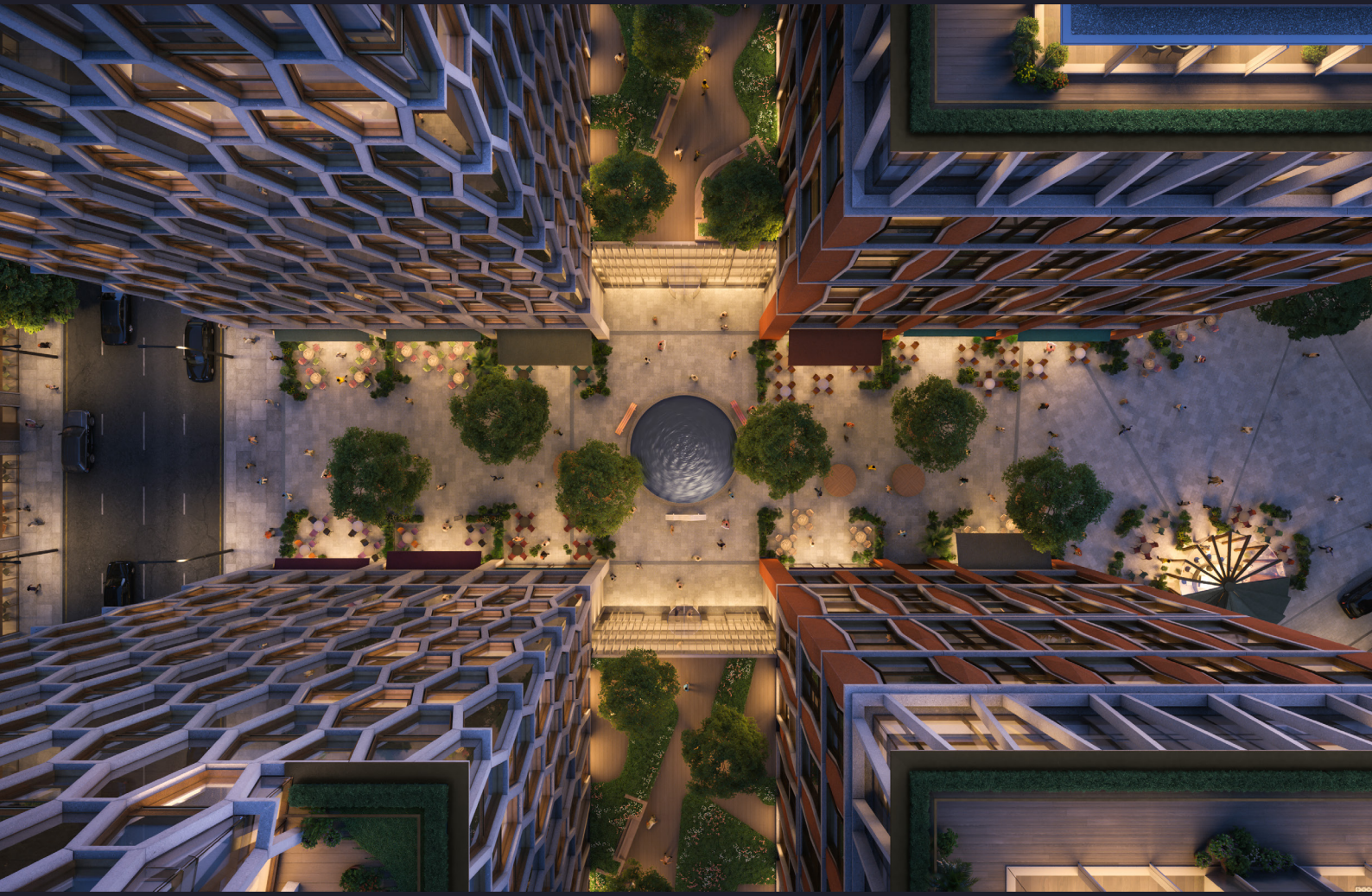
NORTHACRE
LONDON



REPORT AND ACCOUNTS 2016

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No I. Palace Street

Chairman's Statement

A new era has created new opportunities for Northacre. The United Kingdom conducted a vote to leave the EU and the people chose to exit. Whilst this brings with it short-term uncertainty, the resulting low sterling versus the dollar has created buyers taking full advantage of better values in London. As political uncertainty around the world continues, London is a global leader in creating stability, diversity and economic productivity offering an incredible lifestyle for many who choose to own property in this city.

With a history of renovating landmark London listed buildings such as The Lancasters we are pioneering Northacre's first new build scheme, The Broadway. Positioned close to the Houses of Parliament, one of London's most iconic areas, this is not only delivery of one of the finest London residential schemes but it redefines Westminster and enables a mixed use scheme of luxury retail space and outstanding residential design led excellence. Since I founded Northacre, attention to detail in exceptional design and delivery encompassed everything we produced, and today, Niccolo and his team continue this with passion and expertise.

No I. Palace Street

Whilst Stamp Duty tax continues to remain high, the global community still regard London as a world-class city. With future prosperity encouraged by further Government led infrastructure projects, such as expansion at Heathrow and the new Crossrail line across London I am very excited about the future of this great city where Northacre will be well placed to dominate the prime residential market.

Klas Nilsson
Chairman

Date: 30th March 2017

Chief Executive's Statement

There is no doubt that we are witnessing a more challenging environment since the increase in Stamp Duty and Brexit vote. Having said this, it is during challenging times that asset owners, who wish to develop, look for the best in class to help them deliver the projects. We are now witnessing a "flight to quality" and inquiries for our services have increased. This is compounded by the fact that lending institutions are only lending on developments which are run by development managers with substantial track records.

Current Developments

The Broadway

We are making good progress on all fronts. The demolition contractor started onsite in early November 2016 and is now slightly ahead of program. We expect demolition to be completed by the end of November 2017. In parallel we have been gearing up for our sales launch and expect to have the marketing suite ready by July 2017 along with all of the sales collateral.

No. 1 Palace Street

Progress on site is steady but obstructions in the ground have caused a delay of eleven days. We are in the process of defining a recovery plan in order to keep the Practical Completion date unchanged. Procurement is also progressing and should see both the Fit-out and MEP subcontractors in contract soon. There have been some cost pressures as some of the provisional sums we had are coming in higher than expected. This is mainly due to the complexity of the project along with a very busy sub-contractor market.

Vicarage Gate House

This development achieved practical completion in April 2016. Post completion has seen strong interest from buyers and we have now sold nine out of the thirteen units. We are hoping to sell the remaining units by the end of the year.

