

NORTHACRE PLC (the “Company” or “Group”) Results for the year ending 29th February 2008

29 February 2008

Northacre Plc today announces its results for the year ended 29th February 2008.

- Despite the absence of any major development profits, Group fee income has increased by 31% to £7.2m (2007: £5.5m) with profit before tax of £0.1m (2007: Profit £2.6m)
- Demolition and construction at The Lancasters is well underway and is scheduled for completion in 2010. The first phase of marketing has generated 25% of total anticipated revenue
- A second Public Inquiry hearing for Vicarage Gate takes place in September 2008 for which a determination is due before the end of 2008
- Planning consent for The Kensington (Odeon) in December 2007 with a Section 106 legal Agreement due for signing in September 2008
- The Group subsidiaries continue to generate growth in fee income particularly for interior design with increased activity from international private clients
- A further planning consent has been secured for The Warwick. The Section 106 Agreement will also be ready for signing in September 2008.
- Northacre’s portfolio now comprises a collection of four prime residential developments with further opportunities under consideration.

John Hunter, Chief Executive, said

“It has been a year of significant progress for Northacre in which the Group has secured two major planning consents and over the same period generated further growth in its fee income. Together with a third major planning consent in July 2008, the company now has three developments in progress all of which are due for delivery by 2012. The Group is, therefore, ideally placed to provide for the growing shortage of supply in the Prime Central London sector for new developments. The diversity of the Group’s services with improved activity overseas is a real strength for insulating the group at a time of uncertainty when the mainstream market is experiencing a sharp downward shift in activity and values.

With construction now under way at The Lancasters, this imposing scheme overlooking Hyde Park with its high impact hoarding is generating over 50 enquiries a month. A successful first phase of marketing has generated over £100m of secured sales revenue and has established a good level for base values and future sales. The Kensington (Odeon) scheme was granted planning consent in December 2007. Following last year's success in the High Court, planning for The Vicarage is to be determined at a second Public Inquiry in September 2008. Following our contracted acquisition of The Warwick Road site in November 2007, we are pleased to confirm our third planning consent with another unanimous decision by the Royal Borough of Kensington and Chelsea in July 2008.

The results for the year demonstrate that despite the absence of any major development profits, the Group has achieved a modest return from improved fee income. Now that three planning consents have been secured, the short term objective will be to agree the necessary loan facilities in order to deliver these developments over the next four years. “

Copies of the Annual Report and Accounts will be available at the office of Northacre Plc at 48 Old Church Street, London SW3 5BY and are being posted to shareholders.

ENQUIRIES:

NORTHACRE PLC	020 7349 8000
John Hunter	Chief Executive
Manish Santilale	Finance Director

KBC PEEL HUNT	020 7418 8900
Capel Irwin	
Nicholas Marren	

Chief Executive's Review

Overview

Northacre continues to build on its exceptional track record for delivering the finest prime residential schemes in Central London, as illustrated overleaf by way of a table of completed schemes. The performance of the Company's development returns continue to be unrivalled. With the addition of a fourth major scheme in the year, Northacre has now established a pipeline of opportunities to provide for the growing shortage of developments in the prime residential market. As a result of improved activity in our subsidiary companies, income has been further enhanced from an increasing international private client base.

Operational Review

The Development Status chart on page 4 demonstrates the milestone events reached in each of the schemes. At a glance one can assess the current status and risk profile of each development in progress. The critical milestone events in all major development programmes are extremely important indicators for assessing progress value and risk for

each scheme. This is a useful barometer for assessing value gain as each scheme achieves each of the milestones. It is, however, also important to realise that this added value does not represent or imply in any way that this is a surplus, which is receivable now or in the near future.

The Lancasters

This high profile scheme continues to generate an increasing number of enquiries in response to the hoarding and construction activity on site. Progress is on schedule with the first phase of completed apartments available for occupation in 2010. The joint venture has also secured early off-plan sales with a value in excess of £100m representing almost one third of the total apartments.

The Kensington

After two years of public consultation, The Kensington (Odeon) was granted a planning consent with a unanimous decision in December 2007. The scheme will comprise 35 lateral apartments, 5 trophy houses and has a state of the art underground cinema for providing 6 screens of at least 1000 premier seats. The signing of a Section 106 legal Agreement is now imminent following which commencement of the development is due to start in the summer of 2009.

The Warwick

In November 2007, contracts were exchanged on the site known as "The West Kensington Telephone Exchange" in a joint venture with Bomac Developments UK Ltd. In less than seven months the company has secured a second unanimous decision to grant planning consent for 159 market and affordable apartments at the centre of this new Kensington eco village.

