

NORTHACRE LIMITED

Company No: 03442280

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st DECEMBER 2019

Company Information

Company number: 03442280
Registered in England and Wales

Registered office: 8 Albion Riverside
8 Hester Road
London
SW11 4AX

Directors: N. Barattieri di San Pietro
A.P.D. Edgley
F.T. Khan
M. Kheriba

Secretary: Elemental Company Secretary Limited
27 Old Gloucester Street
London
WC1N 3AX

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

Auditors: Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

Registrars: Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors: Bryan Cave Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Corporate website: www.northacre.com

Strategic Report

For the year ended 31st December 2019

The Directors present their Strategic Report for the year ended 31st December 2019.

Review of the business

Northacre Limited (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 8 and 9.

Net assets per share is 45.14 pence (2018: 50.91 pence). Net loss for the year before taxation is £2.4m (2018: loss £0.7m) with a loss per share after taxation of 5.77 pence (2018: loss per share 1.95 pence).

Consolidated Income Statement

The Group's revenue for the year is £3.8m (2018: £6.3m) representing fee income. Operating loss for the year is £2.3m (2018: loss £0.5m). Administrative expenses for the year decreased to £5.1m (2018: £6.5m) resulting in the Group recording a loss before taxation of £2.4m (2018: loss £0.7m).

Consolidated Statement of Financial Position

The investment in financial assets at fair value through Other Comprehensive Income at the beginning and at the end of the year represented the equity investment in the 1 Palace Street Development.

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. The maximum amount drawn from the agreed facility was £2.4m. In June 2017 the Group signed a revised facility for further 12 months of up to £2.4m. The Group repaid part of the loan during the financial years 2017 and 2018 and refinanced in July 2018. The new loan facility of £2m was for a further 24 months with quarterly repayments of £0.1m. The outstanding loan and interest were repaid in full on 30th January 2020.

On 29th August 2019 the Group signed a loan facility agreement of up to £4.0m with Abu Dhabi Financial Group LLC (ADFG LLC), its intermediate parent company. The amount drawn from the facility as at 31st December 2019 was £1.9m including accrued interest at 8% per annum.

The Group had cash of £0.7m at 31st December 2019 (2018: £1.2m), with debt of £3.3m (2018: £1.9m).

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 decrease in revenue and EBITDA was consistent with the Directors' expectations. The Directors predict growth in the next years which is reflected in the cashflow forecast and future budget.

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 Board is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

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:

Prime central London real estate market conditions

The effects of the UK's political turmoil on the London's housing market have lasted much longer than the immediate aftermath of the Brexit referendum, particularly for the wealthy buyers in the prime central London area. The atmosphere of unpredictability hanging over the economy and the uncertainty over international business with the UK, as well as the effects of higher stamp duty on expensive homes, have discouraged people from making the big financial commitment entailed in a top-end London house purchase. According to Savills, prices in prime central London were flat in the final quarter of 2019. This could be a turning point for a falling market, but Brexit concerns continue to cast their shadow over it despite the Conservative party's general election victory in December 2019. The Group will continuously monitor the market for impact and viability on current and future developments.

Continued increase of construction costs

Pressure still remains on construction inputs and the labour market is tight which is leading to continued cost inflation. The construction sector is heavily dependent on a transient workforce, especially as the age profile of its domestic labour increases and the UK witnesses low unemployment. With an expected disruption to the pipeline of younger workers into the system, and further workforce shortages possibly being caused by Brexit, the construction sector has a tough choice to further increase pay rates or to define new ways of less labour-intensive working. Northacre's development team continues to carry out extensive tendering processes and actively develop strong working relations with contractors to minimise the risk.

Liquidity risk

Overseeing the Group's liquidity risk remains a principal responsibility of management. 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 by Directors to monitor liquidity. Increasing project portfolio and development fees, as well as looking into to new revenue growth strategies, ensures that the risk is kept as low.

Strategic Report

For the year ended 31st December 2019 (Continued)

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 team. 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 have also implemented 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.

PI Insurance

The Grenfell Tower tragedy continues to be the catalyst for changes in the UK's Professional Indemnity (PI) market. In the months following the fire, the PI market has seen many insurers either reduce the levels of cover they are willing to provide to contractors and architects or have pulled out of the construction sector altogether. Inevitably this has meant an increase in premiums being charged by those insurers still willing to provide the necessary cover. The insurance consequences will continue to unfold over the years. The Group maintains a close relationship with its insurance brokers to ensure the best cover is in place for the Group.

COVID-19

The impact of the COVID-19 pandemic, and the measures taken to contain it, have had a significant impact on the wider economy. The impact on Group operations has been limited to date. However, the Board immediately assessed the implications of lockdown on Group operations and have taken action where necessary. At the date of sign off of these consolidated financial statements the Board has not considered it necessary to furlough staff. The Board will take appropriate action as considered necessary as the implications of the easing of lockdown become apparent.

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

Future developments

The Group continues to actively source new developments to grow its portfolio while exploring new strategies to increase fee income.

By Order of the Board



.....
N. Barattieri di San Pietro
Director

Date: 27th July 2020

Directors' Report

For the year ended 31st December 2019

The Directors have pleasure in presenting their Directors' Report and Group financial statements for the year ended 31st December 2019.

