning consent has been granted for 89 apartments.

This Revival scheme also incorporates a new landscaped garden, carriage driveway and underground parking.

Consolidated Cash Flow Statement For the year ended 28th February 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net Cash (Outflow) / Inflow from Operating Activities	1		(564,799)		457,559
Returns on Investments and Servicing of Finance					
Interest received		8,983		7,481	
Interest paid		(47,619)		(67,081)	
Dividends received		60,000		70,000	
			21,364		10,400
Taxation					
Corporation tax			–		–
Capital Expenditure and Financial Investment					
Purchase of other tangible assets		(12,237)		(9,274)	
Net cash (outflow)/inflow for capital expenditure and financial investment			(12,237)		(9,274)
Acquisitions and disposals					
Investment in joint venture		(816,605)		(631,000)	
Net cash (outflow) for acquisitions and disposals			(816,605)		(631,000)
Financing					
Decrease in debt due within one year		–		(1,060,000)	
Increase in debt due in more than one year		–		1,550,000	
Net cash inflow from financing			–		490,000
(Decrease) / Increase in Cash in the Year	2		(1,372,277)		317,685

Notes to the Consolidated Cash Flow Statement For the year ended 28th February 2007

1 Reconciliation of Operating Profit to Net Cash (Outflow) / Inflow from Operating Activities	2007 £	2006 £
Group operating profit	1,407,671	1,016,929
Depreciation	11,910	19,460
(Increase) / Decrease in work in progress	(89,415)	158,414
(Increase) in debtors	(2,947,605)	(388,934)
(Decrease) in creditors	(208,568)	(1,609,518)
Amortisation of goodwill	1,261,208	1,261,208
Net Cash (Outflow) / Inflow from Operating Activities	(564,799)	457,559

2 Reconciliation of Net Cash Flow to Movement in Net Debt	£	£
(Decrease) / Increase in cash in the year	(1,372,277)	317,685
Cash (outflow) from change in debt and lease financing	–	(490,000)
Change in net debt resulting from cash flows	(1,372,277)	(172,315)
Net debt at 1st March 2006	(1,122,557)	(950,242)
Net debt at 28th February 2007	(2,494,834)	(1,122,557)

3 Analysis of changes in Net Debt	At 1st March 2006 £	Non Cash Movements £	Cash Flow £	At 28th February 2007 £
Cash at bank and in hand	427,443	–	(394,491)	32,952
Debt due within one year	–	–	(977,786)	(977,786)
Debt due in more than one year	(1,550,000)	–	–	(1,550,000)
	(1,122,557)	–	(1,372,277)	(2,494,834)

Notes to the Financial Statements For the year ended 28th February 2007

Principal Accounting Policies

The principal accounting policies, which are unchanged from the previous year, are as follows:

Accounting basis and standards

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently.

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

(i) One of the loans due to Northacre PLC Directors Retirement and Death Benefit Scheme of £1 million is not due for repayment until 31st July 2008.

(ii) Two further loans of £275,000 each, from the Northacre PLC Directors Retirement and Death Benefit Scheme and from a third party are not repayable until the return of equity and/or realisation of profit share from one specific project, which is not expected to occur before August 2007.

(iii) The group's bankers have recently agreed revised facilities until July 2008.

The directors have prepared detailed cash flow projections for the period ended 28th February 2009 making reasonable assumptions about the levels and timings of income and expenditure, and in particular the timing of receipt of certain fees due from major developments. These projections show that the group can operate within the available facilities. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

Basis of Consolidation

The group accounts include the accounts of the company and its subsidiary undertakings, together with the group's share of the results of joint ventures and associates.

Depreciation

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

Fixtures, fittings and office equipment	25% straight line
Computer equipment	33 1/3% straight line

Work in Progress

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.

Turnover

Turnover 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.

Deferred Taxation

In accordance with FRS19, deferred tax is recognised as a liability or asset if transactions or events that give the group the obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date.

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

1 Principal Accounting Policies (continued)

Leased Assets

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

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

Investments

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

Goodwill

Goodwill is determined by comparing the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets and is written off over its estimated useful life of 10 years.

Pension Scheme Arrangements

The group operates a money purchase scheme on behalf of two of its directors. It also contributes to certain directors' and employees' personal pension schemes. Pension costs charged represent the amounts payable to the schemes in respect of the period.

