

## NORTHACRE PLC (the “Company”)

### Interim Results Six months to 31 August 2009

30 November 2009

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#### Overview

Northacre has had a challenging period since our year-end. The Lancasters continues to be on schedule and programme with first phase completion due in 2010. The continued absence of bank debt in the residential development sector has impacted on our results for the period through the delay in commencing the developments of our remaining consented schemes. However, recent indications suggest some improvement in the prospects for securing development finance in 2010 enabling one of our schemes to be implemented. In addition the Group is in advanced discussions with potential new investors regarding investment for the Group’s activities. Furthermore, in line with market conditions and a challenging business climate, the Group has undertaken an overhead cost reduction programme of which the benefits will materialise in the next period.

#### Financial Results

Turnover for the period decreased to £2,814,710 (2008 - £3,950,475) with gross profit decreasing to £1,640,008 (2008 - £2,552,938). Loss before tax was £1,984,573 (2008 – Profit £25,691) with a basic loss per share of 7.40 pence (2008 – 0.09 pence profit per share). Net Asset Value per share was 37.04 pence (2008 – 47.3 pence). As announced on 12 October 2009 the contract for The Warwick scheme has been rescinded. Included in the results for the period is a provision of £587,500 against the value of the investment and a further provision of £295,905 for non-recoverable expenses and interest for this scheme. The Board is not declaring an interim dividend.

#### Operational Review

##### **The Lancasters**

This landmark development continues on schedule and on budget. The construction works are on programme for occupation of the first completed apartments by the end of 2010. The second phase of marketing is due to commence early next year with the launch of the show apartment in Spring 2010.

##### **The Vicarage**

Following the successful Public Inquiry decision in July 2009, the joint venture continues to explore all avenues of funding in order that the development can commence in 2010. In addition negotiations continue with the Royal Borough of Kensington and Chelsea to secure an improved design that is more appropriate for the site.

##### **The Kensington**

The current difficult economic climate and the shortage of debt finance has provided the joint venture with the opportunity to explore with its partners the most appropriate and sensible way of moving forward with the development.

**The Warwick**

As announced on 12 October 2009 the absence of debt in the market has unfortunately resulted in the contracts being rescinded. The Group continues to explore and pursue this opportunity in order to recover, as much as possible, its investment in the joint venture.

Despite the absence of bank lending to the residential development sector, the Group continues to explore new opportunities for generating additional fee income and profit participation. The diversity of the Group's income through its operating subsidiaries continues to be a very important element of the Northacre business plan in a very challenging climate.

All enquiries:

Northacre Plc

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**Northacre PLC**  
**Consolidated Interim Statement of Comprehensive Income (Unaudited)**

	Note	6 Months ended 31.8.2009 Unaudited £'000	6 Months ended 31.8.2008 Unaudited £'000	Year ended 28.2.2009 Audited £'000
<b>Group Revenue</b>	2	2,815	3,950	8,960
Cost of sales		(1,175)	(1,397)	(2,817)
<b>Gross Profit</b>		1,640	2,553	6,143
Administrative expenses		(2,959)	(2,537)	(6,273)
Provision for diminution in value of investments		(588)	-	-
Other operating income		3	9	19
<b>Group (Loss)/Profit from Operations</b>		(1,904)	25	(111)
Finance Income		(43)	56	177
Finance Expense		(37)	(55)	(109)
Share of loss from associated undertakings		-	-	(7)
<b>(Loss)/Profit before Taxation</b>		(1,984)	26	(50)
Taxation	3	7	(5)	-
<b>(Loss)/Profit for the period attributable to equity holders of the Company</b>		(1,977)	21	(50)
Other comprehensive income		-	-	-
<b>Total comprehensive (loss)/income for the period</b>		(1,977)	21	(50)
<b>(Loss)/Profit per ordinary share</b>	4			
Basic		(7.40)p	0.09p	(0.19)p
Diluted		(7.40)p	0.09p	(0.19)p