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 following Directors have held office since 1st January 2019:

N. Barattieri di San Pietro

M. Kheriba

F.T. Khan

A.P.D. Edgley – appointed on 28th January 2019

None of the Directors who served the Company during the year had any interests (including family interests) in the shares of the Company, at the beginning and end of the year. There has been no change in the interests (including family interests) of Directors since 31st December 2019 and up to the date of this report.

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.

The Board of Directors

At the date of this report, the Group Board was made up of four Directors. The Board of Directors is responsible for the management, overall strategy and direction of the Group and meets as and when required 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

Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director by ordinary resolution (of the shareholders) or by a decision of the Directors. All appointments to the Board are discussed amongst Directors and each member is given the opportunity to meet the individual concerned prior to the appointment being made.

The Remuneration Committee and the Audit Committee

In July 2019 the Board passed a written resolution and agreed that, due to the size of the Company and the current composition of the Board, the Audit Committee and the Remuneration Committee are no longer required or practical and that the Board will undertake the duties of those committees itself.

Directors' Report For the year ended 31st December 2019 (Continued)

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

The auditors, Moore Kingston Smith LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By Order of the Board



.....
N. Barattieri di San Pietro
Director

Date: 27th July 2020

Independent Auditors' Report to the Members of Northacre Limited

We have audited the financial statements of Northacre Limited (the 'parent company' and its subsidiaries (the 'group') for the year ended 31st December 2019 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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.

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 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company 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 the 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.

Independent Auditors' Report to the Members of Northacre Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.



Matthew Banton (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

27th July 2020

Devonshire House
60 Goswell Road
London
EC1M 7AD

Consolidated Income Statement
For the year ended 31st December 2019

	Note	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018
		£	£
Group			
Group revenue		3,750,951	6,254,939
Cost of sales		<u>(915,416)</u>	<u>(312,398)</u>
Gross profit		2,835,535	5,942,541
Administrative expenses		<u>(5,107,852)</u>	<u>(6,458,190)</u>
Group loss from operations		(2,272,317)	(515,649)
Investment revenue	3	-	-
Finance costs	4	(169,114)	(198,186)
Loss for the year before taxation	5	(2,441,431)	(713,835)
Taxation	7	<u>-</u>	<u>(113,097)</u>
Loss for the year attributable to equity holders of the Company		<u>(2,441,431)</u>	<u>(826,932)</u>

Consolidated and Company Statements of Comprehensive Income
For the year ended 31st December 2019

	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018
	£	£
Group		
Loss for the year attributable to equity holders of the Company	<u>(2,441,431)</u>	<u>(826,932)</u>
Other comprehensive income:	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u><u>(2,441,431)</u></u>	<u><u>(826,932)</u></u>
Company		
Loss for the year attributable to equity holders of the Company	<u>(3,969,190)</u>	<u>(2,768,103)</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u><u>(3,969,190)</u></u>	<u><u>(2,768,103)</u></u>

Consolidated Statement of Financial Position
As at 31st December 2019

	Not e	31 st Dec 2019 £	31 st Dec 2018 £
Non-current assets			
Goodwill	8	8,007,417	8,007,417
Property, plant and equipment	9	496,415	380,260
Financial assets at fair value through OCI	10(a)	<u>10,000,004</u>	<u>10,000,004</u>
		<u>18,503,836</u>	<u>18,387,681</u>
Current assets			
Inventories	11	5,010,647	5,710,622
Trade and other receivables	12	357,204	610,957
Cash and cash equivalents		<u>655,713</u>	<u>1,151,062</u>
		<u>6,023,564</u>	<u>7,472,641</u>
Total assets		<u>24,527,400</u>	<u>25,860,322</u>
Current liabilities			
Trade and other payables	13	3,734,538	2,448,570
Borrowings, including lease finance	14	1,650,838	406,982
Corporation tax		<u>-</u>	<u>-</u>
		<u>5,385,376</u>	<u>2,855,552</u>
Non-current liabilities			
Borrowings, including lease finance	15	<u>32,458</u>	<u>1,453,773</u>
		<u>32,458</u>	<u>1,453,773</u>
Total liabilities		<u>5,417,834</u>	<u>4,309,325</u>
Equity			
Share capital	18	1,058,388	1,058,388
Share premium account	18	22,565,286	22,565,286
Retained earnings		<u>(4,514,108)</u>	<u>(2,072,677)</u>
Total equity		<u>19,109,566</u>	<u>21,550,997</u>
Total equity and liabilities		<u>24,527,400</u>	<u>25,860,322</u>

Approved by the Board on 27th July 2020

Niccolò Barattieri di S. Pietro

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

**Company Statement of Financial Position
As at 31st December 2019**

	Note	31 st Dec 2019 £	31 st Dec 2018 £
Non-current assets			
Property, plant and equipment	9	511,748	366,084
Investments	10(b)	<u>18,006,312</u>	<u>18,006,312</u>
		<u>18,518,060</u>	<u>18,372,396</u>
Current assets			
Trade and other receivables	12	3,549,099	4,014,444
Cash and cash equivalents		<u>31,439</u>	<u>66,136</u>
		<u>3,580,538</u>	<u>4,080,580</u>
Total assets		<u>22,098,598</u>	<u>22,452,976</u>
Current liabilities			
Trade and other payables	13	6,202,314	2,810,043
Borrowings, including lease finance	14	<u>200,838</u>	<u>6,982</u>
		<u>6,403,152</u>	<u>2,817,025</u>
Non-current liabilities			
Borrowings, including lease finance	15	<u>32,458</u>	<u>3,773</u>
		<u>32,458</u>	<u>3,773</u>
Total liabilities		<u>6,435,610</u>	<u>2,820,798</u>
Equity			
Share capital	18	1,058,388	1,058,388
Share premium account	18	22,565,286	22,565,286
Retained earnings		<u>(7,960,686)</u>	<u>(3,991,496)</u>
Total equity		<u>15,662,988</u>	<u>19,632,178</u>
Total equity and liabilities		<u>22,098,598</u>	<u>22,452,976</u>

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 2019 of £2,441,431 (2018: loss £826,932) includes a loss of £3,969,190 (2018: loss £2,768,103), which was dealt with in the financial statements of the Company.