13 & 14 Vicarage Gate

We achieved Practical Completion on the last unit in May 2016. We have now sold three out of the eight units with strong interest for the remaining ones.

Chester Square

The General Contractor is making good progress and the internal fit-out has started. Practical Completion is now expected in mid-September 2017. The eight week delay is mainly attributable to the conditions of the existing Grade II listed building along with the additional planning submission.

22 Prince Edward Mansions

The high-end market in the area has seen very little activity since we put the property on the market in February 2016. In September 2016 we relisted the property with a reduced asking price of £6.55 million. In the last couple of months viewings have picked up and we hope to find the right buyer soon.

Chelsea Police Station

In February 2017 the Group signed a development management agreement with a new client for the re-development of Chelsea police station, a boutique, new build residential development near South Kensington. The project is at its planning stage with submission of planning application due in summer 2017. The construction is due to start in early 2018 with completion expected in summer 2020.

Outlook

We believe that we still have some headwind ahead as the contracting market is still very tight and the increase in Stamp Duty has dampened what was until recently a very buoyant market. Having said this we are still extremely positive on the London's high-end housing market and more generally on its long term appeal. Long term buyers are already taking advantage of the weakness in sterling.

Niccolò Barattieri di San Pietro
Chief Executive Officer

Date: 30th March 2017

The Broadway

The Broadway

Financial Review

In the last financial year, the Northacre team were engaged on various projects including 1 Palace Street, The Broadway, Chester Square, Vicarage Gate House and 13/14 Vicarage Gate. They were also working on securing new development projects and a development management agreement for the Chelsea police station development was signed at the beginning of 2017. Increasing development management fee income remains a priority for the Board and will provide the Group with strengthened financial position and the opportunity to take advantage of future investment opportunities.

Consolidated Income Statement

Group revenue for the year increased to £4.5m (2015: £4.2m). Development management fee income decreased to £3.5m (2015: £3.6m) due the completion in the year of the Vicarage Gate House and 13/14 Vicarage Gate developments. Sales agent fees decreased to £0.1m (2015: £0.2m) as further 50% commission from sales of 1 Palace Street will be due on completion. This year's sales agent fees related to a third party sale. Following incorporation of N Property Consultants Limited in 2016, a sales agency division of the Group, we are forecasting increased level of revenue in coming years from this part of the Group. This year saw increase in N Studio's revenue to £1.0m (2015: £0.5m) of which £0.8m relates to a unique Clubhouse project, located in the Abu Dhabi desert, for which N Studio provided architectural and interior design services.

Administrative expenses increased to £5.2m (2015: £4.7m) with main areas of increase related to staff costs, rent increase and legal and professional fees.

The Group reported a loss before tax of £1.6m (2015: £1.2m).

Consolidated Statement of Financial Position

As at 31st December 2016, the Group had cash and cash equivalents of £0.3m (2015: £1.2m) with two significant project fees of £1.3m in relation to 1 Palace Street and The Broadway developments received in January 2017.

In the financial year 2017, the Group forecasts a healthy cash balance with operating activities being financed by current projects: 1 Palace Street, The Broadway and Chelsea Police Station. Proceeds from the sale of 22 Prince Edwards Mansion will be used to repay the £2.35m loan plus interest and charges with remaining cash surplus contributing further towards working capital.

Financing

The bank loan with Royal Bank of Scotland remains in place. The terms of the loan were extended in December 2016 for a further 6 months following the delay in the sale of 22 Prince Edwards Mansions. As at 31st December 2016 £2.35m had been drawn (2015: £2.35m), with no further drawdowns to take place following the year-end. The loan incurs interest at 3.25% above LIBOR. The loan is due to be repaid the earlier of the latest expiry date of the current interest period outstanding as at the date of completion of sale of the project or 2nd June 2017.

Outlook

2016 was undoubtedly a difficult year for the prime London property market with the number of transactions and prices dropping dramatically following the Brexit vote. Northacre's own development at 22 Prince Edwards Mansion remained unsold but Directors are optimistic it will be sold in 2017.

In the next financial year, Northacre team will focus on progressing current projects: 1 Palace Street, The Broadway and Chelsea Police station while seeking new development opportunities to increase the Group's portfolio within prime central London.

Kasia Maciborska-Singh
Group Financial Controller

Date: 30th March 2017


No I. Palace Street


No I. Palace Street

Board of Directors

Niccolò Barattieri di San Pietro
Chief Executive Officer

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

Klas Nilsson
Non-Executive Chairman

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

Brian Harris
Non-Executive Director

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

Mustafa Kheriba
Executive Director

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

Fawad Tariq Khan
Executive Director

Fawad heads up Integrated Alternative Finance, the debt platform of ADFG. He has ten years' experience in private equity and debt advisory roles, beginning his career with Deloitte in London focusing on management consulting and financial advisory for clients across the UK and mainland Europe including Tesco and Fortis. He joined Deloitte's M&A advisory team in the UAE in 2010 and helped set up its debt advisory practice in 2012 where he executed numerous high profile transactions including raising of US$ 770m across multiple structured debt facilities for GEMS Education and US$ 325m for IMG's Marvel and Cartoon Network theme park. Fawad holds an MSc in Business Studies from the Michael Smurfit Graduate Business School at University College Dublin and a BSc in Computer Science from University College Cork, Ireland.

Company Information

Company number:

03442280
Registered in England and Wales

Registered office:

8 Albion Riverside
8 Hester Road
London
SWII 4AX

Directors:

N. Barattieri di San Pietro
K.B. Nilsson (Non-executive Chairman)
E.B. Harris (Non-executive Director)
F.T. Khan
M. Kheriba

Secretary:

Capita Company Secretarial Services Limited
Ist Floor
40 Dukes Place
London
EC3A 7NH

Bankers:

Royal Bank of Scotland
29 Old Brompton Road
London
SW7 3JE

Auditors:

Kingston Smith LLP
Devonshire House
60 Goswell Road
London
ECIM 7AD

Registrars:

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors:

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Corporate website:

www.northacre.com

Strategic Report

For the year ended 31st December 2016

The Directors present their Strategic Report for the year ended 31st December 2016.

Review of the business

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

Results and performance

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

Net assets per share is 51.11 pence (2015: 54.83 pence). Net loss for the period before taxation is £1.6m (2015 net loss: £1.2m) with a loss per share after taxation of 3.73 pence (2015: 2.75 pence loss per share).