The Vicarage

Last year's success in the High Court means that our planning application returns to a second Public Inquiry to be heard in September 2008. The inspector's decision will be due before the end of 2008. The outcome of this planning wrangle will hopefully finally determine in favour of our residential development opportunity.

Financial Review

Financial Security

The year under review has seen a significant change in the economic world. The current difficult climate in the banking sector has, unfortunately, resulted in a more challenging debt market for securing the necessary development facilities for residential schemes. However our track record of success in adding significant value through the planning process from our skilled management teams gives us a better prospect of securing our senior debt requirements on reasonable terms. With this in mind it is the Board's view that whilst continuing to seek further opportunities to add to our pipeline, the Group maintains a prudent fiscal policy to avoid over exposing itself in the current economic climate.

Review of Results

Headlines

Net Assets per share increased to 47.2 pence (2007 restated: 46.8 pence). Net profit for the year is £0.1m (2007 restated: £2.5m) with an earnings per share of 0.36 pence (2007 restated: 11.19 pence).

Consolidated Income Statement

Profit before tax for the year is £0.1m (2007 restated: £2.6m). Turnover for the year is £7.4m (2007: £8.1m).

Although the Group's turnover has reduced slightly to £7.4m (2007: £8.1m) the majority share is fee income rather than development profit. The Group fee income in the year increased to £7.2m (2007: £5.5m) demonstrating the impact of the secured development schemes. The Group's subsidiaries have again seen significant increases to their fee income this year as shown in the pie diagrams below. The interior design company, Intarya Ltd, saw an increase of fee income by 31% to £2.6m (2007: £2.0m) as a result of increasing their international client base as well as the established domestic market. The architectural design company, Nilsson Architects Ltd, saw an increase of fee income by 12% to £1.8m (2007 restated: £1.6m) as a result of design services for our secured projects.

Administration costs for the year increased to £5.7m (2007 restated : £4.0m) mainly due to further strengthening of the development and design teams and partly due to increased expenses as a result of the improvement and expansion of the business.

Including the above items the Group achieved a net profit before tax of £0.1m (2007 restated: £2.6m).

Consolidated Balance Sheet

The investment in joint ventures represents the equity invested in each of our secured development schemes. This investment at the year-end was £2.4m (2007: £2.4m). In July 2007 the joint venture achieved a full debt re-financing of The Lancasters scheme, which resulted in the Group having all of its equity investment to date being returned. This has been fully re-invested in our new scheme, The Warwick, and further equity into The Kensington scheme.

Trade and other receivables at the year-end include the final account performance bonus fee of £0.1m (2007 restated: £2.6m) which has been received since the year-end. This amount has been fully utilised in reducing the Group's debt position.

Financing

The Group finances its business activities through a mixture of equity, cash and bank borrowings with the intention of maximising its return from the equity invested into the various development opportunities which meet our strict investment criteria.

Despite the well publicised fears of the effect of the 'credit squeeze', the group has continued to strengthen its position in the prime residential sector. In particular there is now real strength in the group's diverse earning power from a growing international client base. Together with fee income from the four major schemes we are confident that this momentum will be maintained for the short to medium future.

Investment in schemes that can deliver healthy shareholder returns continue to be the priority of the Board whilst ensuring there is a prudent capital and leverage discipline.

OUTLOOK

The financial year has seen the Group continue to consolidate its position as the major player in the prime residential sector in Central London. Notwithstanding the difficult market conditions, the Group has seen an improvement in its fee income together with the acquisition of another major site close to the centre of Kensington.

Works are well underway and on programme at The Lancasters and the sales and marketing campaign has generated pre-sales in excess of £100m. The re-financing of the loan facility has enabled the Group to receive back their equity investment for re-investment into The Warwick Scheme for which planning has already been secured.

Following the successful planning outcome for The Kensington (Odeon), we are finalising the details of the S106 obligations with the Council. This should be achieved in the next month upon which, the joint venture will review the programme for commencement of the main works.

Our planning application at The Vicarage is due for a second Public Inquiry in September 2008. Following the favourable High Court decision, the Group is more confident of a positive outcome on this occasion.

Despite the continuing turmoil in the financial markets, the global appetite for Central London and the Northacre's branded prime residential style of property is holding up. With the four developments due for completion in the next three years, Northacre is in a strong position to take advantage of the market conditions and the growing shortage of supply.

We continue to review new opportunities for further growth in our fee income as well as further enhancing our profit share entitlements.