Approved by the Board on 27th July 2020

Niccolò Barattieri di S. Pietro

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

Consolidated and Company Statements of Cash Flows

For the year ended 31st December 2019

	Group		Company	
	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018
	£	£	£	£
Cash flows from operating activities				
Loss for the year after tax	(2,441,431)	(709,469)	(3,969,190)	(2,768,103)
Adjustments for:				
Finance costs	169,114	198,196	86,470	-
Depreciation and amortisation	583,745	187,280	547,101	147,474
Impairment of inventories	682,095	-	-	-
Loss on disposal of fixed asset	4,999	-	-	-
Decrease in inventories	17,880	147,323	-	-
Decrease in trade and other receivables	253,753	2,925,011	638,162	3,011,830
Increase/(decrease) in trade and other payables	1,237,756	(1,576,632)	3,167,265	(319,160)
Cash generated from operations	<u>507,911</u>	<u>1,171,709</u>	<u>469,808</u>	<u>72,041</u>
Corporation tax paid	-	(166,431)	-	-
Net cash generated from operating activities	<u>507,911</u>	<u>1,005,278</u>	<u>469,808</u>	<u>72,041</u>
Cash flows from investing activities				
Purchase of property, plant & equipment	(12,134)	(115,837)	-	(64,018)
Net cash used in investing activities	<u>(12,134)</u>	<u>(115,837)</u>	<u>-</u>	<u>(64,018)</u>
Cash flows from financing activities				
Repayment of borrowings	(400,000)	(400,000)	-	-
Repayment of leases	(470,224)	(6,290)	(470,224)	(6,290)
Interest paid	(120,902)	(102,208)	(34,281)	-
Net cash used in financing activities	<u>(991,126)</u>	<u>(508,498)</u>	<u>(504,505)</u>	<u>(6,290)</u>
(Decrease)/increase in cash and cash equivalents	(495,349)	380,943	(34,697)	1,733
Cash and cash equivalents at the beginning of the year	<u>1,151,062</u>	<u>770,119</u>	<u>66,136</u>	<u>64,403</u>
Cash and cash equivalents at the end of the year	<u>655,713</u>	<u>1,151,062</u>	<u>31,439</u>	<u>66,136</u>

The tax charge on ordinary activities arising on the derecognition of the deferred tax asset and the corresponding decrease in the deferred tax asset in 2018 of £117,463 represented a non-cash transaction.

**Consolidated and Company Statements of Changes in Equity
For the year ended 31st December 2019**

Group	Called Up Share Capital £	Share Premium Account £	Retained Earnings £	Total £
As at 1 st January 2018	1,058,388	22,565,286	(1,245,745)	22,377,929
Total comprehensive loss for the year	-	-	(826,932)	(826,932)
As at 31 st December 2018	<u>1,058,388</u>	<u>22,565,286</u>	<u>(2,072,677)</u>	<u>21,550,997</u>
As at 1 st January 2019	1,058,388	22,565,286	(2,072,677)	21,550,997
Total comprehensive loss for the year	-	-	(2,441,431)	(2,441,431)
As at 31 st December 2019	<u>1,058,388</u>	<u>22,565,286</u>	<u>(4,514,108)</u>	<u>19,109,566</u>
Company	Called Up Share Capital £	Share Premium Account £	Retained Earnings £	Total £
As at 1 st January 2018	1,058,388	22,565,286	(1,223,393)	22,400,281
Total comprehensive loss for the year	-	-	(2,768,103)	(2,768,103)
As at 31 st December 2018	<u>1,058,388</u>	<u>22,565,286</u>	<u>(3,991,496)</u>	<u>19,632,178</u>
As at 1 st January 2019	1,058,388	22,565,286	(3,991,496)	19,632,178
Total comprehensive loss for the year	-	-	(3,969,190)	(3,969,190)
As at 31 st December 2019	<u>1,058,388</u>	<u>22,565,286</u>	<u>(7,960,686)</u>	<u>15,662,988</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December 2019

1. Principal accounting policies

The principal accounting policies are as follows:

Accounting convention

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

Standards in effect in 2019 adopted by the Group

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the Company.

- IFRS 16 Leases took effect from 1st January 2019 and has been adopted for the year ended 31st December 2019. The Group has chosen to use the modified retrospective approach, recognising transitional adjustments on the date of initial application (i.e. 1st January 2019) without restatement of the comparative figures. Leases which the Group were party to were previously classified as operating leases or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership to the lessee. Under IFRS 16 the Group now recognises right of use assets and lease liabilities for leases other than those for low value assets or for short term leases of 12 months or less.

