

Company Registration No. 4599607

**MASSHOUSE DEVELOPMENTS
LIMITED**

Report and Financial Statements

For the year ended 31 December 2009

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MASSHOUSE DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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MASSHOUSE DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

Officers and professional advisers

Directors

J E Kendrick (resigned 2 March 2009)
N S Payne
S C Sanders (resigned 11 August 2010)
F P Reil (resigned 11 March 2009)
S P Robinson
A R Stewart (resigned 11 August 2010)
L H Fennell (appointed 15 August 2010, resigned 23 December 2010)
B I M Turnbull (appointed 11 August 2010, resigned 23 December 2010)

Secretary

S P Robinson

Registered Office

Mynshulls House
14 Cateaton Street
Manchester
M3 1SQ

Bankers

The Royal Bank of Scotland
1 Dale Street
Liverpool
L2 2PP

Solicitors

Eversheds
115 Colmore Row
Birmingham
B3 3AL

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
Manchester
United Kingdom

MASSHUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Activities

The company is involved in the developments of two sites in Birmingham with a planning consent for circa 1,100,000 square foot of mixed use development. The development, when completed, will comprise a mixture of residential accommodation, grade A office accommodation, a hotel, a Magistrates Court and car parking.

Review of developments

As shown in the profit and loss account, the company has made a loss for the year of £2,410,764 (2008 £4,539,085). This loss has arisen as a result of exceptional items within cost of sales of £7,338,000 (2008 £4,176,000) relating to provisions for elements of the company's stock balance predominantly relating to its second residential block, as discussed in note 2 to the financial statements. Sales for the year have increased as a result of income recognised upon exercise of a development option previously granted to a customer.

The company is in a net liabilities position at the yearend date, as a result of the losses discussed above. The company is in a net current liabilities position as a result of loan notes payable within 12 months of the balance sheet date. As discussed in note 1 to the financial statements, the directors have received confirmation from the company's loan note holders that they will only seek repayment of part of all of the loan notes at such a time that the company is forecast to be able to meet and settle its other financial liabilities as they fall due for a period of at least 12 months and has sufficient surplus cash available with which to make a partial or full repayment. The balance sheet on page 7 also shows that at the year end the company had cash of £5,246,063 (2008 £1,069,636) and stocks of £6,268,036 (2008 £15,777,391).

At the year end date, the company was under the joint control of Evora Developments Limited and KUC Properties Limited. Further details regarding the ownership of the company and its controlling parties are given in note 19 to the financial statements.

Following the resolution of the issues arising in the prior year, created by the demise of David Mclean Contractors Limited who were appointed to construct the second residential block, the company has focused on managing the current market risks and has taken advantage of the opportunity to review the scheme designs and layouts before appointing a new contractor and to ensure that it meets the current market requirements.

The directors have worked to secure a new debt facility from the company's bankers and also secured grant funding from the HCA (Homes & Communities Agency) as part of the HCA's Kickstart Housing Delivery programme. McLaren Construction Limited has been appointed as the new contractor to complete the second residential building and under this arrangement, work recommenced during March 2010 and is forecast for practical completion in March 2011.

With new funding, a new contractor in place and an increase in quality of the final building the directors are optimistic that the second residential block will achieve its financial targets and enable further investment in future phases of the scheme.

Principal risk and uncertainties

Development costs

The nature of the company's projects means that the associated development costs are a significant area of management focus. Since the end of the year McLaren Construction Limited has entered into a contract to complete the second residential block and the necessary professional teams required to ensure the building is completed have been appointed. The estimated associated costs have been included in all the financial forecasts prepared by the directors.

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT (continued)

Liquidity

Since the end of the year the company has secured the HCA funding and negotiated a payment structure with the contractor which will provide sufficient funding to enable the completion of the building. The amounts secured under the HCA funding consist of a repayable amount of £3,239,000 and a grant amount of £4,126,000.

Economic factors affecting the property industry

The current economic conditions and pressure in the financial markets continue to impact on the value and affordability of residential property in city centres.

Whilst the directors are not in a position to influence the economic conditions, the support of the HCA has enabled the directors to review the quality of the product and the company's pricing policy to ensure that it is consistent with current market conditions and will better position the company to complete and sell the apartments in line with the company's forecasts.

Directors

The director who served during the year are thereafter set out on page 1.