Northacre PLC
 Consolidated Income Statement
 For the year ended 29th February 2008

	Note	2008 £	2007 £ Restated
Group Revenue	3	7,370,859	8,087,325
Cost of sales		<u>(1,562,786)</u>	<u>(1,498,618)</u>
Gross Profit		5,808,073	6,588,707
Administrative expenses		(5,714,889)	(3,982,067)
Other operating income	4	<u>22,626</u>	<u>62,239</u>
Group Profit from Operations		115,810	2,668,879
Finance Income		130,180	68,983
Finance Expense	5	(148,314)	(163,360)
Share of (loss)/profit of associate	12(a)	<u>(15,142)</u>	<u>18,921</u>
Profit before Taxation	6	<u>82,534</u>	<u>2,593,423</u>
Taxation	8	<u>-</u>	<u>(51,468)</u>
Retained Profit for the Year		<u>82,534</u>	<u>2,541,955</u>
Profit per ordinary share			
Basic - Continuing and total operations	22	0.36p	11.19p
Diluted - Continuing and total operations	22	0.36p	11.19p

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

Northacre PLC
Consolidated Balance Sheet
For the year ended 29th February 2008

	Note	2008 £	2007 £ Restated
Non Current Assets			
Goodwill	10	8,828,460	8,828,460
Property, plant and equipment	11	89,856	21,075
Investments in associates	12(a)	51,096	66,238
Investments	12(b)	<u>2,409,919</u>	<u>2,412,830</u>
		<u>11,379,331</u>	<u>11,328,603</u>
Current Assets			
Inventories	13	123,260	113,682
Trade and other receivables	14	3,016,140	3,924,886
Cash and cash equivalents	15	<u>296,573</u>	<u>32,952</u>
		<u>3,435,973</u>	<u>4,071,520</u>
Total Assets		<u>14,815,304</u>	<u>15,400,123</u>
Current Liabilities			
Trade and other payables	16	2,542,059	2,180,158
Corporation tax	17	-	51,468
Borrowings, including lease finance	18	<u>-</u>	<u>977,786</u>
		<u>2,542,059</u>	<u>3,209,412</u>
Non Current Liabilities			
Borrowings, including lease finance	19	<u>1,550,000</u>	<u>1,550,000</u>
		<u>1,550,000</u>	<u>1,550,000</u>
Total Liabilities		<u>4,092,059</u>	<u>4,759,412</u>
Equity			
Share capital	23	567,841	567,841
Share premium account		17,449,610	17,449,610
Retained earnings		<u>(7,294,206)</u>	<u>(7,376,740)</u>
Total Equity		<u>10,723,245</u>	<u>10,640,711</u>
Total Equity and Liabilities		<u>14,815,304</u>	<u>15,400,123</u>

Approved by the board on

J.R.G.

Hunter

Director

K.B.
Nilsson Director

Northacre PLC
Consolidated and Company Cash Flow Statement
For the year ended 29th February 2008

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
		Restated		
Cash flows from operating activities				
Profit for the period	82,534	2,541,955	1,748,007	2,395,013
Adjusted for:				
Investment income recognised in the profit for the year	(130,180)	(68,983)	(2,573,602)	(60,657)
Finance costs recognised in the profit for the year	148,314	163,360	132,536	152,483
Share of loss/(profit) in associate	15,142	(18,921)	-	-
Depreciation and amortisation	27,838	11,910	-	-
Taxation	(51,664)	-	(26,118)	-
	91,984	2,629,321	(719,177)	2,486,839
Movements in working capital:				
(Increase)/decrease in work in progress	(9,578)	(89,415)	-	-
(Increase)/decrease in trade and other receivables	908,746	(2,947,605)	20,257	(4,604,159)
Increase/(decrease) in trade and other payables	362,097	(157,100)	2,198,606	1,338,899
Net cash used in operating activities	<u>1,353,249</u>	<u>(564,799)</u>	<u>1,499,686</u>	<u>(778,421)</u>
Cash flows from investing activities				
Purchase of interest in joint venture	(977,084)	(816,605)	-	-
Disposal of interest in joint venture	979,995	-	-	-
Purchase of plant, property & equipment	(96,619)	(12,237)	-	-
Net cash used in investing activities	<u>(93,708)</u>	<u>(828,842)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities				
Interest received	60,180	8,983	43,602	657
Interest paid	(148,314)	(47,619)	(132,536)	(152,483)
Dividends received	70,000	60,000	70,000	60,000
Net cash from financing activities	<u>(18,134)</u>	<u>21,364</u>	<u>(18,934)</u>	<u>(91,826)</u>
Increase/(decrease) in cash and cash equivalents	1,241,407	(1,372,277)	1,480,752	(870,247)
Cash and cash equivalents at the beginning of the year	(944,834)	427,443	(1,033,491)	(163,244)
Cash and cash equivalents at the	<u>296,573</u>	<u>(944,834)</u>	<u>(447,261)</u>	<u>(1,033,491)</u>

end of the year



Northacre PLC

Notes to the Consolidated Financial Statement

For the year ended 29th February 2008

1 Principal Accounting Policies

The principal accounting policies are as follows:

Accounting basis and standards

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union for the first time. The Group's financial statements were previously prepared under UK GAAP. Details of the effects of changes are given below.

The results, assets and liabilities for the year ended 28th February 2007 have been restated in order to adopt International Financial Reporting Standards for the first time. The information for the year ended 28th February 2007 is based on the statutory financial statements for the year but has been adjusted to comply with International Financial Reporting Standards. The statutory financial statements for the year ended 28th February 2007, prepared under applicable UK accounting standards, 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.

IFRS 1 permits those companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The Group has taken advantage of the following exemptions:

- (a) IFRS 3 " Business Combinations" - IFRS 3 has not been retrospectively applied to acquisitions that took place prior to 1st March 2006.

The principal change to accounting policies arising from the adoption of IFRS is as follows:

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.

Going Concern

The company and Group currently meet their day to day working capital requirements partly through monies loaned from the Northacre PLC Directors Retirement and Death 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 has been extended for a further five years until 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 August 2009.
- (iii) The group's bankers are in the process of agreeing revised facilities.

1 Principal Accounting Policies (Continued)

Going Concern (Continued)

The directors have prepared detailed cash flow projections for the period ended 31st August 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 current available facilities and those expected to be shortly agreed. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

Significant judgements and estimates of areas of uncertainty

In preparing these financial statements the directors are required to make judgements and best estimates of the outcome of and in particular, the timing 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

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

Inventories

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

Revenue

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 IAS12 deferred tax is recognised in respect of all taxable temporary differences arising between the tax base and the accounting base of balance sheet items. This means that deferred tax is recognised on certain temporary differences that would not have given rise to deferred tax under previous GAAP.

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.

1 Principal Accounting Policies (Continued)**Investments**

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

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.

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.

Foreign currency translation

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

Financial Assets**Loans and Receivables**

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

Financial Liabilities**Loans and Payables and Borrowings**

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

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

3 Segmental Information

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

Revenue	2008	2007
	£	£
Principal activities:		
Profit shares and bonus fees - property development	147,163	2,619,385
Development management	2,816,013	1,870,815
Interior design	2,603,100	1,985,474
Architectural design	1,804,583	1,611,651
	<u>7,370,859</u>	<u>8,087,325</u>
Profit before Taxation	2008	2007
	£	£
Development management	(740,560)	1,880,339
Interior design	373,874	69,215
Architectural design	464,362	624,948
	<u>97,676</u>	<u>2,574,502</u>
Share of (loss)/profit of associate	<u>(15,142)</u>	<u>18,921</u>
	<u>82,534</u>	<u>2,593,423</u>
Net Assets	2008	2007
	£	£
Development management	9,148,331	9,888,895
Interior design	421,343	47,464
Architectural design	1,102,475	638,114
	<u>10,672,149</u>	<u>10,574,473</u>
Share of investment in associate	<u>51,096</u>	<u>66,238</u>
	<u>10,723,245</u>	<u>10,640,711</u>

Sales were made in the following geographical markets:

	2008	2007
	£	£
United Kingdom	6,662,541	8,087,325
Russia	69,116	-
Saudi Arabia	415,187	-
United Arab Emirates	224,015	-
	<u>7,370,859</u>	<u>8,087,325</u>

The Northacre Touch

The Bromptons. The Phillimores. Observatory Gardens. Earls Terrace. Kings Chelsea. Today these are some of London's finest addresses, acclaimed by civic authorities and designers and valued by discerning individuals who delight in detail and discrete taste.

One company stands behind the revival of these landmark buildings. Over the last 15 years, Northacre has successfully completed and marketed more than £1.5bn of the most challenging sites to the most exacting standards. A track record no other exclusive residential developer and designer can match.

Over the next 5 years, the Northacre team relishes the prospect of applying its unique touch to developing a further £1.2bn of prime residential property, including The Lancasters, The Kensington, The Warwick and The Vicarage.