

Company Registration No. 4599607

**MASSHOUSE DEVELOPMENTS
LIMITED**

Report and Financial Statements

31 December 2006

WEDNESDAY



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MASSHOUSE DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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MASSHOUSE DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

Officers and professional advisers

Directors

J E Kendrick

N S Payne

J M Rowney

S C Sanders

F P Reil

S P Robinson

S E Reynolds (appointed 3 September 2007, resigned 30 October 2007)

Secretary

S P Garnett

Registered Office

Enterprise House

28 Parkway

Deeside Industrial Park

Deeside

Flintshire

CH5 2NS

Bankers

Royal Bank of Scotland

1 Dale Street

Liverpool

L2 2PP

Solicitors

Eversheds

115 Colmore Row

Birmingham

B3 3AL

Auditors

Deloitte & Touche LLP

Chartered Accountants

Liverpool

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

The directors' report has been prepared in accordance with the special provisions relating to small companies under Section 246(4) of the Companies Act 1985

Activities

The company is involved in the development of a site in Birmingham

During the current year, the first residential block under construction was nearing completion and the second residential block is due to commence in 2007. The remainder of the site is being run as a temporary car park

Review of developments

The company's profit for the year after taxation amounted to £2,032,692 (2005 £84,064). This has been achieved primarily due to the sale of apartments in the first block

Dividends

The directors do not recommend the payment of a dividend (2005 - £nil)

Future prospects

The directors are confident about the future prospects of the company

Directors and their interests

The directors who held office during the period and thereafter are shown on page 1

None of the directors held any of the ordinary shares of the company

Auditors

In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



Secretary

30 OCTOBER 2006

MASSHUSE DEVELOPMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASSHOUSE DEVELOPMENTS LIMITED

We have audited the financial statements of Masshouse Developments Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, and balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

We read the other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

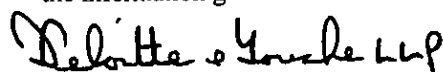
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



31 October 2007

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Liverpool

United Kingdom

MASSHUSE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

	Note	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Turnover	1	18,842,891	1,835,010
Cost of sales		(15,451,449)	(1,384,018)
Gross profit		3,391,442	450,992
Administrative expenses		(514,166)	(277,210)
Operating profit	2-3	2,877,276	173,782
Interest payable and similar charges	4	-	(55,246)
Bank interest receivable		28,788	3,060
Profit on ordinary activities before taxation	2-3	2,906,064	121,596
Tax on profit on ordinary activities	5	(873,372)	(37,532)
Retained profit for the year	14	2,032,692	84,064
Retained profit brought forward		45,304	(38,760)
Retained profit carried forward		2,077,996	45,304

There are no recognised gains or losses for the current or preceding year other than as stated above. Accordingly, no separate statement of total recognised gains and losses has been prepared.

All the results derive from continuing operations.

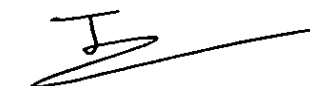
MASSHOUSE DEVELOPMENTS LIMITED

BALANCE SHEET 31 December 2006

	Note	£	2006 £	£	2005 £
Fixed assets					
Tangible assets	6		12,858		18,283
Investments	7		4		4
			<u>12,862</u>		<u>18,287</u>
Current assets					
Stocks	8	16,937,714		19,749,397	
Debtors	9	389,113		248,160	
Cash		763,498		380,683	
		<u>18,090,325</u>		<u>20,378,240</u>	
Creditors: amounts falling due within one year	10	<u>(3,351,318)</u>		<u>(1,956,765)</u>	
Net current assets			14,739,007		18,421,475
Total assets less current liabilities			14,751,869		18,439,762
Creditors: amounts falling due after more than one year	11		<u>(12,673,869)</u>		<u>(18,394,454)</u>
Net assets			<u>2,078,000</u>		<u>45,308</u>
Capital and reserves					
Called up share capital	13		4		4
Profit and loss account			<u>2,077,996</u>		<u>45,304</u>
Equity shareholders' funds	14		<u>2,078,000</u>		<u>45,308</u>

These financial statements were approved by the Board of Directors on *30 October 2007*

Signed on behalf of the Board of Directors



Director

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Stocks

Stocks are stated at the lower of cost and net realisable value and includes those financial costs which are directly attributable to the construction of the assets classified as stock.