Consolidated Income Statement

The Group's revenue for the year is £4.5m (2015: £4.2m) representing fee income rather than development income. Operating loss for the year is £1.6m (2015: £1.2m). Administrative expenses for the year increased to £5.2m (2015: £4.7m) resulting in the Group recording a loss before taxation of £1.6m (2015 loss: £1.2m).

Consolidated Statement of Financial Position

The investment in available for sale financial assets at the beginning and at the end of the year represented the equity investment in the 1 Palace Street Development.

In accordance with IAS 39 'Financial Instruments: Recognition and Measurement', available for sale financial assets are shown at fair value at each reporting date with changes in fair value being shown as Other Comprehensive Income, or at cost less any necessary provision for impairment where a reliable estimate of fair value is not able to be determined.

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

Financing

In the year ended 31st December 2014, the Group secured a loan facility of up to £3.2m with Royal Bank of Scotland to finance the 22 Prince Edward Mansions Development of which £2.4m had been drawn at 31st December 2016 (2015: £2.4m).

The Group had cash of £0.3m at 31st December 2016 (2015:£1.2m), with debt of £2.4m (2015: £2.4m). The Group has not drawn down any further amounts on the loan facility since the year end.

Key performance indicators ("KPIs")

Despite the fact that the Group does not have specific KPI's set in place, management reviews the Group's performance by reviewing the monthly EBITDA (earnings before interest, tax, amortisation, depreciation and impairment of assets), cash projections, growth in revenue and gross profit. The reviews in the year concluded that the positive and improving trend in revenue income and budgeted future growth was consistent with the Directors' expectations.

Principal risks and uncertainties

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

Strategic Report

For the year ended 31st December 2016 (continued)

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

Changes in the UK tax system

Changes to UK property taxes impacted international property investors and Prime London Property market. From April 2016 anyone buying an additional property is required to pay a 3% stamp duty land tax surcharge on top of standard stamp duty tax rates. The changes increased the Stamp Duty Land Tax for all foreign investors resulting in slowdown in sales at the higher end of the market and reduced prices. With the Group's track record and delivering prime London properties with its unique locations, the Directors are very optimistic that properties will unlock the significant uplifts in sales revenues.

Continued increase of construction costs

High levels of construction activity have been stretched by increasing costs driven by shortages of skilled labour and growing demand beyond what suppliers can deliver. In 2016 building costs rose overall, with materials cost inflation increasingly contributing to this - labour costs are rising too but at a lower rate. Increase in construction costs will reduce the overall profitability of the Group's developments. The Group continues to carry out extensive tendering processes and actively develop strong working relations with contractors.

Liquidity risk

A principal responsibility of management is to manage liquidity risk. The Group uses annual budgeting, forecasting and regular performance reviews to assess the longer term profitability of the Group and make strategic and commercial changes as required, ensuring cash resources are maintained. These are regularly reviewed at Board meetings to monitor liquidity. Increasing project portfolio and development fees ensures that the risk is kept as low.

Legal risk

Failure to fulfil legal or contractual obligations to clients could subject the Group to action or claims from clients. The adverse outcome of such actions or claims could negatively impact the Group's reputation and financial position. For example: in accepting client engagements, the Group companies may be subject to duty of care obligations. Failure to satisfy these obligations could result in claims being made against the Company. A strong emphasis on appropriate business conduct by all employees and contractors provides mitigation to this risk. The Group also maintains professional indemnity insurance to respond to and mitigate the Group's financial exposure to such claims.

Dependencies on key executives and personnel

The Group's strength lays in the expertise and experience of its development management, architectural and interior design teams. Failure to attract or retain the most talented key personnel may result in an inability to achieve business objectives. The Directors have incentivised all key and senior personnel with attractive basic packages and are also planning to implement a long term incentive plan to retain quality key employees.

Credit risk

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

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

Future developments

A development management agreement for a new development, Chelsea Police Station, was signed at the beginning of 2017. This residential development is at the planning stage with demolition expected to take place in 2018 and completion forecasted for 2020. The Group continues to actively source new developments to grow its portfolio and increase development fee income.

By Order of the Board

Capita Company Secretarial Services Limited
Corporate Secretary

Date: 30th March 2017

Directors' Report

For the year ended 31st December 2016

The Directors have pleasure in presenting their Directors' Report and Group financial statements for the year ended 31st December 2016.

In accordance with s414 c(11) of the Companies Act 2006 the Directors have chosen to include information about future developments and principal risks and uncertainties in the Strategic Report.

Dividends

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

Directors and their interests

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

	Number of Issued 2.5p Ordinary Shares		
	At 31st December 2016	At 31st December 2015	% of Ordinary Shares
K.B. Nilsson	-	-	-
E.B. Harris	-	-	-
M. Kheriba	-	-	-
N. Barattieri di San Pietro	-	-	-
F.T. Khan	-	-	-

There has been no change in the interests of Directors since 31st December 2016 and up to the date of this report.

Cancellation of admission to trading on AIM

On 9th December 2016 Northacre PLC announced that, as a result of a review of the benefits and drawbacks of being a quoted company, the Board had concluded that the cancellation of admission of its Ordinary Shares to trading on AIM was in the best interests of the Company and its Shareholders as a whole.

A General Meeting was held on 4th January 2017 and the special resolution to approve the proposed cancellation of the admission of the Company's Ordinary Shares to trading on AIM was duly passed without amendment. As a result, the last day of dealings in the Company's Ordinary Shares on AIM was Wednesday 11th January 2017 and the cancellation became effective at 7.00 a.m. on Thursday 12th January 2017.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

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

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

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

Statement of compliance in respect of the UK Corporate Governance Code

The principles of corporate governance and a code of best practice are set out in the UK Corporate Governance Code (UKCGC) issued in September 2014. The UKCGC requires certain disclosures to be made and although, as an AIM company in the year, it is not obliged to report its compliance with UKCGC, the Company is committed to high standards of corporate governance throughout the Group and meeting the disclosure requirements as far as is reasonably practicable for a Group of this size.