Note 9 provides detail of the effect of the changes, but as at 31st December 2019 they have increased assets by £296,974 and increased liabilities by £229,523 with a net increase in net assets of £67,451.

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

New and Revised Standards

IFRS in issue but not applied in the current financial statements.

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective and, in some cases, have not yet been adopted by the EU. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business) IAS 28 (amendments) 'Investments in Associates and Joint Ventures'
- Revised Conceptual Framework for Financial Reporting

The directors do not expect that the adoption the Standards listed above will have a material impact on the Group in future periods.

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

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 testing. 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, 206 Marylebone and 36-38 Berkeley Square.

The Company and Group also have the support of their intermediate parent company ADFG LLC as evidenced by the loan agreement detailed in note 13.

The Directors have prepared detailed cash flow projections for the period up to 31st December 2025 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.

The Directors have considered the impact of the COVID-19 pandemic, and the measures taken to contain it, on the activities of the Group. Although the ultimate impact cannot currently be quantified, due to the nature of the Group's activities there has not been any significant impact on the Group to date and the Directors therefore do not consider there will be any significant effect on the ability of the Group to continue in business and meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2019 (Continued)

1. Principal accounting policies (continued)

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 financial assets at fair value through OCI; and
- 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.

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 and right to use asset	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.

A loss allowance is recognised on initial recognition of financial assets held at amortised cost, based on expected credit losses, and is re-measured annually with changes appearing in profit or loss. Where there has been a significant increase in credit risk of the financial instrument since initial recognition, the loss allowance is measured based on lifetime expected losses. In all other cases, the loss allowance is measured based on 12-month expected losses. For assets with a maturity of 12 months or less, including trade receivables, the 12-month expected loss allowance is equal to the lifetime expected loss allowance.

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. Revenue for providing services is recognised in the accounting period in which the services are rendered. 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 includes rental income generated by inventories held, recognised in accordance with the leases for the period within the year.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the client pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2019 (Continued)

1. Principal accounting policies (continued)

Revenue (continued)

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 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 in accordance with IFRS 16 Leases.

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.

Financial assets

The Group classifies its financial assets as either financial assets measured at amortised cost, fair value through profit and loss or fair value through Other Comprehensive Income (OCI).

Financial assets at fair value through OCI 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.

Financial assets at fair value through OCI are shown at fair value at each reporting date with changes in fair value being shown in OCI. In cases where the Group can reliably estimate fair value, 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 financial assets at fair value through OCI 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)/profit.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December 2019 (Continued)

1. Principal accounting policies (continued)

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.

Financial assets at amortised cost

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.

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

3. Investment revenue

	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018
	£	£
Dividends received from financial assets at fair value through OCI	-	-

4. Finance costs

	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018
	£	£
Interest on:		
Borrowings from the bank	82,880	197,921
Borrowings from related parties	43,491	-
Finance lease	730	241
Lease - right of use asset	29,959	-
Other interest	3,356	24
Withholding tax	8,698	-
	<u>169,114</u>	<u>198,186</u>

**Notes to the Consolidated Financial Statements
For the year ended 31st December 2019 (Continued)**

5. Loss before taxation

	Year ended 31 st Dec 2019 £	Year ended 31 st Dec 2018 £
Loss before taxation is stated after charging/(crediting):		
Depreciation and amounts written off property, plant and equipment:		
Owned assets	187,954	187,280
Leased assets	395,791	-
Operating lease rentals:		
Land and buildings	-	170,888
Foreign exchange (gain)/loss	(321)	1,998
Inventories recognised as an expense	<u>682,095</u>	<u>290,493</u>
Fees payable to the Company's auditors for:		
- the audit of the Company's annual accounts	59,320	58,390
Fees payable to the Company's auditors for other services to the Group:		
- the audit of the Company's subsidiaries	<u>35,680</u>	<u>36,610</u>
Total audit fees	<u>95,000</u>	<u>95,000</u>
Fees payable to the Company's auditors for:		
- other taxation advisory services	-	-
- other services	<u>60,000</u>	<u>1,444</u>
Total other fees	<u>60,000</u>	<u>1,444</u>

6. Employees

	Year Ended 31 st Dec 2019 Number	Year ended 31 st Dec 2018 Number
The average weekly number of employees (including Directors) during the year was:		
Office and management	14	22
Design and management	<u>14</u>	<u>21</u>
	<u>28</u>	<u>43</u>
Staff costs for the above employees:		
Wages and salaries	2,423,604	3,178,161
Social security costs	301,410	395,495
Other pension costs - money purchase schemes	<u>142,015</u>	<u>157,481</u>
	<u>2,867,029</u>	<u>3,731,137</u>
Remuneration in respect of Directors was as follows:		
Aggregate emoluments (including benefits in kind)	525,505	854,925
Other fees	<u>(17,500)</u>	<u>30,000</u>
	<u>508,005</u>	<u>884,925</u>
Company contribution to money purchase pension schemes	<u>9,450</u>	<u>16,600</u>

Notes to the Consolidated Financial Statements For the year ended 31st December 2019 (Continued)

6. Employees (continued)

	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018
	£	£
Remuneration in respect of the highest paid Director was as follows:		
Aggregate emoluments (including benefits in kind)	483,563	824,925
Company contribution to money purchase pension scheme	9,450	16,600
	<u>493,013</u>	<u>841,525</u>

The total emoluments of £483,563 (2018: £824,925) above includes bonuses of £162,500 (2018: £100,000) and long-term incentive plan (LTIP) costs of £nil (2018: £414,851).