Dividends

The directors can not recommend the payment of a dividend (2008 - same)

Future prospects

The directors are confident about the future prospects of the company, as outlined above.

Post balance sheet events

As discussed in note 20, since 31 December 2009, Buro Services Limited has acquired a 50% share of the issued share capital of Masshouse.

Going concern

The financial statements have been prepared on a going concern basis, as described in note 1 to the financial statements.

Auditors

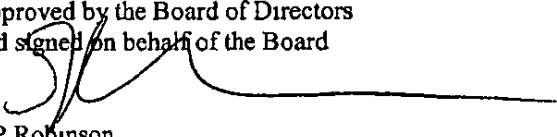
Each of the persons who is a director of the company at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors. Accordingly a resolution to re-appoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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


S P Robinson
Secretary

18 February 2011

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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). 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 company and of the profit or loss of the company 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF MASSHOUSE DEVELOPMENTS LIMITED

We have audited the financial statements of Masshouse Developments Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Debt, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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.



Jane Boardman (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom
18 February 2011

MASSHOUSE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	1	12,646,837	1,682,073
Cost of sales (including exceptional items of £7,338,000 in respect of the year ended 31 December 2009 (2008 £4,176,000) (see note 2))		(15,134,456)	(5,528,960)
Gross loss		(2,487,619)	(3,846,887)
Administrative expenses		(643,845)	(700,377)
Operating loss		(3,131,464)	(4,547,264)
Profit on the sale of subsidiaries		585,000	-
Interest receivable and similar income	4	120,700	43,292
Interest payable and similar charges	5	-	(189)
Loss on ordinary activities before taxation	2	(2,425,764)	(4,504,161)
Tax on loss on ordinary activities	6	15,000	(34,924)
Loss for the financial year	15,16	(2,410,764)	(4,539,085)

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 presented.

All the results derive from continuing operations.

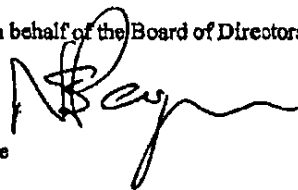
MASSHOUSE DEVELOPMENTS LIMITED

BALANCE SHEET As at 31 December 2009

	Note	£	2009 £	£	2008 £
Fixed assets					
Tangible assets	7		140		975
Investments	8		3		5
			<u>143</u>		<u>980</u>
Current assets					
Stocks	9	6,268,036		15,777,391	
Debtors	10	1,180,537		1,786,460	
Cash		<u>5,246,063</u>		<u>1,069,636</u>	
		12,694,636		18,633,487	
Creditors: amounts falling due within one year	11	(13,493,691)		(1,733,746)	
Net current (liabilities)/assets			(799,055)		16,899,741
Total assets less current liabilities			(798,912)		16,900,721
Creditors: amounts falling due after more than one year	12		(5,935,589)		(21,224,458)
Net liabilities			<u>(6,734,501)</u>		<u>(4,323,737)</u>
Capital and reserves					
Called up share capital	14		4		4
Profit and loss account	15		<u>(6,734,505)</u>		<u>(4,323,741)</u>
Shareholders' deficit	16		<u>(6,734,501)</u>		<u>(4,323,737)</u>

These financial statements for Masshouse Developments Limited (company registration number 4599607) were approved by the Board of Directors on 17 February 2011.

Signed on behalf of the Board of Directors



N S Payne
Director

MASSHOUSE DEVELOPMENTS LIMITED

CASH FLOW STATEMENT Year ended 31 December 2009

	Note	2009 £	2008 £
Net cash inflow/(outflow) from operating activities	17	7,524,324	(11,068,284)
Returns on investments and servicing of finance	17	(301,474)	(342,965)
Taxation		1,368,577	(232,241)
Disposal of subsidiaries		585,000	-
Cash inflow before financing		9,176,427	(11,643,490)
Financing	17	(5,000,000)	12,276,048
Increase in cash in the year		4,176,427	632,558

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Year ended 31 December 2009

	2009 £	2008 £
Increase in cash in the year	4,176,427	632,558
Cash flow from movement in debt financing	5,000,000	(12,276,048)
Reduction/(increase) in net debt resulting from cash flows	9,176,427	(11,643,490)
Net debt at 1 January	(20,154,822)	(8,511,332)
Net debt at 31 December	(10,978,395)	(20,154,822)

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted in both the current and prior year are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation and going concern

The company's business activities and the factors likely to affect its future development, performance and position are set out in the directors' report and in the financial statements, together with the financial position of the company, its cash flows, liquidity position and borrowing facilities.