Cashflow statement

As the company is defined as a small company under Sections 246 and 247 of the Companies Act 1985 the directors have not prepared a cashflow statement as permitted by Financial Reporting Standard No 1.

Group accounts

No group accounts have been prepared on the basis that the group is exempt on the grounds of being small sized.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation on provided is all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and fittings	3-4 years
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Investments

Fixed asset investments are shown as cost less provision for impairments.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that resulting an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statement.

A net deferred tax is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year from the sale of apartments, the temporary car park and advertising hoardings. The prior year turnover included the granting of a non-refundable deposit.

Turnover from the sale of apartments is recognised on legal completion of the sale. Reservation fees are recognised when the contract is legally complete or if the reservation fee is paid and the purchaser then decides not to exchange contracts.

Turnover from the temporary car park and advertising hoardings are recognised on a receivable basis.

The grant option in the prior year is in favour of The First Secretary of State to take an underlease and sub-development agreement of part of the development area in Birmingham. The option fee was non-refundable.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activity before taxation is stated after charging

	2006 £	2005 £
Depreciation	7,663	6,844
Audit	12,000	6,000
Work in progress write-off (due to change in development plans)	-	1,298,999

The work in progress write-off in the prior year related to the granting of an option over part of the development area (see note 1). The holder of the grant is entitled to acquire this part of the development area, in the period ending 31 December 2007, and during this time the use of the land is restricted. The write-off therefore relates to the costs incurred on the plans for this part of the development area prior to the granting of the option. The company will generate a significant profit on disposal of the land if the option is exercised.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration during the period from the company (2005 same). The company does not employ any staff (2005 same).

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank interest	-	55,246
Finance costs capitalised in the year	687,790	84,103
Cumulative finance costs capitalised in stock	316,476	84,103

Included within cost of sales is £455,417 (2005 £nil) of capitalised finance costs.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

5. TAXATION

Analysis of tax charge	2006 £	2005 £
Current tax		
UK Corporation tax	(873,787)	(19,897)
Adjustment in respect of prior years	(600)	-
	<u>(874,387)</u>	<u>(19,897)</u>
Deferred tax		
Timing differences	1,015	(17,635)
Total deferred tax	<u>1,015</u>	<u>(17,635)</u>
Tax charge for the period	<u>(873,372)</u>	<u>(37,532)</u>

Factors affecting the current tax charge for the period

The tax assessed for the year is lower (2005 lower) than that resulting from applying the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before tax	2,906,064	121,596
Tax at 30% thereon	<u>(871,819)</u>	<u>(36,479)</u>
Effects of		
Expenses not deductible for tax purposes	(953)	(650)
Capital allowances in excess of depreciation	(1,015)	(566)
Movement in short term timing differences	-	17,798
Prior year adjustments	(600)	-
Current tax charge for the period	<u>(874,387)</u>	<u>(19,897)</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

6. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
Cost	
At 1 January 2006	26,300
Additions	2,238
At 31 December 2006	28,538
Depreciation	
At 1 January 2006	8,017
Charge for the year	7,663
At 31 December 2006	15,680
Net book value	
At 31 December 2006	12,858
At 31 December 2005	18,283

7. INVESTMENTS

	Subsidiary undertakings £
Cost	
At 1 January 2006 and 31 December 2006	4

The subsidiary undertakings at the end of the year and the nature of their business are

	Country of incorporation	Principal activity	Holding
Subsidiary undertakings			
Masshouse Block HI Limited	UK	Dormant	100%
Masshouse Block M Limited	UK	Dormant	100%
Masshouse Management Limited	UK	Dormant	100%
Masshouse Residential Block HI Limited	UK	Dormant	100%

8 STOCKS

	2006 £	2005 £
Construction in progress	16,937,714	19,749,397
Included in construction in progress		
Cumulative interest charges capitalised	316,476	84,103

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

9 DEBTORS

	2006	2005
	£	£
Amounts falling due within one year		
Amounts owed by Joint Venture Partners (see note 15)	4	4
Amounts owed by associated undertakings (see note 15)	49,229	49,229
Trade debtors	69,546	62,860
Prepayment and accrued income	89,774	17,847
Other debtors	180,560	118,220
	<u>389,113</u>	<u>248,160</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£	£
Bank loans (see note 15)	136,932	-
Amounts owed to associated undertakings (see note 15)	1,062,914	1,392,965
Trade creditors	371,931	383,465
Accruals and deferred income	907,476	161,745
Corporation tax	872,057	17,567
Deferred tax (see note 12)	8	1,023
	<u>3,351,318</u>	<u>1,956,765</u>