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

## Northacre PLC

### Summarised Consolidated Interim Statement of Financial Position (Unaudited)

	31.8.2009 Unaudited	31.8.2008 Unaudited	28.2.2009 Audited
	£'000	£'000	£'000
<b>Non-Current Assets</b>			
Goodwill	8,828	8,828	8,828
Property, plant and equipment	286	98	106
Investments	44	51	44
Investments in joint ventures	1,896	2,441	2,473
	<u>11,054</u>	<u>11,418</u>	<u>11,451</u>
<b>Current Assets</b>			
Inventories	37	93	29
Trade and other receivables	3,168	2,792	3,401
Cash and cash equivalents	-	-	363
	<u>3,205</u>	<u>2,885</u>	<u>3,793</u>
<b>Total Assets</b>	<u><u>14,259</u></u>	<u><u>14,303</u></u>	<u><u>15,244</u></u>
<b>Current Liabilities</b>			
Trade and other payables	2,506	2,178	2,069
Borrowings, including lease finance	409	95	-
	<u>2,915</u>	<u>2,273</u>	<u>2,069</u>
<b>Non-Current Liabilities</b>			
Borrowings, including lease finance	1,446	1,286	1,300
	<u>1,446</u>	<u>1,286</u>	<u>1,300</u>
<b>Total Liabilities</b>	<u>4,361</u>	<u>3,559</u>	<u>3,369</u>
<b>Equity</b>			
Share capital	668	568	668
Share premium account	18,552	17,449	18,552
Retained Earnings	(9,322)	(7,273)	(7,345)
	<u>9,898</u>	<u>10,744</u>	<u>11,875</u>
<b>Total Equity</b>	<u>9,898</u>	<u>10,744</u>	<u>11,875</u>
<b>Total Equity and Liabilities</b>	<u><u>14,259</u></u>	<u><u>14,303</u></u>	<u><u>15,244</u></u>

**Northacre PLC****Summarised Consolidated Interim Statement of Cash Flows (Unaudited)**

	<b>6 Months ended 31.8.2009 Unaudited £'000</b>	<b>6 Months ended 31.8.2008 Unaudited £'000</b>	<b>Year ended 28.2.2009 Audited £'000</b>
<b>Cash flows from operating activities</b>			
(Loss)/Profit before tax	(1,984)	26	(50)
Adjustments for:			
Finance income	43	(56)	(177)
Finance costs	37	55	109
Share of loss in associate	-	-	7
Write down cost of investment	588	-	-
Depreciation	57	25	50
Decrease/(increase) in working capital	662	(115)	(764)
<b>Cash used in operations</b>	<u>(597)</u>	<u>(65)</u>	<u>(825)</u>
Interest paid	(37)	(55)	(109)
Tax received	7	-	-
<b>Net cash used in operating activities</b>	<u>(627)</u>	<u>(120)</u>	<u>(934)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	(236)	(33)	(67)
Additions to investments	(11)	-	(63)
Interest received	(63)	26	117
Dividends received	20	30	60
Return of equity in joint venture	-	(31)	-
<b>Net cash used in investing activities</b>	<u>(290)</u>	<u>(8)</u>	<u>47</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares	-	-	1,203
New finance leases	265	-	-
Payment of finance lease liabilities	(34)	-	-
Loan repayments	-	(264)	(250)
<b>Net cash generated from financing activities</b>	<u>231</u>	<u>(264)</u>	<u>953</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(686)</u>	<u>(392)</u>	<u>66</u>
Cash and cash equivalents at beginning of period	<u>363</u>	<u>297</u>	<u>297</u>