The directors have reviewed their forecasts in light of the uncertainty presented by the current market conditions. These forecasts have been prepared for a period of at least 12 months from the date of this report. The company's major development is scheduled for practical completion by the end of March 2011 and the company is then due to make payment to the subcontractor during April 2011. The directors anticipate that this payment will be met through a combination of existing cash reserves and income received from sales of residential accommodation units, sales of retail units, and sale of ground rents. Whilst the directors acknowledge that current market conditions present a degree of uncertainty over the forecast income, the company currently has contracts of exchange on a number of residential units which are forecast to contribute to the cash required to meet payments to the subcontractor. The directors have also reviewed the local property market and believe that their income forecasts are reasonable in that light. Therefore the directors have a reasonable expectation of being able to make payment to the contractor when it falls due.

Whilst the loan stock was technically repayable in December 2010, the directors have received confirmation from the company's loan note holders that they will only seek repayment of part of all of the loan notes at such a time that the company is forecast to be able to meet and settle its other financial liabilities as they fall due for a period of at least 12 months and has sufficient surplus cash available with which to make a partial or full repayment.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Stocks

Stocks are stated at the lower of cost and net realisable value and include those financial costs which are directly attributable to the construction of the assets classified as stock. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on 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 any provision for impairment.

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.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 also includes the granting of a non-refundable deposit relating to the extension of an option. Turnover for both 2009 and 2008 was wholly derived in the UK from the company's principal activities.

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 non-refundable 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.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Finance costs which are directly attributable to the construction of assets within stock are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activity before taxation is stated after charging

	2009 £	2008 £
Depreciation	835	4,472
Exceptional items charged to operating profit		
Provisions for impairment of stock	7,338,000	4,176,000
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual accounts	9,000	9,000
Fees payable to the company's auditors for other services		
Tax services	13,000	3,000

As a result of the decline in property values in the current economic climate, the company has made provisions for elements of its stock balance predominantly relating to its second residential block and site costs for a further development. Both of these provisions were based on estimates of the net realisable value of the sites at the balance sheet date. The value of these provisions for stock totalled £7,338,000 (2008 £4,176,000).

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration during the year from the company (2008 same) The company does not employ any staff (2008 same)

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £	2008 £
Bank interest	23,387	43,292
Other interest	97,313	-
	<u>120,700</u>	<u>43,292</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Interest paid	-	189
Interest paid on loans	422,174	386,068
Capitalised to stock	<u>(422,174)</u>	<u>(386,068)</u>
Bank interest charged to profit and loss account	<u>-</u>	<u>189</u>

Included within cost of sales is £182,319 (2008 £55,115) of previously capitalised finance costs

6. TAXATION

	2009 £	2008 £
Analysis of tax credit/(charge)		
Current tax		
UK corporation tax	15,000	15,000
Adjustment in respect of prior years	-	(19,572)
Total current tax	<u>15,000</u>	<u>(4,572)</u>
Deferred tax		
Timing differences	-	(30,352)
Total deferred tax	<u>-</u>	<u>(30,352)</u>
Tax credit/(charge) for the year	<u>15,000</u>	<u>(34,924)</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

6. TAXATION (continued)

Factors affecting the current tax (credit)/charge for the year

The tax assessed for the year is higher (2008 higher) than that resulting from applying the standard rate of corporation tax in the UK of 28% (2008 28%) The differences are explained below

	2009 £	2008 £
Loss on ordinary activities before tax	2,425,764	4,504,161
Tax credit at 28% (2008 28%) thereon	679,214	1,261,165
Effects of		
Expenses not deductible for tax purposes	(511)	(22,367)
Difference between capital allowances and depreciation	(234)	5,524
Effect of rate change	-	1,000
Creation of tax losses	(663,469)	(1,230,322)
Adjustments in respect of prior years	-	(19,572)
Current tax credit/(charge) for the year	15,000	(4,572)

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
Cost	
At 1 January 2009 and 31 December 2009	28,538
Depreciation	
At 1 January 2009	(27,563)
Charge for the year	(835)
At 31 December 2009	(28,398)
Net book value	
At 31 December 2009	140
At 31 December 2008	975

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

8. INVESTMENTS

	Subsidiary undertakings £
Cost and net book value	
At 1 January 2009	5
Disposals	(2)
	<u>3</u>
At 31 December 2009	<u>3</u>

