

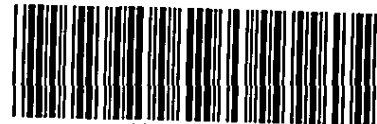
Company Registration No. 4599607

**MASSHOUSE DEVELOPMENTS
LIMITED**

Report and Financial Statements

For the year ended 31 December 2011

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MASSHOUSE DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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MASSHOUSE DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

Officers and professional advisers

Directors

N S Payne
S P Robinson

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

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Activities

The company is involved in the development 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.

During the year the company successfully completed "Hive", the second residential building of the development incorporating 167 high quality apartments achieving the Code for Sustainable Homes Code level 4, overlooking the new Eastside City Park.

Review of developments

As shown in the profit and loss account the company made a profit for the year of £6,153,117 (2010 loss of £180,277). The profit arose primarily as a result of the sale of all of the residential apartments to either third party customers or to Evora Apartments Limited, a related party and 50% shareholder in the company, which acquired 130 units. The prior year loss reflected non-capital costs incurred during the year as the company's development of the second residential block continued.

The increase in turnover to £24,420,293 from £433,980 in 2010 is as a result of the sale of the interest in all the apartments in the second residential block.

As a consequence of generating the profit referred to above the company's net current asset position has increased to £1,262,336 compared to net current liability position of £4,354,781 in 2010.

The net current asset position above includes loan stock of £10,288,869 (2010 net current liability position included loan stock of £10,288,869). The terms of the loan stock state that it was repayable in full on 31 December 2010. However, as disclosed in note 1 to the financial statements, the directors have received confirmation from the company's loan note holders that they will not seek repayment of the £10,288,869 worth of loan notes until such time that the company is forecast to be able to meet and settle its other financial liabilities as they fall due.

The total net liability position for the company at 31 December 2011 is £761,661 (2010 £6,914,778).

At the year-end date the company was under the joint control of Evora Developments Ltd and Buro Services Ltd. Further details regarding the owner of the company and its ultimate controlling party are given in note 19 to the financial statements.

During 2010, the company secured grant funding from the HCA as part of the HCA's Kickstart housing development program. The amounts secured under the HCA funding consist of potentially repayable amounts totalling £7,365,000.

Principal risks and uncertainties

Development costs

The nature of the company's projects means that the associated development costs are potentially volatile and hence are a significant area of management focus. The directors manage this risk by using appropriate subcontractors, along with the necessary professional teams required to ensure the building is completed appropriately. Further to this, the directors prepare detailed project forecasts and ensure that the estimated associated costs of developments are thoroughly considered as part of those forecasts and reviewed on a regular basis.

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

Liquidity

During the year, the company sold apartments with a net book value of £15,800,000 to Evora Apartments Ltd at nil gain or loss. The related debt will be repaid by Evora Apartments Ltd from the future proceeds of apartment sales and rental income, and hence the timing of and price achieved on sales of the apartments will be the key factor in determining the timing of the repayment of this debt. Evora Apartments Ltd has in turn secured a 3 year term loan facility to enable it to fund the costs of disposal of the units over this period.

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. This has in turn created increased rental demand.

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 position the apartments to sell (or in the short term rent) in line with Evora Apartments Ltd's forecasts.

Directors

The directors who served during the year and thereafter set out on page 1.

Dividends

The directors can not recommend the payment of a dividend (2010 - same).

Future prospects

The directors are confident about the future prospects of the company, following the successful completion of Hive, the directors are also looking to develop the company's second site and have submitted a new planning application that is specifically designed to cater for a number of interested parties. Discussions are ongoing with these parties in relation to pre let opportunities and the directors are optimistic that this will lead to development commencing on this site in the near future.