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

7. Taxation

	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018
	£	£
(a) Analysis of charge in year		
<i>Current tax:</i>		
Corporation tax charge	-	(4,366)
Total current tax	<u>-</u>	<u>(4,366)</u>
<i>Deferred tax:</i>		
Deferred tax charge	-	117,463
Total deferred tax charge	<u>-</u>	<u>117,463</u>
Total tax charge	<u>-</u>	<u>113,097</u>

(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 19% (2018: 19%).

The differences are explained below:

	Year ended 31 st Dec 2019	Year ended 31 st Dec 2018
	£	£
Loss on ordinary activities before tax	<u>(2,441,431)</u>	<u>(713,835)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax of 19% (2018: 19%)	(463,872)	(135,629)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	21,530	60,347
Depreciation in excess of capital allowances	93,296	15,230
Other timing differences	(17,022)	24,574
Loss carried forward	366,068	35,478
Overprovision in prior year	-	(4,366)
Current tax charge for the year	<u>-</u>	<u>(4,366)</u>

(c) Factors that may affect future tax charges

The standard rate of corporation tax was reduced to 19% from 1st April 2017 and will be reduced to 17% from 1st April 2021.

Notes to the Consolidated Financial Statements For the year ended 31st December 2019 (Continued)

8. Goodwill

Group	31 st Dec 2019 £	31 st Dec 2018 £
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% (2018: 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 nil (2018: 2% to 6.7%) for the N Studio Limited interior design and architecture business, as this business will be significantly reduced going forward.

Sensitivity analysis

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

- A 26.2% absolute increase in the discount rate to 32.2% for the latter five year period (2018: 56.7% absolute increase to 62.7%)
- A 16.93% decrease in the development revenue cash flows over the five year period (2018: 7.33% decrease)
- A 32.14% increase in operational costs cash flows over the five year period (2018: 10.84%)

Notes to the Consolidated Financial Statements
For the year ended 31st December 2019 (Continued)

9. Property, plant and equipment

Group	Leasehold Improvements	Fittings and Office Equipment	Computer Equipment	Right of Use Assets	Total
Cost	£	£	£	£	£
At 1 st January 2018	1,160,438	68,656	323,662	-	1,552,756
Additions	64,018	34,269	17,550	-	115,837
Disposals	-	(19,032)	(134,387)	-	(153,419)
At 31 st December 2018	1,224,456	83,893	206,825	-	1,515,174
Additions	-	-	12,134	-	12,134
Disposals	-	(17,552)	(74,920)	-	(92,472)
Adjustment on transition to IFRS 16	-	-	-	692,765	692,765
At 31 st December 2019	1,224,456	66,341	144,039	692,765	2,127,601
Depreciation					
At 1 st January 2018	786,837	58,562	255,654	-	1,101,053
Charge for the year	142,486	11,071	33,723	-	187,280
Disposals	-	(19,032)	(134,387)	-	(153,419)
At 31 st December 2018	929,323	50,601	154,990	-	1,134,914
Charge for the year	146,322	9,699	31,933	395,791	583,745
Disposals	-	(12,552)	(74,921)	-	(87,473)
At 31 st December 2019	1,075,645	47,748	112,002	395,791	1,631,186
Net book value					
At 31 st December 2019	148,811	18,593	32,037	296,974	496,415
At 31 st December 2018	295,133	33,292	51,835	-	380,260
At 31 st December 2017	373,601	10,094	68,008	-	451,703

**Notes to the Consolidated Financial Statements
For the year ended 31st December 2019 (Continued)**

9. Property, plant and equipment (continued)

Company	Leasehold Improvements	Fittings and Office Equipment	Computer Equipment	Right of Use Assets	Total
Cost	£	£	£	£	£
At 1 st January 2018	1,218,918	-	19,953	-	1,238,871
Additions	64,018	-	-	-	64,018
At 31 st December 2018	1,282,936	-	19,953	-	1,302,889
Additions	-	-	-	-	-
Adjustment on transition to IFRS 16	-	-	-	692,765	692,765
At 31 st December 2019	1,282,936	-	19,953	692,765	1,995,654
Depreciation					
At 1 st January 2018	786,837	-	2,494	-	789,331
Charge for the year	142,486	-	4,988	-	147,474
At 31 st December 2018	929,323	-	7,482	-	936,805
Charge for the year	146,322	-	4,988	395,791	547,101
At 31 st December 2019	1,075,645	-	12,470	395,791	1,483,906
Net book value					
At 31 st December 2019	207,291	-	7,483	296,974	511,748
At 31 st December 2018	353,613	-	12,471	-	366,084
At 31 st December 2017	432,081	-	17,459	-	449,540

Assets with a net book value of £7,483 (2018: £12,471) are held under finance lease or hire purchase contracts.

Following the adoption of IFRS 16, right of use assets, being the present value of the lease payments over the remaining life of the lease, have been recognised as set out above. The right of use assets and corresponding lease liability have been calculated using a discount rate of 6%. The depreciation of the assets and interest charge are recognised in the Consolidated Income Statement in the year and the buildings maturity analysis of lease liabilities at 1st January 2019 is detailed in note 16.