2 Turnover

The group's turnover was derived from its principal activities. Sales were made in the following geographical markets:

	2007 £	2006 £
United Kingdom	8,087,325	7,875,054

	2007 £	2006 £
Principal activities:		
Profit shares and bonus fees - property development	2,619,385	4,305,017
Development management	1,870,815	1,646,455
Interior design	1,985,474	1,214,134
Architectural design	1,611,651	709,448
	8,087,325	7,875,054

3 Other Operating Income

	2007 £	2006 £
Rental income	57,729	62,700
Other income	4,510	4,385
	62,239	67,085

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

4 Interest Payable and Similar Charges

	2007 £	2006 £
Bank loans and overdrafts	16,215	8,379
Overdue tax	5,030	
Other loans	142,115	58,702
	163,360	67,081

5 Profit on Ordinary Activities before Taxation

	2007 £	2006 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
owned assets	11,910	19,460
Operating lease rentals:		
Land and buildings	195,400	195,400
Auditors' remuneration	38,000	33,000
Auditors' remuneration in non-audit capacity	41,299	35,519
Amortisation of goodwill	1,261,208	1,261,208

6 Employees

	2007 Number	2006 Number
The average weekly number of persons (including directors) employed by the group during the year was:		
Office and management	11	12
Design and management	20	16
	31	28

	2007 £	2006 £
Staff costs for the above persons:		
Wages and salaries	2,246,386	1,804,900
Social security costs	265,280	201,027
Other pension costs - money purchase schemes	15,440	27,559
	2,527,106	2,033,486

Directors' Remuneration

	2007 £	2006 £
Emoluments (including benefits in kind)	911,705	831,978
Fees	18,333	30,000
	930,038	861,978
Company contributions to money purchase schemes	68,484	_
Directors emoluments disclosed above included the following payments made to:		
Highest paid director	372,053	348,880
The number of directors to whom relevant benefits are accruing under:	**Number**	**Number**
Money purchase pension schemes and personal pension schemes	3	2

The Kensington - proposed cinema and residential development as submitted for planning.

A Revival scheme comprising a new sub-basement cinema, with apartments, townhouses and underground parking above.

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

7 Taxation

	2007 £	2006 £
(a) Analysis of charge/(credit) in year		
Current tax:		
Corporation tax at the rate of 30% (2005 - 30%) (note7 (b))	51,468	–
Tax on share of profits of associates	4,438	–
Total current tax	55,906	–

(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 30%. The differences are explained below:

	2007 £	2006 £
Profit / (Loss) on ordinary activities before tax	1,336,653	1,040,152
Profit / (Loss) on ordinary activities multiplied by the standard rate of corporation tax of 30%	400,996	312,046
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	420,034	369,764
Capital allowances for the period (greater than)/ less than depreciation	(2,661)	(1,610)
Utilisation of tax losses	(757,733)	(684,840)
Share of profits of associates	(7,008)	(3,847)
Effect of smaller rates of tax	(2,160)	–
Losses available to carry forward	–	8,487
Current tax charge for the year (note 7 (a))	51,468	–

(c) Factors that may affect future tax charges

No deferred tax asset has been recognised on losses carried forward nor on the origination and reversal of timing differences. The total amount of the unprovided asset is £98,062 (2006 - £855,892). At the balance sheet date there are unrelieved capital losses of £472,598 (2006 - £472,958).

8 Profit/(Loss) for the Financial Year

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements. The group profit for the financial year of £1,280,747 (2006 - profit £1,040,152) includes a profit of £2,395,013 (2006 - loss £233,833), which was dealt with in the financial statements of the company.

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

9 Intangible Fixed Assets

Cost	Goodwill £
At 1st March 2006 and 28th February 2007	14,940,474
Amortisation	
At 1st March 2006	6,112,014
Charge for the year	1,261,208
At 28th February 2007	7,373,222
Net carrying amount at 28th February 2007	7,567,252
Net carrying amount at 28th February 2006	8,828,460

Goodwill is amortised over 10 years, the estimated minimum useful life of the asset.