Directors' Report

For the year ended 31st December 2016 (continued)

The Board of Directors

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

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

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

Board appointments

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

The Remuneration Committee

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

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

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

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

The Audit Committee

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

Re-election of Directors

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

Internal control

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

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

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

Statement of disclosure to auditors

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

(b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

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

By Order of the Board

Capita Company Secretarial Services Limited
Corporate Secretary

Date: 30th March 2017

Independent Auditors' Report to the Shareholders of Northacre Plc

For the year ended 31st December 2016

We have audited the Group and Parent Company financial statements of Northacre PLC for the year ended 31st December 2016, which comprise the Consolidated Income Statement, Consolidated and Company Statements of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated and Company Statements of Cash Flows, Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Matthew Meadows
Senior Statutory Auditor

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

Date: 30th March 2017

Consolidated Income Statement

For the year ended 31st December 2016

Group	Note	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Group revenue	3	4,466,376	4,170,897
Cost of sales		(813,483)	(632,091)
Gross profit		3,652,893	3,538,806
Administrative expenses		(5,210,583)	(4,696,995)
Group loss from operations		(1,557,690)	(1,158,189)
Investment revenue	4	68	1,847
Finance costs	5	(19,783)	-
Loss for the year before taxation	6	(1,577,405)	(1,156,342)
Taxation	8	-	(9,210)
Loss for the year attributable to equity holders of the Company		**(1,577,405)**	**(1,165,552)**
Loss per Ordinary share			
Basic – Continuing and total operations	20		
Diluted – Continuing and total operations	20	(3.73)p	(2.75)p
		(3.73)p	(2.75)p
Company			
Loss for the year attributable to equity holders of the Company		**(2,941,151)**	**(3,349,908)**

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2016

Group	Note	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Loss for the period attributable to equity holders of the Company		(1,577,405)	(1,165,552)
Other comprehensive income		-	-
Total comprehensive loss for the period		**(1,577,405)**	**(1,165,552)**
Company			
Loss for the year attributable to equity holders of the Company		(2,941,151)	(3,349,908)
Other comprehensive income		-	-
Total comprehensive loss for the period	9	**(2,941,151)**	**(3,349,908)**

Consolidated Statement of Financial Position

As at 31st December 2016

	Note	31st Dec 2016 £	31st Dec 2015 £
Non-current assets			
Goodwill	10	8,007,417	8,007,417
Property, plant and equipment	11	480,057	595,525
Available for sale financial assets	12(a)	10,000,019	10,000,019
		18,487,493	18,602,961
Current assets			
Inventories	13	5,652,755	5,242,259
Trade and other receivables	14	733,859	2,116,491
Cash and cash equivalents		289,348	1,205,024
		6,675,962	8,563,774
Total assets		**25,163,455**	**27,166,735**
Current liabilities			
Trade and other payables	15	1,176,197	1,602,072
Borrowings, including lease finance	16	2,350,000	2,350,000
		3,526,197	3,952,072
Total liabilities		3,526,197	3,952,072
Equity			
Share capital	21	1,058,388	1,058,388
Share premium account	21	22,565,286	22,565,286
Retained earnings		(1,986,416)	(409,011)
Total equity		21,637,258	23,214,663
Total equity and liabilities		**25,163,455**	**27,166,735**

Approved by the Board on 30th March 2017

N. Barattieri di San Pietro
Director
Company registration no. 03442280

Company Statement of Financial Position

As at 31st December 2016

	Note	31st Dec 2016 £	31st Dec 2015 £
Non-current assets			
Property, plant and equipment	11	501,753	615,358
Investments	12(b)	18,006,330	18,006,328
		18,508,083	18,621,686
Current assets			
Trade and other receivables	14	4,415,430	6,391,113
Cash and cash equivalents		24,298	559,542
		4,439,728	6,950,655
Total assets		**22,947,811**	**25,572,341**
Current liabilities			
Trade and other payables	15	2,043,592	1,726,971
Borrowings, including lease finance	16	-	-
		2,043,592	1,726,971
Total liabilities		2,043,592	1,726,971
Equity			
Share capital	21	1,058,388	1,058,388
Share premium account	21	22,565,286	22,565,286
Retained earnings		(2,719,455)	221,696
Total equity		20,904,219	23,845,370
Total equity and liabilities		**22,947,811**	**25,572,341**

Approved by the Board on 30th March 2017

N. Barattieri di San Pietro
Director
Company registration no. 03442280

Consolidated and Company Statements of Cash Flows

For the year ended 31st December 2016

	Group		Company	
	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Cash flows from operating activities				
Loss for the year before tax	(1,577,405)	(1,156,342)	(2,941,151)	(3,349,908)
Adjustments for:				
Investment revenue	(68)	(1,847)	(68)	(1,847)
Finance costs	19,783	-	19,783	-
Depreciation and amortisation	138,039	144,141	113,605	113,605
Increase in inventories	(410,496)	(1,050,136)	-	-
Decrease/(increase) in trade and other receivables	1,382,632	(1,338,491)	1,975,683	2,608,105
(Decrease)/increase in trade and other payables	(425,875)	763,688	316,621	150,898
Cash used in operations	(873,390)	(2,638,987)	(515,527)	(479,147)
Interest paid	(19,783)	-	(19,783)	-
Corporation tax	-	-	-	-
Net cash used in operating activities	(893,173)	(2,638,987)	(535,310)	(479,147)
Cash flows from investing activities				
Purchase of other investments	-	-	(2)	-
Purchase of property, plant & equipment	(22,571)	(18,141)	-	-
Interest received	68	1,847	68	1,847
Net cash (used in)/generated from investing activities	(22,503)	(16,294)	66	1,847
Cash flows from financing activities				
Proceeds from borrowings	-	1,350,000	-	-
Net cash generated from financing activities	-	1,350,000	-	-
Decrease in cash and cash equivalents	(915,676)	(1,305,281)	(535,244)	(477,300)
Cash and cash equivalents at the beginning of the year	1,205,024	2,510,305	559,542	1,036,842
Cash and cash equivalents at the end of the year	**289,348**	**1,205,024**	**24,298**	**559,542**

Consolidated and Company Statements of Changes in Equity

For the year ended 31st December 2016

Group	Called Up Share Capital £	Share Premium Account £	Retained Earnings £	Total £
As at 1st January 2015	1,058,388	22,565,286	756,541	24,380,215
Loss for the period	-	-	(1,165,552)	(1,165,552)
As at 31st December 2015	**1,058,388**	**22,565,286**	**(409,011)**	**23,214,663**
As at 1st January 2016	1,058,388	22,565,286	(409,011)	23,214,663
Loss for the period	-	-	(1,577,405)	(1,577,405)
As at 31st December 2016	**1,058,388**	**22,565,286**	**(1,986,416)**	**21,637,258**

Company	Called Up Share Capital £	Share Premium Account £	Retained Earnings £	Total £
As at 1st January 2015	1,058,388	22,565,286	3,571,604	27,195,278
Total comprehensive loss for the period	-	-	(3,349,908)	(3,349,908)
As at 31st December 2015	**1,058,388**	**22,565,286**	**221,696**	**23,845,370**
As at 1st January 2016	1,058,388	22,565,286	221,696	23,845,370
Total comprehensive loss for the period	-	-	(2,941,151)	(2,941,151)
As at 31st December 2016	**1,058,388**	**22,565,286**	**(2,719,455)**	**20,904,219**