10. Investments

(a) Financial assets at fair value through Other Comprehensive Income

Group	31 st Dec 2019	31 st Dec 2019	31 st Dec 2018	31 st Dec 2018
	£	£	£	£
At 1 st January		10,000,004		10,000,004
Disposals	-	-	-	-
Net movement transferred to comprehensive income	-	-	-	-
At 31 st December		10,000,004		10,000,004
Net book value				
At 31 st December		10,000,004		10,000,004

**Notes to the Consolidated Financial Statements
For the year ended 31st December 2019 (Continued)**

10. Investments (continued)

(b) Other investments

Company	Subsidiary Undertakings £	Other Investments £	Total £
Cost			
At 1 st January 2019	14,492,683	10,000,000	24,492,683
Disposals	-	-	-
As at 31 st December 2019	<u>14,492,683</u>	<u>10,000,000</u>	<u>24,492,683</u>
Impairment			
At 1 st January 2019	6,486,371	-	6,486,371
Impairment in the year	-	-	-
As at 31 st December 2019	<u>6,486,371</u>	<u>-</u>	<u>6,486,371</u>
Net book value as at 31st December 2019	<u>8,006,312</u>	<u>10,000,000</u>	<u>18,006,312</u>
Net book value as at 31st December 2018	<u>8,006,312</u>	<u>10,000,000</u>	<u>18,006,312</u>

Company	Subsidiary Undertakings £	Other Investments £	Total £
Cost			
At 1 st January 2018	14,492,683	10,000,000	24,492,683
Disposals	-	-	-
As at 31 st December 2018	<u>14,492,683</u>	<u>10,000,000</u>	<u>24,492,683</u>
Impairment			
At 1 st January 2018	6,486,371	-	6,486,371
Impairment in the year	-	-	-
As at 31 st December 2018	<u>6,486,371</u>	<u>-</u>	<u>6,486,371</u>
Net book value as at 31st December 2018	<u>8,006,312</u>	<u>10,000,000</u>	<u>18,006,312</u>
Net book value as at 31st December 2017	<u>8,006,312</u>	<u>10,000,000</u>	<u>18,006,312</u>

Notes to the Consolidated Financial Statements For the year ended 31st December 2019 (Continued)

10. Investments (continued)

(c) Group shareholdings

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

<u>Subsidiary undertakings</u>	<u>Holding</u>	<u>Proportion held</u>	<u>Nature of Business</u>
Waterloo Investments Limited	Ordinary shares	100%	Development management services
N Studio Limited	Ordinary shares	100%	Architecture and interior design
Northacre Development Management Services Limited	Ordinary shares	100%	Dormant
Nilsson Architects Limited	Ordinary shares	100%	Dormant
Northacre Capital (5) Limited	Ordinary shares	100%	Dormant
Northacre Capital (7) Limited	Ordinary shares	100%	Property development
Lancaster Gate (Hyde Park) Limited	Ordinary Shares	100%	Dormant – in liquidation
N Property Consultants Limited	Ordinary shares	100%	Dormant

The registered office of all of the above companies is 8 Albion Riverside, 8 Hester Road, London SW11 4AX. Northacre Capital (3) Limited was dissolved on 28th January 2020.

11. Inventories

	Group	
	31st Dec 2019	31st Dec 2018
	£	£
Stock	5,010,647	10,647
Work in progress	-	5,699,975
	<u>5,010,647</u>	<u>5,710,622</u>

The Company had no stock or work in progress in either the prior or current reporting period. Inventories include capitalised borrowing costs of £148,046 (2018: £148,046).

12. Trade and other receivables

	Group		Company	
	31st Dec 2019	31st Dec 2018	31st Dec 2019	31st Dec 2018
	£	£	£	£
Trade receivables	115,806	202,712	-	-
Amounts owed by group undertakings	33,230	-	3,385,161	3,790,564
Other receivables	109,938	110,184	109,800	158,165
Prepayments and accrued income	98,230	298,061	54,138	65,715
	<u>357,204</u>	<u>610,957</u>	<u>3,549,099</u>	<u>4,014,444</u>

The Directors consider that the carrying value of trade and other receivables represents its fair value. A loss allowance is recognised on initial recognition of financial assets held at amortised costs based on expected credit losses and is re-measured annually with changes appearing in the profit and loss account.

13. Trade and other payables

	Group		Company	
	31st Dec 2019	31st Dec 2018	31st Dec 2019	31st Dec 2018
	£	£	£	£
Trade payables	101,084	119,532	100,494	91,600
Amounts owed to group undertakings	1,961,897	760,824	5,429,896	2,216,437
Social security and other taxes	247,105	169,977	198,205	16,121
Other payables	4,878	3,464	4,088	2,966
Accruals and deferred income	1,419,574	1,394,773	469,631	482,919
	<u>3,734,538</u>	<u>2,448,570</u>	<u>6,202,314</u>	<u>2,810,043</u>

On 29th August 2019, Northacre Limited signed a loan agreement with Abu Dhabi Financial Group LLC (ADFG LLC), its intermediate parent company. The loan facility is for up to the limit of £4,000,000 and incurs interest of 8% per annum. An initial principal amount of £1,123,406 represented a net balance due to ADFG LLC from Northacre Limited as at 31st July 2019. As of 31st December 2019, a further £700,000 of the facility was utilised. A total of £43,491 of interest accrued as at 31st December 2019 is included in amounts owed to group undertakings. The loan was repaid in February 2020.