10 Tangible Fixed Assets

Group Cost	Fixtures, Fittings and Office Equipment £	Computer Equipment £	Total £
At 1st March 2006	242,154	239,276	481,430
Additions	–	12,237	12,237
Disposals	–	(72,580)	(72,580)
At 28th February 2007	242,154	178,933	421,087
Depreciation			
At 1st March 2006	237,548	223,134	460,682
Charge for the year	685	11,225	11,910
Disposals	–	(72,580)	(72,580)
At 28th February 2007	238,233	161,779	400,012
Net Book Value			
At 28th February 2007	3,921	17,154	21,075
At 28th February 2006	4,606	16,142	20,748

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

11 Fixed Asset Investments

Group (a) Interest in Associated Undertaking	£	Interest in Associated Undertaking £
Cost		
At 1st March 2006 and at 28th February 2007		300
Group's Share of Undistributed Post Acquisition Results of Associated Undertaking		
At 1st March 2006		47,017
Share of undistributed profit	23,359	
Taxation	(4,438)	
		18,921
At 28th February 2007		65,938
Net Book Value		
At 28th February 2007		66,238
At 28th February 2006		47,317

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

11 Fixed Asset Investments (continued)

(b) Share of Net Assets/(Liabilities) of Joint Ventures

Group	2007 £	2006 £
Investments and Loans to Joint Ventures		
Brought forward	1,596,225	965,225
Additions	816,605	631,000
At 28th February 2007	2,412,830	1,596,225
Group's Share of Results		
Group share of loss for the year	–	–
Net Book Value		
At 28th February 2007	2,412,830	1,596,225

£35,700 of the additions relate to further investment in Vicarage Gate Holdings Limited, a joint venture in which the group holds a 10% share. £780,000 relates to an investment in Lancaster Gate (Hyde Park) Limited, a joint venture partnership with Minerva (Lancaster Gate) Limited, in which the group share is 5%. £900 relates to an investment in 44-46 Park Street Limited, a joint venture in which the group share is 45%. The remaining £5 represents an initial 5% capital contribution to Lancaster Gate (Hyde Park) Limited.

(c) Other Investments

Group	2007 £	2006 £
At cost	1,250,000	1,250,000
Provision for diminution in value	(1,250,000)	(1,250,000)
Net book value at 28th February 2007	–	–

Company	Subsidiary Undertakings £	Associated Undertaking £	Total Investments £
At cost	10,089,668	300	10,089,968
Additions	9	–	9
Net book value at 28th February 2007	10,089,677	300	10,089,977

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

11 Fixed Asset Investments (continued)

(d) 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
Northacre Residential Limited	Ordinary shares	100%	Property development
Lifestyles (Interiors) Limited	Ordinary shares	100%	Interior design
Nilsson Design Limited	Ordinary shares	100%	Design architects
Northacre Land Limited	Ordinary shares	100%	Property development
Northacre Holdings Limited	Ordinary shares	100%	Property development
Northacre Capital Limited	Ordinary shares	100%	Dormant
Northacre Capital (1) Limited	Ordinary shares	100%	Property development
Northacre Capital (2) Limited	Ordinary shares	100%	Property development
Northacre Capital (3) Limited	Ordinary shares	100%	Property development
Northacre Development Management Services Limited	Ordinary shares	100%	Development management services
Northacre Design Limited	Ordinary shares	100%	Design architects
Nilsson Architects Limited	Ordinary shares	100%	Design architects
Northacre Capital (5) Limited	Ordinary shares	100%	Property development
Associated undertaking			
Campden Estates Limited (year ended 31st December)	Ordinary shares	25%	Residential property lettings and management
Joint ventures			
Vicarage Gate Holdings Limited (incorporated in Jersey)	Ordinary shares	10%	Property development
44-46 Park Street Limited	Ordinary shares	45%	Property development
The Abingdons Partnership	Partnership	5%	Property development
Lancaster Gate (Hyde Park) Limited	Ordinary shares	5%	Property development

12 Work in Progress

	Group 2007 £	Group 2006 £
Work in progress	113,682	24,267

The Vicarage Gate House - planning application was refused by RBK&C and the Inspector on Appeal. A further High Court decision quashed these refusals.

This proposed Revival scheme comprises 12 lateral apartments with off-site affordable housing.