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

	Country of incorporation	Principal activity	Holding	Profit/(loss) after taxation for the year	Aggregate share capital and reserves
Subsidiary undertakings					
Masshouse Block M Limited	UK	Dormant	100%	-	1
Masshouse Management Limited	UK	Dormant	100%	-	1
Masshouse Residential Block M Limited	UK	Dormant	100%	-	1

All of the holdings above represent ordinary shares held

Consolidated financial statements have not been prepared as both the results and the net assets of all of the company's subsidiaries are not material in the overall context of Masshouse Developments Limited

9. STOCKS

	2009 £	2008 £
Construction in progress	6,268,036	15,777,391
Included in construction in progress		
Cumulative interest charges capitalised	578,370	396,051

10. DEBTORS

	2009 £	2008 £
Amounts falling due within one year		
Amounts owed by Joint Venture Partners (see note 18)	4	4
Trade debtors	621,726	297,054
Prepayment and accrued income	5,826	6,321
Other debtors	52,981	99,504
Cash in escrow	470,000	-
Corporation tax	30,000	1,383,577
	<u>1,180,537</u>	<u>1,786,460</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Amounts owed to Joint Venture Partners (see note 18)	1,917	1,326
Amounts owed to associated undertakings (see note 18)	682,834	682,834
Amounts owed to subsidiary undertakings (see note 18)	3	16,970
Trade creditors	493,134	817,189
Accruals and deferred income	2,026,934	215,427
Loan stock	10,288,869	-
	<u>13,493,691</u>	<u>1,733,746</u>

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

	2009 £	2008 £
Bank loans	5,935,589	10,935,589
Loan stock	-	10,288,869
	<u>5,935,589</u>	<u>21,224,458</u>

The bank loan is on standard terms and conditions with The Royal Bank of Scotland plc (a related party to KUC Properties Limited). As at the balance sheet date, the bank loan was due for repayment on the earlier of the date of completion of the project or on 31 December 2010, and is secured by a first legal charge over the property and associated assets and a subordination deed by KUC Properties Limited and Evora Developments Limited subordinating in favour of the Bank repayment of monies owed to them. Since the balance sheet date, the loan has been repaid in full.

The loan stock is held by Evora Developments Limited and KUC Properties Limited as shown below

	2009 £	2008 £
Evora Developments Limited	4,588,278	4,588,278
KUC Properties Limited	5,700,591	5,700,591
	<u>10,288,869</u>	<u>10,288,869</u>

The loan stock is repayable in full on 31 December 2010 and is secured against the stocks and work in progress held in the company. At 31 December 2009, the loan stock is included within creditors falling due within one year (note 11). No interest is charged.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

13. DEFERRED TAXATION

	2009 £	2008 £
Opening balance	-	(30,352)
Credit to the profit and loss account (see note 6)	-	30,352
Closing balance	-	-

In 2009, the company has an unrecognised deferred tax asset relating to losses and capital allowances in excess of depreciation. The amounts not recognised in respect of losses are £1,919,853 (2008 £1,230,320) and capital allowances in excess of depreciation £25,064 (2008 £24,830). No deferred tax asset has been recognised on the grounds of uncertainty of sufficient future taxable profits against which such an asset would reverse.

14. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Called up and allotted.		
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 shareholders of neither class of share can vote for the removal of a director without prior consultation with the other class. The holders of each type of share can each 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.

Since the year end date, a resolution has been passed to reclassify the B shares as A shares.

15. RESERVES

	Profit and loss account £
At beginning of year	(4,323,741)
Loss for the financial year	<u>(2,410,764)</u>
At end of year	<u>(6,734,505)</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

	2009 £	2008 £
Loss for the financial year	<u>(2,410,764)</u>	<u>(4,539,085)</u>
Movement in shareholders' (deficit)/funds	(2,410,764)	(4,539,085)
Opening shareholders' (deficit)/funds	<u>(4,323,737)</u>	<u>215,348</u>
Closing shareholders' deficit	<u>(6,734,501)</u>	<u>(4,323,737)</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

17. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	2009 £	2008 £
Operating loss	(3,131,464)	(4,547,264)
Depreciation	835	4,472
Provisions for impairment of stock	7,338,000	4,176,000
Decrease/(increase) in stock	2,593,529	(7,704,311)
Increase in debtors	(747,654)	(275,675)
Increase/(decrease) in creditors	1,471,078	(21,506)
Decrease in provisions	-	(2,700,000)
Net cash inflow/(outflow) from operating activities	<u>7,524,324</u>	<u>(11,068,284)</u>

RETURN ON INVESTMENTS AND SERVICING OF FINANCE

	2009 £	2008 £
Interest received	120,700	43,292
Interest paid	-	(189)
Interest paid on loans	(422,174)	(386,068)
Net cash outflow	<u>(301,474)</u>	<u>(342,965)</u>

FINANCING

	2009 £	2008 £
Increase in bank loans	-	10,161,048
Repayment of secured loan	(5,000,000)	-
Increase in loan notes	-	2,115,000
Net cash (outflow)/inflow	<u>(5,000,000)</u>	<u>12,276,048</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2009 £	Cash flows £	Non-cash movements £	At 31 December 2009 £
Cash at bank and in hand	<u>1,069,636</u>	<u>4,176,427</u>	<u>-</u>	<u>5,246,063</u>
Debt due within one year	-	-	(10,288,869)	(10,288,869)
Debt due after more than one year	<u>(21,224,458)</u>	<u>5,000,000</u>	<u>10,288,869</u>	<u>(5,935,589)</u>
Net debt	<u>(20,154,822)</u>	<u>9,176,427</u>	<u>-</u>	<u>(10,978,395)</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

18. RELATED PARTY DISCLOSURES

As at 31 December 2009, the company was a joint venture between Evora Developments Limited and KUC Properties Limited. The following balances are included in debtors:

	2009 £	2008 £
Evora Developments Limited	2	2
KUC Properties Limited	2	2

Included in creditors are the following balances:

	2009 £	2008 £
David McLean Contractors Limited (associated undertaking of Evora Developments Limited)	682,834	682,834
Nikal Limited	1,917	1,326
Masshouse Block HI Limited (subsidiary)	-	1
Masshouse Block M Limited (subsidiary)	1	1
Masshouse Management Limited (subsidiary)	1	1
Masshouse Residential Block M Limited (subsidiary)	1	1
Masshouse Residential Block HI Limited (subsidiary)	-	16,966
The Royal Bank of Scotland plc	5,935,589	10,935,589
Evora Developments Limited (loan notes)	4,588,278	4,588,278
KUC Properties Limited (loan notes)	5,700,391	5,700,391

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

	2009 £	2008 £
Management fees (with Evora Developments Limited)	300,000	300,000
Work in progress costs - (with David McLean Contractors Limited)	-	8,266,673
Net interest (with The Royal Bank of Scotland plc)	12,444	42,666
Loan stock - (with KUC Properties Limited)	-	(1,057,000)
- (with Evora Developments Limited)	-	(1,057,000)

Transactions undertaken by the company with the UK government in the normal course of business include the payment of taxes including UK corporation tax and value added tax, national insurance contributions, local authority rates, and regulatory fees and levies. Additional information has not been provided in relation to these transactions and the resulting balances on the basis of immateriality to the company and to the UK government.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

19. CONTROLLING PARTIES

As at 31 December 2009, the company was under the joint control of Evora Developments Limited, which is incorporated in Great Britain and registered in England, and KUC Properties Limited which is incorporated in Great Britain and registered in Scotland

Evora Developments Limited was under the control of Nikal Limited. Evora Developments Limited was previously named David McLean Nikal Limited and changed its name on 18 March 2009

KUC Properties Limited's ultimate holding company is The Royal Bank of Scotland Group plc and its immediate parent company is The Royal Bank of Scotland plc. These three companies are incorporated in Great Britain and registered in Scotland

As at 31 December 2009, The Royal Bank of Scotland Group plc heads the largest group in which KUC Properties Ltd is consolidated and The Royal Bank of Scotland plc heads the smallest group in which KUC Properties Ltd is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government

20. POST BALANCE SHEET EVENTS

As discussed in note 19, the company is under the joint control of Evora Developments Limited and KUC Properties Limited

Since 31 December 2009, Buro Services Limited has acquired a 50% share of the issued share capital of Masshouse. This was acquired from KUC Properties. As part of this purchase, Buro Services Limited also obtained title to secured loan notes in the aggregate nominal amount of £4,588,278 and deferred loan notes in the aggregate nominal amount of £1,112,313 in the company