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016

1. Principal accounting policies

The principal accounting policies are as follows:

Accounting basis and standards

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The following new standards, amendments to standards or interpretations are mandatory for the Group for the first time for the financial year beginning 1st January 2017, but are not currently considered to be relevant to the Group (although they may affect the accounting for future transactions and events):

- IAS 7 (Amended) 'Statements of Cash Flows', effective for periods commencing on or after 1st January 2017. These amendments are intended to clarify the information provided to users of financial statements about an entity's financing activities.
- IAS 12 (Amended), 'Income Taxes', effective for periods commencing on or after 1st January 2017 but not yet adopted by the EU. This amendment relates to the recognition of deferred tax assets for unrealised losses and clarifies that estimations for future taxable profits exclude tax deductions arising from the reversal of temporary differences.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1st January 2016 and have not been early adopted:

- IFRS 2 (Amended), 'Share-based payment', effective for periods commencing on or after 1st January 2018. These amendments clarify the classification and measurement of share-based payment transactions.
- IFRS 9, 'Financial Instruments', effective for periods commencing on or after 1st January 2018 but not yet adopted by the EU. This is final version of the project to replace IAS39 'Financial Instruments: Recognition and Measurement'.
- IFRS 15, 'Revenue from Contracts with Customers', effective for periods commencing on or after 1st January 2018 but not yet adopted by the EU. This standard focuses on a principles based model which is to be applied to all contracts with customers.
- IFRS 16, 'Leases', effective for periods commencing on or after 1st January 2019 but not yet adopted by the EU. This standard focuses on recognising all leases on the balance sheet, thus eliminating the distinction between finance and operating leases.

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 through fees receivable from its projects: 1 Palace Street, The Broadway and Chester Square and also through the bank loan.

The Directors have prepared detailed cash flow projections for the period up to 31st December 2021 making reasonable assumptions about the levels and timings of income and expenditure, and in particular the timing of receipt of certain fees due from major developments. These projections show that the Group can meet its on-going working capital requirements. On this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Significant judgements and areas of estimation

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

- The valuation of goodwill
- The valuation of available for sale financial assets
- The status and progress of the developments and projects

Basis of consolidation

The Group financial statements include the financial statements of the Company and its subsidiary undertakings. Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies of the subsidiary and therefore exercises control. The existence and effect of both current voting rights and potential voting rights that are currently exercisable or convertible are considered when assessing whether control of an entity is exercised. Subsidiaries are consolidated from the date at which the Group obtains the relevant level of control and are de-consolidated from the date at which control ceases.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

1. Principal accounting policies (continued)

Property, plant and equipment

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

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

Leasehold improvements	over the period of the lease
Fittings and office equipment	25% straight line
Computer equipment	33 1/3% straight line

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation but are instead tested annually for impairment and are subject to additional impairment testing if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment are reviewed annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment charge is recognised in profit or loss in the year in which it occurs. When an impairment loss, other than an impairment loss on goodwill, subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Inventories

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

Revenue

Revenue represents amounts earned by the Group in respect of services rendered during the period net of value added tax. Shares in development profits and performance fees are recognised when the amounts involved have been finally determined and agreed criteria for recognition have been fulfilled.

Fees in respect of project management and interior and architectural design are recognised in accordance with the stage of completion of the contract. Revenue also includes sales commission fees and introduction fees receivable where the Group acts as sales agent on developments. The sales commission is recognised 50% on exchange of contracts, which is non-refundable and 50% on completion. The introduction fees for sales of third party developments or property is recognised fully on completion.

Current taxation

The tax expense for the year represents the total of current taxation and deferred taxation. The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profits as shown in profit or loss, as adjusted for items or expenditure, which are not deductible for tax purposes.

The current tax liability for the year is calculated using tax rates, which have either been enacted or substantively enacted at the reporting date.

Deferred taxation

Deferred tax is provided in full on all temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates which have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Leased assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

1. Principal accounting policies (continued)

Investments

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

Associates

Associates are all entities over which the Group exercise significant influence but does not exercise control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, which includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associate's profits or losses after acquisition of its interest is recognised in profit or loss and cumulative post-acquisition movments are adjusted against the carrying amount of the investment. Where the Group's share of losses of an associate equals or exceeds the carrying amount of the investment, the Group only recognises further losses where it has incurred obligations or made payments on behalf of the associate.

Financial assets

Available for sale financial assets consist of equity investments in other companies or limited partnerships where the Group does not exercise either control or significant influence. The investments reflect loans and capital contributions made in respect of projects undertaken with other partners in which the Group will be entitled to an eventual profit share.

Available for sale financial assets are shown at fair value at each reporting date with changes in fair value being shown in Other Comprehensive Income, or at cost less any necessary provision for impairment where a reliable estimate of fair value is not able to be determined. In cases where the Group can reliably estimate fair value of the available for sale financial assets, fair value will be determined in reference to practical completion of each development project.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The valuation technique applied to the available for sale financial assets in the current and preceding period is a Level 3 technique.

Pensions

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

Foreign currency translation

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

Share capital

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

Equity balances

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

Financial assets - loans and receivables

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

Financial liabilities - loans and payables and borrowings

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

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

1. Principal accounting policies (continued)

Borrowings

Interest-bearing borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method with any differences between the proceeds (net of transaction costs) and the redemption value being recognised over the period of borrowings.

All borrowings are classified as current unless the Group has an unconditional right to defer payment of the borrowings until at least twelve months from the reporting date.

Borrowing costs which relate directly to a development which is included within inventories are capitalised as part of the cost of the inventory.