Cash and cash equivalents at end of period

(323)(95)363

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

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
<b>As at 1 March 2008</b>	568	17,449	(7,294)	10,723
Total Comprehensive Income for the period	<u>-</u>	<u>-</u>	<u>21</u>	<u>21</u>
<b>As at 31 August 2008</b>	568	17,449	(7,273)	10,744
Transactions with owners:				
Issue of Share Capital	100	1,103	-	1,203
Total Comprehensive (Loss)/Income for the period	<u>-</u>	<u>-</u>	<u>(72)</u>	<u>(72)</u>
<b>As at 28 February 2009</b>	668	18,552	(7,345)	11,875
Total Comprehensive (Loss)/Income for the period	<u>-</u>	<u>-</u>	<u>(1,977)</u>	<u>(1,977)</u>
<b>As at 31 August 2009</b>	<u>668</u>	<u>18,552</u>	<u>(9,322)</u>	<u>9,898</u>

**Northacre PLC**  
**Notes to the Unaudited Interim Financial Statements**  
**For the Six Months ended 31 August 2009**

**1 Basis of Preparation and Accounting Policies**

**Basis of Preparation**

The interim financial information for the six months ended 31 August 2009 and 31 August 2008 is unaudited. The interim financial information was approved by the Board of Directors on 30 November 2009.

The statutory financial statements for the year ended 28 February 2009, 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 s237(2) or s237(3) of the Companies Act 1985.

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

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

**Accounting Policies**

The accounting policies adopted are consistent with those applied as at 28 February 2009 and those that the Directors expect to be adopted as at 28 February 2010. They are set out in full in the financial statements for the year ended 28 February 2009.

**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, partly from the Group's bankers and partly from other loans. These facilities are expected to remain in place for the foreseeable future. In particular:

- (i) One of the loans due to the Northacre PLC Directors Retirement and Death Benefit Scheme of £750,000 is not due for repayment until 31 July 2013.
- (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 31 August 2010.
- (iii) The Group's bankers are in the process of agreeing renewed facilities until 28 February 2010.
- (iv) An additional loan facility of £300,000 was made available by Mohamed AlRafi on 16 October 2009. The loan is not repayable until dividends from The Lancasters Development are received.
- (v) The Group is currently in advanced discussions with investors regarding potential new investments for the Group's activities and it is confident of a favorable outcome to these discussions before the end of the calendar year.
- (vi) In line with market conditions the Group has undertaken an overhead reduction programme of which the benefits will materialise in the next period. It is anticipated these measures will result in a potential saving of between 15% to 30% of total overhead costs.

**Northacre PLC**  
**Notes to the Unaudited Interim Financial Statements**  
**For the Six Months ended 31 August 2009 (continued)**

**1 Basis of Preparation and Accounting Policies (continued)**

The Directors have prepared detailed cash flow projections for the period ended 31 August 2010 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 these interim financial statements on a going concern basis.

**Significant Judgments and Estimates of Areas of Uncertainty**

In preparing these financial statements the Directors are required to make judgments and best estimates of the outcome of and in particular, the timing thereof, 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 and recoverability of goodwill
- The book value of fixed assets and depreciation
- The value of investments
- The status and progress of the developments and projects

**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.

**Revenue**

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.

**Investments in Joint Ventures**

The Company's investments described as investments in joint ventures represent equity stakes and capital contributions made in respect of projects undertaken with other partners. The Group's equity stake in all the joint ventures ranges from 5% to 45% with an incentivised profit share entitlement ranging from 50% to 60% depending on certain thresholds being achieved in each project.

All the investments are in unquoted undertakings where a reliable estimate of fair value is not able to be determined because of the range of potential estimates. The investments are therefore stated at cost, less any necessary provision for impairment.

**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 reviewed annually for impairment and adjusted appropriately to reflect the true value as at that date.

**Northacre PLC**  
**Notes to the Unaudited Interim Financial Statements**  
**For the Six Months ended 31 August 2009 (continued)**

**1 Basis of Preparation and Accounting Policies (continued)**

**Financial Risk Management**

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 risk and market risk. Market risk includes currency, interest rate and other price risks.