Notes to the Consolidated Financial Statements For the year ended 31st December 2019 (Continued)

14. Borrowings, including lease finance

Current liabilities	Group		Company	
	31 st Dec 2019	31 st Dec 2018	31 st Dec 2019	31 st Dec 2018
	£	£	£	£
Bank loan	1,450,000	400,000	-	-
Lease liability	200,838	6,982	200,838	6,982
	<u>1,650,838</u>	<u>406,982</u>	<u>200,838</u>	<u>6,982</u>

A loan facility of £3,150,000 was made available by the Royal Bank of Scotland from the 19th September 2014 to Northacre Capital (7) Limited in respect of the property at 22 Prince Edward Mansions. The loan was available on a drawdown basis and incurred interest at 4.25% above the LIBOR rate. The loan was extended in June 2017 for further 12 months. The loan extension terms included the repayment of £100,000 of principal and any accrued interest and loan fees on a quarterly basis.

Quarterly repayments of capital and interest were processed in the period January 2018 to August 2018 and the remaining loan balance of £1,950,000 was fully repaid and refinanced in August 2018. A new loan of £1,950,000 was agreed for a further 24 months and it was drawn down in August 2018. The loan incurs interest at 4.25% above the LIBOR rate and as at 31st December 2019 £11,466 of interest (2018: £15,443) and £32,000 of bank charges (2018: £32,000) were included in accruals and deferred income. The new loan terms included the repayment of £100,000 of principal and any accrued interest and loan fees on a quarterly basis. As of 31st December 2019, £500,000 of principal (2018: £100,000) and £111,710 of interest (2018: £24,853) were repaid. The balance of £1,450,000 at the year-end (2018: £400,000) represents repayment due on the loan facility within one year. The outstanding principal and interest were repaid in full on 30th January 2020 following completion.

The loan is secured via a first legal charge over 22 Prince Edwards Mansions, a guarantee for £669,071 (2018: £669,071) given by Northacre Limited and a charge over certain cash balances.

15. Borrowings, including lease finance

Non-current liabilities	Group		Company	
	31 st Dec 2019	31 st Dec 2018	31 st Dec 2019	31 st Dec 2018
	£	£	£	£
Bank loan	-	1,450,000	-	-
Lease liability	32,458	3,773	32,458	3,773
	<u>32,458</u>	<u>1,453,773</u>	<u>32,458</u>	<u>3,773</u>

£1,450,000 included in 2018 represented repayment due in more than one year on the loan facility detailed in note 14.

16. Future financial commitments

Lease commitments – Land and Buildings

	Group		Company	
	31 st Dec 2019	31 st Dec 2018	31 st Dec 2019	31 st Dec 2018
	£	£	£	£
	Land & Buildings	Land & Buildings	Land & Buildings	Land & Buildings
Net amount payable on operating leases due:				
Within one year	193,800	476,301	193,800	476,301
In two to five years	32,928	335,029	32,928	335,029
In over five years	-	-	-	-
	<u>226,728</u>	<u>811,330</u>	<u>226,728</u>	<u>811,330</u>

Lease commitments - Other

	Group		Company	
	31 st Dec 2019	31 st Dec 2018	31 st Dec 2019	31 st Dec 2018
	£	£	£	£
	Other	Other	Other	Other
Net amount payable on operating leases due:				
Within one year	12,528	17,480	12,237	16,316
In two to five years	-	12,528	-	12,237
In over five years	-	-	-	-
	<u>12,528</u>	<u>30,008</u>	<u>12,237</u>	<u>28,553</u>

Notes to the Consolidated Financial Statements For the year ended 31st December 2019 (Continued)

17. Capital commitments

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

18. Equity

Share capital	31 st Dec 2019 £	31 st Dec 2018 £
Called up, allotted and fully paid: 42,335,538 (2018: 42,335,538) Ordinary shares of 2.5p each	1,058,388	1,058,388
	<u>1,058,388</u>	<u>1,058,388</u>
Share premium account and reserves		Share premium £
At 1 st January 2019 and 31 st December 2019		<u>22,565,287</u>

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

19. 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 £172,817 (2018: £73,059).

20. Reconciliation of liabilities arising from financing activities

	Non-current borrowings £	Current borrowings £	Lease liabilities £	Total £
1st January 2019	1,450,000	400,000	10,755	1,860,755
Cashflows:				
Repayments	-	(400,000)	(470,224)	(870,224)
Non-cash:				
Adjustment on transition to IFRS 16	-	-	692,765	692,765
Reclassification	(1,450,000)	1,450,000	-	-
31st December 2019	-	1,450,000	233,296	1,683,296
	<u>-</u>	<u>1,450,000</u>	<u>233,296</u>	<u>1,683,296</u>
	Non-current borrowings £	Current borrowings £	Lease liabilities £	Total £
1st January 2018	-	2,250,000	17,045	2,267,045
Cashflows:				
Repayments	-	(400,000)	(6,290)	(406,290)
Non-cash:				
Reclassification	1,450,000	(1,450,000)	-	-
31st December 2018	1,450,000	400,000	10,755	1,860,755
	<u>1,450,000</u>	<u>400,000</u>	<u>10,755</u>	<u>1,860,755</u>

Notes to the Consolidated Financial Statements For the year ended 31st December 2019 (Continued)

21. 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:

Related Party	Nature of Relationship	Year ended 31 st Dec 2019		Year ended 31 st Dec 2018		Nature of Transactions
		£	£	£	£	
		Total transactions in the year	Balance at the year end Due (to)/from	Total transactions in the period	Balance at the period end Due (to)/from	
E.B. Harris	1	-	(30,000)	30,000	(30,000)	Non-executive Directors' fees for the year to 31 st December 2018 provided through Arcadis LLP.
A. de Rothschild	2	17,500	-	-	(17,500)	Non-executive Directors' fees for the period July 2013 to February 2014. Not claimed and written back in the year.
ADCM Limited	3	300,833	-	-	(500,000)	Consultancy fee charged during the year. On 29 th August 2019 the £800,833 balance due to ADCM Limited was converted into a loan with ADFG LLC.
ADCM Limited	3	28,638	-	122,073	(122,073)	Expenses charged by ADCM Limited. On 29 th August 2019 the £150,757 balance due was converted into a loan with ADFG LLC.
ADFG LLC	4	33,065	-	523,924	(523,924)	N Studio Abu Dhabi office costs charged during the year for rent, service charge and construction cost. On 29 th August 2019 the £556,989 balance due was converted into a loan between Northacre Limited and ADFG LLC.
ADFG LLC	4	-	-	8,711	385,173	Astrea Asset Management Limited expenses paid on behalf of ADFG LLC. £385,173 represented an amount due from ADFG LLC as at 31 st December 2018. On 29 th August 2019 the amount was converted into a loan with ADFG LLC.
ADFG LLC	4	(43,491)	(1,866,897)	-	-	Loan balance due to ADFG LLC. A loan facility agreement was signed on 29 th August 2019 converting all balances due to ADFG LLC from the Northacre Group as at 31 st July 2019. The balance includes £49,491 of interest charged during the year at 8% per annum.
ADFG LLC	4	33,700	-	-	-	Design fees charged by N Studio Limited to ADFG LLC.
ADFG LLC	4	95,000	(95,000)	-	-	Board fees charged by ADFG LLC for the period July 2019 to December 2019. The £95,000 balance was outstanding at year end.
Palace Revive Development Limited	5	25,000	-	2,028,749	-	Development management fees and accounting fee charged during the year as per the development management agreement.

Notes to the Consolidated Financial Statements For the year ended 31st December 2019 (Continued)

21. Related party transactions (continued)

Related Party	Nature of Relationship	Year ended 31 st Dec 2019		Year ended 31 st Dec 2018		Nature of Transactions
		£	£	£	£	
		Total transactions in the year	Balance at the year end Due (to)/from	Total transactions in the period	Balance at the period end Due (to)/from	
Palace Revive Development Limited	5	13,019	2,731	80,035	650	Expenses charged to Palace Revive Development Limited during the year.
Palace Real Estate Partners LP	6	-	10,000,000	-	10,000,000	Amount invested by Northacre Limited into Palace Real Estate Partners LP to develop the 1 Palace Street development,
BL Development Limited	7	2,550,000	-	2,500,000	-	Development management fees and accounting fee charged during the year as per the development management agreement.
BL Development Limited	7	10,620	1,074	46,923	552	Expenses charged to BL Development Limited during the year.
BL Development Limited	7	92,700	92,700	-	-	Sales fee charged to BL Development Limited due on exchange of apartments in December 2019.
J. Alseddiqi	8	-	-	100,970	-	Interior design fees invoiced by and paid to N Studio Limited.
Astrea Asset Management Limited	9	483,235	33,230	-	-	Project management fees charged to Astrea Asset Management Limited. £33,230 represents the amount accrued and due at the year end.
Astrea Asset Management Limited	9	-	-	-	-	Northacre Limited received an interest free loan of £140,000 from Astrea Asset Management Limited in May 2019. The full amount was repaid in December 2019.

Nature of Relationships

- 1 E.B. Harris was a Director of the Company and is a member of Arcadis LLP (resigned on 31st December 2018).
- 2 A. de Rothschild was a Director of the Company (resigned on 11th February 2014).
- 3 ADCM Limited is a fully owned subsidiary of ADFG LLC, the intermediate parent company.
- 4 SHUAA Capital PSC is the 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 Limited 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 SHUAA Capital PSC,
- 9 Astrea Asset Management Limited is a subsidiary of ADFG LLC, the intermediate parent company.

Notes to the Consolidated Financial Statements For the year ended 31st December 2019 (Continued)

21. Related party transactions (continued)

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).

Related Party	Nature of Relationship	Year ended 31 st Dec 2019		Year ended 31 st Dec 2018		Nature of Transactions
		£	£	£	£	
		Total transactions in the year	Balance at the year end Due (to)/from	Total transactions in the period	Balance at the period end Due (to)/from	
Group entities	1	323,583	-	321,499	-	Management fees receivable in the year from Group subsidiaries provided at arm's length.
Group entities	1	(49,998)	-	(35,583)	-	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 12 and 13 of the Consolidated Financial Statements.

22. Immediate and ultimate parent undertakings

The immediate parent undertaking is Spadille Limited, a company incorporated in Jersey. The intermediate and ultimate parent undertakings are Abu Dhabi Financial Group LLC and SHUAA Capital PSC, companies incorporated in the United Arab Emirates.

23. Events after the balance sheet date

On 30th January 2020 the Group sold the property at 22 Prince Edwards Mansion which was included in inventories at 31st December 2019 for £5m. On a same day the Group repaid in full its outstanding loan and interest balance with Royal Bank of Scotland.