2. Capital and financial risk management

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

The capital structure of the Group consists of cash and cash equivalents, debt and equity attributable to equity holders of the Parent Company, comprising issued capital, share premium account and retained earnings.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

3. Segmental information

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

Revenue	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Principal activities:		
Development management	3,409,283	3,413,702
Interior design and interior architecture	959,593	508,889
Sales agency commission and introduction fees	97,500	248,306
	4,466,376	**4,170,897**

Loss before taxation	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Development management	(1,112,554)	(579,793)
Interior design and interior architecture	(461,355)	(572,079)
Architectural design	(3,496)	(4,470)
	(1,577,405)	**(1,156,342)**

Assets	31st Dec 2016 £	31st Dec 2015 £
Development management	24,982,110	26,988,216
Interior design and interior architecture	164,540	159,351
Architectural design	16,805	19,168
	25,163,455	**27,166,735**

Liabilities	31st Dec 2016 £	31st Dec 2015 £
Development management	1,032,000	1,886,088
Interior design and interior architecture	1,880,658	1,453,578
Architectural design	613,539	612,406
	3,526,197	**3,952,072**

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

Revenue	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
United Kingdom	3,535,763	4,170,897
Middle East	927,413	-
France	3,200	-
	4,466,376	**4,170,897**

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

	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Customer A (Development management & interior design)	335,265	545,150
Customer B (Development management & interior design)	2,051,900	2,504,756
Customer C (Development management)	995,824	805,100
Customer D (Interior Design & interior architecture)	839,886	-

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

3. Segmental information (continued)

Assets	31st Dec 2016 £	31st Dec 2015 £
United Kingdom	25,163,455	27,166,735
	25,163,455	**27,166,735**

Liabilities	31st Dec 2016 £	31st Dec 2015 £
United Kingdom	3,526,197	3,952,072
	3,526,197	**3,952,072**

4. Investment revenue

	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Interest received	68	1,847
	68	**1,847**

5. Finance costs

Interest on:	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Other interest	19,783	-
	19,783	**-**

6. Loss before taxation

	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Loss before taxation is stated after charging/(crediting):		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	138,038	144,141
Operating lease rentals:		
Land and buildings	162,587	128,063
Foreign exchange loss/ (gain)	93	(281)
Fees payable to the Company's auditors for:		
- the audit of the Company's annual accounts	55,800	50,307
Fees payable to the Company's auditors for other services to the Group:		
- the audit of the Company's subsidiaries	33,659	38,535
Total audit fees	**89,459**	**88,842**
Fees payable to the Company's auditors for:		
- other taxation advisory services	-	5,000
- other services	15,925	15,450
Total other fees	**15,925**	**20,450**

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

7. Employees

	Year ended 31st Dec 2016 Number	Year ended 31st Dec 2015 Number
The average weekly number of employees (including Directors) during the year was:		
Office and management	13	13
Design and management	12	9
	25	**22**

	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Staff costs for the above employees:		
Wages and salaries	2,049,878	1,782,600
Social security costs	257,170	230,996
Other pension costs - money purchase schemes	81,230	76,848
	2,388,278	**2,090,444**

Remuneration in respect of Directors was as follows:	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Aggregate emoluments (including benefits in kind)	579,167	570,000
Other fees	30,000	30,000
	609,167	**600,000**
Company contribution to money purchase pension schemes	**34,000**	**33,000**

Remuneration for each Director (including benefits in kind)	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
N. Barattieri di San Pietro	509,167	500,000
K.B. Nilsson	70,000	70,000
E.B. Harris	30,000	30,000
M. Kheriba	-	-
F.T. Khan	-	-
	609,167	**600,000**

Remuneration of £30,000 (2015: £30,000) for Director E.B. Harris is payable to Arcadis LLP (formerly EC Harris LLP).

Remuneration in respect of the highest paid Director was as follows:	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Aggregate emoluments (including benefits in kind)	509,167	500,000
Company contribution to money purchase pension scheme	34,000	33,000
	543,167	**533,000**

The total emoluments of £509,167 (2015: £500,000) above includes bonuses of £225,000 (2015: £225,000).

The Directors consider that the key management personnel for reporting purposes as defined by IAS24 'Related Party Disclosures' are the Directors themselves only.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

8. Taxation

(a) Analysis of charge in year	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Current tax:		
Corporation tax credit	-	-
Adjustment in respect of prior periods	-	-
Total current tax	-	-
Deferred tax:		
Deferred tax charge	-	9,210
Total deferred tax charge	**-**	**9,210**
Total tax charge	**-**	**9,210**

(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 20% (2014: 21%). The differences are explained below:	Year ended 31st Dec 2016 £	Year ended 31st Dec 2015 £
Loss on ordinary activities before tax	**(1,577,405)**	**(1,156,342)**
Loss on ordinary activities multiplied by the standard rate of corporation tax of 20% (2015: 20%)	(315,481)	(231,268)
Effects of:		
Expenses not deductible for tax purposes	7,687	2,314
Depreciation for the period in excess of capital allowances	20,848	22,232
Other timing differences	1,408	2,330
Loss carried forward	285,538	204,392
Current tax credit for the period	**-**	**-**

(c) Factors that may affect future tax charges

The standard rate of corporation tax was reduced to 19% from 1st April 2017.

9. Loss of the Parent Company

As permitted by section 408 of the Companies Act 2006, the profit or loss element of the Parent Company Income Statement is not presented as part of these financial statements. The Group loss for the year ended 31st December 2016 of £1,577,405 (2015: £1,165,552) includes a loss of £2,941,151 (2015: £3,349,908), which was dealt with in the financial statements of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

10. Goodwill

Group	31st Dec 2016 £	31st Dec 2015 £
Cost	14,940,474	14,940,474
Amortisation and impairment		
At the beginning of the year	6,933,057	6,933,057
Impairment charge for the year	-	-
At the end of the year	6,933,057	6,933,057
Net book value	**8,007,417**	**8,007,417**

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

Recoverable amount

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

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

Discount rates

The pre-tax discount rate applied to the cash flow projections are derived from the Group's weighted average cost of capital. The discount rate applied is 6% (2015: 6%) reflecting the future expected cost of capital for the Group.

Growth rates

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

The business growth rates have been assumed to be 5% (2015: 5%) for the N Studio Limited interior design business.

Sensitivity analysis

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

- A 65.26% increase in the discount rate to 71.26% for the latter five year period.
- A 37.4% decrease in the development revenue cash flows over the five year period.
- A decrease to nil in the other interior design revenue cash flows over the five year period would not cause the recoverable amount to fall below the current carrying value.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

11. Property, plant and equipment

Group Cost	Leasehold Improvements £	Fittings and Office Equipment £	Computer Equipment £	Total £
At 1st January 2015	1,115,434	74,020	280,635	1,470,089
Additions	-	10,615	7,526	18,141
At 31st December 2015	**1,115,434**	**84,635**	**288,161**	**1,488,230**
Additions	-	-	22,571	22,571
Disposals	-	(18,082)	(51,602)	(69,684)
At 31st December 2016	**1,115,434**	**66,553**	**259,130**	**1,441,117**
Depreciation				
At 1st January 2015	444,951	65,109	238,504	748,564
Charge for the year	113,605	4,563	25,973	144,141
At 31st December 2015	**558,556**	**69,672**	**264,477**	**892,705**
Charge for the year	113,605	3,491	20,942	138,038
Disposals	-	(18,082)	(51,602)	(69,684)
At 31st December 2016	**672,161**	**55,081**	**233,817**	**961,059**
Net book value				
At 31st December 2016	**443,273**	**11,472**	**25,313**	**480,058**
At 31st December 2015	**556,878**	**14,963**	**23,684**	**595,525**
At 31st December 2014	**670,483**	**8,911**	**42,131**	**721,525**