**2 Segmental Information**

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

<b>Revenue</b>	<b>6 Months ended 31.8.2009 Unaudited £'000</b>	<b>6 Months ended 31.8.2008 Unaudited £'000</b>	<b>Year ended 28.2.2009 Audited £'000</b>
Profit shares and bonus fees - property development	-	-	-
Development management	631	630	2,462
Interior design	1,646	1,881	4,044
Architectural design	538	1,439	2,454
	<u>2,815</u>	<u>3,950</u>	<u>8,960</u>
<b>(Loss)/Profit before Taxation</b>	<b>31.8.2009 Unaudited £'000</b>	<b>31.8.2008 Unaudited £'000</b>	<b>28.2.2009 Audited £'000</b>
Development management	(1,775)	(672)	(1,177)
Interior design	(74)	67	382
Architectural design	(135)	631	752
	<u>(1,984)</u>	<u>26</u>	<u>(43)</u>
Share of (loss)/profit of associate	-	-	(7)

(1,984)26(50)

**Northacre PLC**  
**Notes to the Unaudited Interim Financial Statements**  
**For the Six Months ended 31 August 2009 (continued)**

**2 Segmental Information (continued)**

**Assets**

	31.8.2009 Unaudited £'000	31.8.2008 Unaudited £'000	28.2.2009 Audited £'000
Development management	8,517	9,334	9,496
Interior design	2,956	2,526	2,934
Architectural design	2,742	2,392	2,770
	<u>14,215</u>	<u>14,252</u>	<u>15,200</u>
Share of investment in associate	44	51	44
	<u>44</u>	<u>51</u>	<u>44</u>
<b>Total Assets</b>	<u><u>14,259</u></u>	<u><u>14,303</u></u>	<u><u>15,244</u></u>

**Liabilities**

	31.8.2009 Unaudited £'000	31.8.2008 Unaudited £'000	28.2.2009 Audited £'000
Development management	935	863	146
Interior design	2,227	2,038	2,131
Architectural design	1,199	658	1,092
	<u>1,199</u>	<u>658</u>	<u>1,092</u>
<b>Total Liabilities</b>	<u><u>4,361</u></u>	<u><u>3,559</u></u>	<u><u>3,369</u></u>

**3 Taxation**

	6 Months ended 31.8.2009 Unaudited £'000	6 Months ended 31.8.2008 Unaudited £'000	Year ended 28.2.2009 Audited £'000
Current Taxation	(7)	5	-
	<u>(7)</u>	<u>5</u>	<u>-</u>

**Northacre PLC**  
**Notes to the Unaudited Interim Financial Statements**  
**For the Six Months ended 31 August 2009 (continued)**

<b>4 Earnings Per Share</b>	<b>6 Months ended 31.8.2009 Unaudited</b>	<b>6 Months ended 31.8.2008 Unaudited</b>	<b>Year ended 28.2.2009 Audited</b>
Weighted average number of shares in issue	26,723,644	22,713,644	26,723,644
(Loss)/profit for the period attributable to equity holders of the Company (£'000)	<u>(1,977)</u>	<u>21</u>	<u>(50)</u>
Basic Earnings Per Share (pence)	<u>(7.40)p</u>	<u>0.09p</u>	<u>(0.19)p</u>
Diluted Earnings Per Share (pence)	<u>(7.40)p</u>	<u>0.09p</u>	<u>(0.19)p</u>

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

**5 Other Information**

The interim statement was approved by the Directors on 30 November 2009.

A copy of the interim statement will be made available today on our website:  
[www.northacre.com](http://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 31 August 2009 which comprises the consolidated interim statement of comprehensive income, the consolidated interim statement of financial position, the consolidated interim statement of cash flows, the consolidated interim 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.

## Independent Review Report to Northacre Plc (continued)

### 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 31 August 2009 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.

**Kingston Smith LLP**  
Chartered Accountants

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London EC1M 7AD

Date: 30 November 2009