The bank loan is on standard terms and conditions with The Royal Bank of Scotland plc (associated undertaking of KUC Properties Limited). The bank loan is due for repayment on the earlier of the date of completion of the project or on 31 July 2007, and is secured by a first legal charge over the property and its associated assets and a subordination deed by KUC Properties Limited and David McLean Nikal Limited subordinating in favour of the Bank repayment of monies owed to them.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006	2005
	£	£
Bank loans (see note 15)	-	7,220,585
Loan stock repayable in more than 5 years (see note 15)	12,673,869	11,173,869
	<u>12,673,869</u>	<u>18,394,454</u>

The loan stock will be repayable in full on 31 December 2010 and are secured against the stocks and work in progress, held in the company. No interest is charged.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

12. DEFERRED TAXATION

	2006 £	2005 £
Opening balance	1,023	(16,612)
(Credit)/charge to the profit and loss account (see note 5)	(1,015)	17,635
Closing balance	<u>8</u>	<u>1,023</u>
Analysis of deferred tax balance:		
Capital allowances in excess of depreciation	<u>8</u>	<u>1,023</u>
	<u>8</u>	<u>1,023</u>

There is no un-provided deferred taxation balance (2005 same)

13. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised:		
500 A ordinary shares of £1 each	500	500
500 B ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
2 A ordinary shares of £1 each	2	2
2 B ordinary shares of £1 each	2	2
	<u>4</u>	<u>4</u>

Every member has one vote for every share of which it is the holder, except that neither class of share can vote for the removal of a director, without prior consultation with the other class. The members of each type of share can appoint up to four directors. The A ordinary shareholders are entitled to the first £2,000,000 of any dividends or distribution. The A and B shares in all other respects are identical and rank pari passu.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Result for the financial year	<u>2,032,692</u>	<u>84,064</u>
Net addition to shareholders' funds	2,032,692	84,064
Opening shareholders' funds/(deficit)	<u>45,308</u>	<u>(38,756)</u>
Closing shareholders' funds	<u>2,078,000</u>	<u>45,308</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

15. RELATED PARTY DISCLOSURES

The company is a joint venture between David McLean Nikal Limited and KUC Properties Limited. The following balances are included in debtors:

	2006 £	2005 £
David McLean Nikal Limited	2	2
KUC Properties Limited	2	2
David McLean Developments Limited (associated undertaking of David McLean Nikal Limited)	49,229	49,229

Included in creditors are the following balances:

	2006 £	2005 £
David McLean Nikal Limited	146,875	205,625
David McLean Contractors Limited (associated undertaking of David McLean Nikal Limited)	811,026	1,187,336
David McLean Homes Limited (associated undertaking of David McLean Nikal Limited)	105,009	-
Masshouse Block M Limited (subsidiary)	1	1
Masshouse Block M Limited (subsidiary)	1	1
Masshouse Management Limited (subsidiary)	1	1
Masshouse Residential Block H1 Limited (subsidiary)	1	1
The Royal Bank of Scotland plc (associated undertaking of KUC Properties Limited)	136,932	7,220,585
David McLean Nikal Limited (loan notes)	5,780,778	5,030,778
KUC Properties Limited (loan notes)	6,893,091	6,143,091

During the year the following transactions took place on an arm's length basis:

	£
Management fees (with David McLean Nikal Limited)	300,000
Work in progress costs - (with David McLean Contractors Limited)	10,630,663
- (with David McLean Homes Limited, associated undertaking of David McLean Nikal Limited)	105,009
Net interest (with The Royal Bank of Scotland plc)	686,332
Loan stock - (with KUC Properties Limited)	750,000
- (with David McLean Nikal Limited)	750,000

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

16 CONTROLLING PARTIES

The company is under the joint control of David McLean Nikal Limited and KUC Properties Limited. At 31 December 2006, David McLean Nikal Limited owned 2 "A" shares and KUC Properties owned 2 "B" shares.

David McLean Nikal Limited is under the joint control of David McLean (Holdings) Limited and Nikal Limited.

The ultimate holding company, ultimate controlling party and the parent of the largest group into which KUC Properties Ltd is consolidated, is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Copies of the financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The smallest subgroup into which KUC Properties Ltd is consolidated has as its parent company The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.