Company Cost	Leasehold Improvements £	Fittings and Office Equipment £	Computer Equipment £	Total £
At 1st January 2015	1,173,914	-	-	1,173,914
Additions	-	-	-	-
At 31st December 2015	**1,173,914**	**-**	**-**	**1,173,914**
Additions	-	-	-	-
At 31st December 2016	**1,173,914**	**-**	**-**	**1,173,914**
Depreciation				
At 1st January 2015	444,951	-	-	444,951
Charge for the year	113,605	-	-	113,605
At 31st December 2015	**558,556**	**-**	**-**	**558,556**
Charge for the year	113,605	-	-	113,605
At 31st December 2016	**672,161**	**-**	**-**	**672,161**
Net book value				
At 31st December 2016	**501,753**	**-**	**-**	**501,753**
At 31st December 2015	**615,358**	**-**	**-**	**615,358**
At 28th February 2014	**728,963**	**-**	**-**	**728,963**

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

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

12. Investments

(a) Available for sale financial assets

Group	31st Dec 2016 £	31st Dec 2016 £	31st Dec 2015 £	31st Dec 2015 £
At 1st January		10,000,019		10,000,019
Increase in 1 Palace Street fair value	-		-	
Net movement transferred to comprehensive income		-		-
At 31st December		**10,000,019**		**10,000,019**
Net book value at 31st December		**10,000,019**		**10,000,019**

(b) Other investments

Company	Subsidiary Undertakings	Other Investments	Total
Cost	£	£	£
At 1st January 2016	14,492,681	10,000,015	24,492,696
Additions	2	-	2
As at 31st December 2016	**14,492,683**	**10,000,015**	**24,492,698**
Impairment			
At 1st January 2016	6,486,368	-	6,486,368
Impairment in the year	-	-	-
As at 31st December 2016	**6,486,368**	**-**	**6,486,368**
Net book value as at 31st December 2016	**8,006,315**	**10,000,015**	**18,006,330**
Net book value as at 31st December 2015	**8,006,315**	**10,000,015**	**18,006,328**
At 1st January 2015	14,492,681	10,000,015	24,492,696
Additions	-	-	-
As at 31st December 2015	**14,492,681**	**10,000,015**	**24,492,696**
Impairment			
At 1st January 2015	6,486,368	-	6,486,368
Impairment in the year	-	-	-
As at 31st December 2015	**6,486,368**	**-**	**6,486,368**
Net book value as at 31st December 2015	**8,006,313**	**10,000,015**	**18,006,328**
Net book value as at 31st December 2014	**8,006,313**	**10,000,015**	**18,006,328**

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

(c) Group Shareholdings

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

Subsidiary undertakings	Holding	Proportion held	Nature of Business
Waterloo Investments Limited	Ordinary shares	100%	Development management services
N Studio Limited	Ordinary shares	100%	Interior design and interior architecture
Northacre Development Management Services Limited	Ordinary shares	100%	Dormant
Nilsson Architects Limited	Ordinary shares	100%	Dormant
Northacre Capital (1) Limited	Ordinary shares	100%	Dormant
Northacre Capital (3) Limited	Ordinary shares	100%	Dormant
Northacre Capital (5) Limited	Ordinary shares	100%	Dormant
Northacre Capital (7) Limited	Ordinary shares	100%	Property development
Northacre International Limited	Ordinary shares	100%	Dormant
Lancaster Gate (Hyde Park) Limited	Ordinary shares	100%	Dormant
N Property Consultants Limited	Ordinary shares	100%	Sales agency services

N Property Consultants Limited was incorporated on 21st September 2016.

13. Inventories

	Group	
	31st Dec 2016	31st Dec 2015
	£	£
Stock	3,626	1,593
Work in progress	5,649,129	5,240,666
	5,652,755	**5,242,259**

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

14. Trade and other receivables

	Group		Company	
	31st Dec 2016	31st Dec 2015	31st Dec 2016	31st Dec 2015
	£	£	£	£
Trade receivables	10,571	844,811	-	6,045
Amounts owed by group undertakings	-	-	3,976,957	5,962,376
Other receivables	197,848	200,242	123,037	111,270
Prepayments and accrued income	525,440	1,071,438	315,436	311,422
	733,859	**2,116,491**	**4,415,430**	**6,391,113**

At the period end there was no provision for doubtful debts (2015: £nil).

Other receivables include a deferred tax asset of £117,463 (2015: £117,463).

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

15. Trade and other payables

	Group		Company	
	31st Dec 2016	31st Dec 2015	31st Dec 2016	31st Dec 2015
	£	£	£	£
Trade payables	124,123	170,547	105,730	49,216
Amounts owed to group undertakings	-	-	1,482,572	1,141,545
Social security and other taxes	303,253	146,204	16,330	16,544
Other payables	16,770	3,266	16,607	291
Accruals and deferred income	732,051	1,282,055	422,353	519,375
	1,176,197	**1,602,072**	**2,043,592**	**1,726,971**

16. Borrowings, including lease finance

Current Liabilities	Group		Company	
	31st Dec 2016	31st Dec 2015	31st Dec 2016	31st Dec 2015
	£	£	£	£
Bank loan	2,350,000	2,350,000	-	-
	2,350,000	**2,350,000**	**-**	**-**

A loan facility of £3,150,000 was made available by the Royal Bank of Scotland from 19th September 2014 to Northacre Capital (7) Limited in respect of the property at 22 Prince Edward Mansions. The loan is available on a drawdown basis and as at 31st December 2016 £2,350,000 was drawn (2015: £2,350,000). The loan incurs interest at 3.25% above the LIBOR rate and as at 31st December 2016 interest and bank charges of £234,221 (2015: £94,941) were included in accruals and deferred income. The loan was extended in December 2016 and the loan is due to be repaid the earlier of the latest expiry date of the current interest period outstanding as at the date of completion of sale of the property or 2nd June 2017. The loan is secured via a first legal charge over the property included within inventories under the heading of work in progress, a guarantee for £120,000 given by Northacre PLC and a charge over certain cash balances. In accordance with the loan agreement further drawdowns are not permitted post 2nd June 2017.