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

13 Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	114,702	52,398	3,656	18,661
Amounts owed by group undertakings	–	–	6,605,587	5,770,964
Other debtors	228,445	62,154	179,662	9,351
Prepayments and accrued income	3,581,739	769,523	4,921,504	1,307,283
	3,924,886	884,075	11,710,409	7,106,259

14 Creditors: Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans and overdrafts	977,786	–	1,033,491	163,244
Trade creditors	371,114	250,087	120,317	48,362
Amounts owed to group undertakings	–	–	8,272,474	6,605,720
Corporation tax	51,468	–	26,118	–
Social security and other taxes	729,850	692,229	487,239	373,888
Other creditors	393,013	1,048,510	301,999	1,015,963
Accruals and deferred income	686,181	188,953	324,393	149,708
	3,209,412	2,179,779	10,566,031	8,356,885

Other creditors include unsecured convertible redeemable loan stock of £125,000 due to the Northacre plc Directors Retirement and Death Benefit Scheme. This debt was repaid in full after the year end.
The company's bank loans and overdrafts are secured by way of a debenture over all of the assets of Northacre Plc.

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Loans from pension scheme	1,275,000	1,275,000	1,275,000	1,275,000
Equity finance loan	275,000	275,000	275,000	275,000
	1,550,000	1,550,000	1,550,000	1,550,000

The loans from pension scheme of £1,275,000 are in respect of the Northacre plc Directors Retirement and Death Benefit Scheme. The period of the short term £1,000,000 loan has been extended to 31st July 2008. Interest is charged at 4% above base rate. A further loan of £275,000 has been granted to 23rd November 2012 and is repayable on the refund of equity provided by Northacre Capital (3) Limited in respect of The Kensington (Odeon) project. Interest is charged at 3% above the Clearing Banks' base rate and the lender is entitled to 25% of Northacre's profitshare of The Kensington (Odeon) project.

The equity finance loan of £275,000 was provided by Templeco 643 Limited for the purpose of providing funding for the acquisition and development of the group's interest in The Kensington (Odeon) project . The loan is repayable on the refund of equity provided by Northacre Capital (3) Limited to the project. The loan is non-interest bearing and the lender is entitled to 30% of Northacre's profitshare of The Kensington (Odeon) project.

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

16 Future financial commitments

Operating Leases	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
	Land & Buildings	Land & Buildings	Land & Buildings	Land & Buildings
Net amount payable on operating leases which expire:				
Within one year	195,400	195,400	195,400	195,400

17 Capital Commitments

As part of the joint venture agreement with Minerva (Lancaster Gate) Limited, Northacre Capital (5) Limited has a commitment to pay £40,000 per month to the Lancaster Gate (Hyde Park) Limited project until 2010. The total financial commitment at the year end being £970,000.

18 Earnings per Share

Earnings per share of 5.64p (2006 - 4.58p) is calculated on the profit attributable to ordinary shares of £1,280,747 (2006 - £1,040,152) divided by the weighted number of ordinary shares in issue during the period.

Computation of basic earnings per share:	2007 £	2006 £
Net profit	£1,280,747	£1,040,152
Weighted average number of shares outstanding	22,713,644	22,713,644
Basic earnings per share	5.64p	4.58p

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

19 Shareholders' Funds

Group	Called Up Share Capital £	Share Premium Account £	Profit and Loss Account £	2007 Total £	2006 Total £
Balance at 1st March 2006	567,841	17,449,610	(9,918,695)	8,098,756	7,058,604
Transfer from profit and loss account	–	–	1,280,747	1,280,747	1,040,152
Balance at 28th February 2007	567,841	17,449,610	(8,637,948)	9,379,503	8,098,756

Authorised:	£	£
200,000,000 Ordinary shares of 2.5p each	5,000,000	5,000,000
300,000 'A' shares of 2.5p each	7,500	7,500
	5,007,500	5,007,500

Called up, allotted and fully paid:		
22,713,644 Ordinary shares of 2.5p each	567,841	567,841
Nil 'A' shares of 2.5p each	–	–
	567,841	567,841

Company	Called Up Share Capital £	Share Premium Account £	Profit and Loss Account £	2007 Total £	2006 Total £
Balance at 1st March 2006	567,841	17,449,610	(10,728,109)	7,289,342	7,523,175
Transfer from profit and loss account	_	_	2,395,013	2,395,013	(233,833)
Balance at 28th February 2007	567,841	17,449,610	(8,333,096)	9,684,355	7,289,342

20 Contingent Liabilities

A third party has brought a claim against a subsidiary company, Waterloo Investments Limited, regarding payment of a profit share in respect 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 accounts for this liability as the Board are of the opinion that there is no prospect that the claim against Waterloo Investments Limited will be successful.