17. Corporation tax

	Group		Company	
	31st Dec 2016	31st Dec 2015	31st Dec 2016	31st Dec 2015
	£	£	£	£
Corporation Tax	-	-	-	-
	-	-	-	-

18. Future financial commitments

Operating leases – Land and Buildings	Group		Company	
	31st Dec 2016	31st Dec 2015	31st Dec 2016	31st Dec 2015
	£	£	£	£
Net amount payable on operating leases which expire:				
Within one year	467,014	125,062	467,014	125,062
In two to five years	1,287,632	500,248	1,287,632	500,248
In over five years	-	49,682	-	49,682
	1,754,646	**674,992**	**1,754,646**	**674,992**

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

18. Future financial commitments (continued)

Operating leases – Other	Group		Company	
	31st Dec 2016	31st Dec 2015	31st Dec 2016	31st Dec 2015
	£	£	£	£
Net amount payable on operating leases which expire:				
Within one year	12,584	15,080	11,420	11,420
In two to five years	34,025	46,609	31,405	42,825
In over five years	-	-		-
	46,609	**61,689**	**42,825**	**54,245**

19. Capital commitments

At the reporting date there were no outstanding commitments for capital expenditure.

20. Earnings per share

Loss per share of 3.73p (2015: 2.75p) is calculated on the loss attributable to Ordinary shares of £1,577,405 (2015: £1,156,342) divided by the weighted number of Ordinary shares in issue during the year.

Computation of basic earnings per share:	31st Dec 2016	31st Dec 2015
Net loss	(£1,577,405)	(£1,165,552)
Weighted average number of shares outstanding	42,335,538	42,335,538
Basic loss per share	(3.73)p	(2.75)p
Diluted loss per share	(3.73)p	(2.75)p

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

21. Equity

Share capital	31st Dec 2016	31st Dec 2015
	£	£
Called up, allotted and fully paid:		
42,335,538 (2015: 42,335,538) Ordinary shares of 2.5p each	1,058,388	1,058,388
	1,058,388	**1,058,388**

Share premium account and reserves	Share premium
	£
At 1st January 2016 and 31st December 2016	22,565,287

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

22. Contingent liabilities

The Company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other group companies' VAT liabilities amounting to £179,899 (2015: £92,642).

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

23. Related party transactions

Group

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

			Year ended 31st Dec 2016		Year ended 31st Dec 2015	
Related Party	**Nature of Relationship**	**£**	**£**	**£**	**£**	**Nature of Transactions**
		Total transactions in the year	Balance at the year end Due (to)/from	Total transactions in the period	Balance atthe the period end Due (to)/from	
N. Barattieri de San Pietro	1	30,833	-	-	-	Interior design fees invoiced by and paid to N Studio Limited in the year.
E.B. Harris	2	30,000	(30,000)	30,000	(55,000)	Non-executive Directors' fees for the year to 31 December 2016 provided through Arcadis LLP.
A. de Rothschild	3	-	(17,500)	-	(17,500)	Non-executive Directors' fees for the period July 2013 to February 2014.
ADCM Limited	4	1,200,000	-	1,200,000	-	Consultancy fees charged for the year to 31 December 2016 with £1,200,000 being paid in the year.
ADCM Limited	4	19,004	-	52,282	46,882	Expenses invoiced by ADCM Limited as per the consultancy agreement.
ADCM Limited	4	19,783	-	-	-	Interest paid to ADCM Limited as per the consultancy agreement.
Palace Revive Development Limited	5	2,028,749	-	2,028,749	617,287	Development management fees invoiced for the year to 31 December 2016 as per the development management agreement. £617,287 represents the fee payable for the period January 2016 to March 2016 and was paid post year end.
Palace Revive Development Limited	5	-	-	248,306	-	Sales agency fees charged in the year ended 31 December 2015 as per multiple selling agents agreements.
Palace Revive Development Limited	5	23,151	380	159,136	-	Expenses paid on behalf of Palace Revive Development Limited. £380 represents amount due from Palace Revive Development Limited at the end of the year.
Palace Real Estate Partners LP	6	-	10,000,000	-	10,000,000	Amount invested by Northacre PLC into Palace Real Estate Partners LP to develop the 1 Palace Street project.
BL Development Limited	7	800,000	-	800,000	-	Development management fees charged during the year as per the development management agreement.
BL Development Limited	7	195,824	(73)	-	-	Expenses paid on behalf of BL Development Limited. £73 represents amount due to BL Development Limited at the end of the year.
J. Alseddiqi	8	26,400	(4,400)	-	-	Interior design fees invoiced by and paid to N Studio Limited in the year. £4,400 represents amount due to J. Alsediqqi from N Studio Limited at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2016 (continued)

23. Related party transactions (continued)

Nature of Relationships

1. N.P. Barattieri di San Pietro is a Director of the Company.
2. E.B. Harris is a Director of the Company, and a member of Arcadis LLP (formerly E.C. Harris LLP).
3. A. de Rothschild was a Director of the Company (resigned on 11th February 2014).
4. ADCM Limited is a fully owned subsidiary of ADFG LLC, the Group's ultimate parent company.
5. Palace Revive Development Limited is a company set up to develop the 1 Palace Street development and is controlled by ADCM Limited.
6. Palace Real Estate Partners LP is a partnership that ultimately controls Palace Revive Development Limited. Northacre PLC is a limited member of Palace Real Estate Partners LP.
7. BL Development Limited is a company set up to develop The Broadway development and is controlled by ADCM Limited.
8. J. Alseddiqi is a Director of ADFG LLC.

Company

The Directors' transactions in the Company are included in the Group disclosure above. In addition to these, the Company has the following related party transactions as defined by International Accounting Standard 24 (revised).

			Year ended 31st Dec 2016		Year ended 31st Dec 2015	
Related Party	Nature of Relationship	£	£	£	£	Nature of Transactions
		Total transactions in the year	Balance at the year end Due (to)/ from	Total transactions in this period	Balance at the period end Due (to/ from)	
Group entities	1	283,333	-	266,248	-	Management fees receivable in the year from Group subsidiaries provided at arm's length.
Group entities	1	(38,670)	-	(38,901)	-	Management fees payable in the year to Group subsidiaries provided at arm's length.

Nature of Relationships

1. The Group entities are wholly owned subsidiaries of the Company.

The balances at the reporting date are shown under notes 14 and 15 of the Consolidated Financial Statements.

24. Immediate and ultimate parent undertakings

The immediate and ultimate parent undertakings are Spadille Limited, a company incorporated in Jersey, and Abu Dhabi Financial Group LLC, a company incorporated in United Arab Emirates, respectively.

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