Northacre Capital (3) Limited is committed to pay a further £200,000 capital contribution to the Abingdons Partnership project when planning permission is granted.

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

21 Related Party Transactions

The group's related parties as defined by Financial Reporting Standard 8, the nature of the relationship and the amount of transactions with them during the period were as follows:

Related Party	Nature of Relationship	2007 £	2006 £	Nature of Transactions
J.R.G. Hunter	1	157,617	(24,004)	Amount owed by / (to) J.R.G Hunter to Northacre PLC at 28th February 2007 (£100,000 has been repaid after the year end)
J.R.G. Hunter	1	5,000	–	Amount included in work in progress in respect of services provided at arm's length to J.R.G Hunter during the year
J.R.G. Hunter	1	181,187	–	Amount included in accrued income in respect of services provided at arm's length to J.R.G Hunter during the year
Campden Estates Limited	2	14,800	14,800	Rent and services payable by Campden Estates Limited for use of office space
Campden Estates Limited	2	3,656	–	Amount owed by Campden Estates Limited to Northacre PLC at 28th February 2007
Northacre PLC Directors Retirement and Death Benefit Scheme	3	–	4,729	Interest payable on the loan to Waterloo Investments Limited
Northacre PLC Directors Retirement and Death Benefit Scheme	3	–	1,049	Management fee receivable from the scheme
Northacre PLC Directors Retirement and Death Benefit Scheme	3	1,000,000	1,000,000	Loan repayable to scheme by Northacre PLC
Northacre PLC Directors Retirement and Death Benefit Scheme	3	275,000	275,000	Loan repayable to scheme by Northacre PLC
Northacre PLC Directors Retirement and Death Benefit Scheme	3	125,000	–	Loan repayable to scheme by Northacre PLC
Northacre PLC Directors Retirement and Death Benefit Scheme	3	177,907	30,874	Interest payable on the loans to Northacre PLC
K.B. Nilsson	4	4,706	(4,203)	Amount owed by / (to) K.B. Nilsson to Northacre PLC at 28th February 2007 (repaid after the year end)

Notes to the Financial Statements For the year ended 28th February 2007 (continued)

21 Related Party Transactions (continued)

Related Party	Nature of Relationship	2007 £	2006 £	Nature of Transactions
E.B. Harris	5	–	2,115	Services provided to Northacre PLC from E.C. Harris LLP, on normal commercial terms
E.B. Harris	5	18,333	–	Non-executive directors fees for April 2006 - February 2007 invoiced from E.C. Harris LLP

Nature of Relationships

1. J.R.G. Hunter is a director of the company.

2. Campden Estates Limited is an associated undertaking of Northacre PLC.

3. J.R.G. Hunter and K.B. Nilsson, directors, are trustees and potential beneficiaries of the Northacre PLC Directors Retirement and Death Benefit Scheme.

4. K.B. Nilsson is a director of the company.

5. E.B. Harris is a director of the company, and a member of E.C. Harris LLP.

NORTHACRE

Registered in England - No. 3442280)
(the "Company")

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at The Capital Hotel, 22 Basil Street, London SW3 1AT on the 21st day of September 2007 at 10.00 am for the following purposes:

As ordinary business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and duly approve the audited accounts and the reports of the directors and auditors on such accounts, for the year ended 28 February 2007.

2. To re-appoint as a director John Robert Gordon Hunter who retires by rotation.

3. To appoint Malcolm Francis Williams as a director.

4. To re-appoint Kingston Smith LLP as auditors.

5. To authorise the directors to fix the remuneration of the auditors.

BY ORDER OF THE BOARD
Duncan Salmon
Secretary

Registered office:
The Inner Court
48 Old Church Street
London, SW3 5BY

Dated: 21st August 2007

Notes:

1) A member entitled to attend and vote at the above-mentioned Annual General Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company.

2) To be effective, the enclosed form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the offices of the Company's registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR, not later than 10.00 am on 19 September 2007. Completion of the form of proxy will not preclude a member from attending and voting in person.

3) In the case of joint holders the vote of the senior who tenders a vote, whether by person or by proxy, will be accepted to the exclusion of the votes of other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

Notes (continued)

4) In the case of a corporation the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation.

5) The Company, pursuant to regulation 34 of The Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company 48 hours before the Annual General Meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.