Going concern

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

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

Auditor

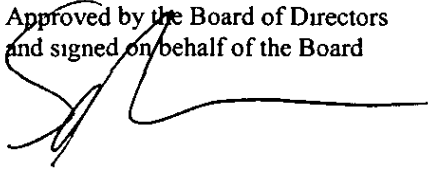
Each of the persons who is a director of the company at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is 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 auditor Accordingly a resolution to re-appoint Deloitte LLP as the company's auditor 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

15th August 2012

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 judgements 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 2011 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 19. 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its profit 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
15 August 2012

MASSHUSE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1	24,420,293	433,980
Cost of sales		(18,352,567)	(113,916)
Gross profit		6,067,726	320,064
Administrative expenses		(1,607,876)	(512,333)
Other operating income		1,710,189	-
Operating profit/(loss)		6,170,039	(192,269)
Interest receivable and similar income	4	657	15,264
Interest payable and similar charges	5	-	(25)
Profit/(loss) on ordinary activities before taxation	2	6,170,696	(177,030)
Tax on profit/(loss) on ordinary activities	6	(17,579)	(3,247)
Profit/(loss) for the financial year	15,16	6,153,117	(180,277)

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 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	7		-		-
Investments	8		3		3
			<u>3</u>		<u>3</u>
Current assets					
Stocks	9	162,500		15,650,635	
Debtors	10	14,754,245		908,987	
Cash		<u>1,633,580</u>		<u>1,138,925</u>	
		16,550,325		17,698,547	
Creditors: amounts falling due within one year	11	<u>(15,287,989)</u>		<u>(22,053,328)</u>	
Net current assets/(liabilities)			1,262,336		(4,354,781)
Total assets less current liabilities			<u>1,262,339</u>		<u>(4,354,778)</u>
Provision for liabilities	12		(2,024,000)		(2,560,000)
Net liabilities			<u>(761,661)</u>		<u>(6,914,778)</u>
Capital and reserves					
Called up share capital	14		4		4
Profit and loss account	15		<u>(761,665)</u>		<u>(6,914,782)</u>
Shareholders' deficit	16		<u>(761,661)</u>		<u>(6,914,778)</u>

These financial statements for Masshouse Developments Limited (company registration number 4599607) were approved by the Board of Directors and authorised for issue on 15th AUGUST 2012

Signed on behalf of the Board of Directors

S P Robinson
Director

MASSHOUSE DEVELOPMENTS LIMITED

CASH FLOW STATEMENT Year ended 31 December 2011

	Note	2011 £	2010 £
Net cash inflow/(outflow) from operating activities	17	493,998	(5,490,471)
Returns on investments and servicing of finance	17	657	(76,478)
Taxation		-	30,000
Capital expenditure and financial investment	17	-	7,365,400
Cash inflow before financing		494,655	1,828,451
Financing	17	-	(5,935,589)
Increase/(decrease) in cash in the year		494,655	(4,107,138)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Year ended 31 December 2011

	2011 £	2010 £
Increase/(decrease) in cash in the year	494,655	(4,107,138)
Cash flow from movement in debt financing	-	5,935,589
Change in net debt resulting from cash flows	494,655	1,828,451
Net debt at 1 January	(9,149,944)	(10,978,395)
Net debt at 31 December	(8,655,289)	(9,149,944)

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards. The principle accounting policies adopted in both the current and prior year are described below.

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. The directors have also reviewed the local property market and have concluded that their income forecasts are reasonable.

Whilst the loan stock is repayable on demand, the directors have received confirmation from the company's loan note holders that they will not seek repayment of the loan notes until the company is forecast to be able to settle its other financial liabilities as they fall due for a period of more than one year from the date of signing the accounts and has sufficient surplus cash available with which to make a partial or full repayment.

Thus, 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 of accounting in preparing the annual financial statements.

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 2011

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 result in 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. Turnover for both 2011 and 2010 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 is 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.

Government grants

Government grants relating to construction in progress and subsequent sale are treated as deferred income and released to the profit and loss account in line with the recognition of the sales on the related apartments.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activity before taxation is stated after charging

	2011 £	2010 £
Depreciation	-	140
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual financial statements	9,000	9,000
Fees payable to the company's auditor for other services		
Tax services	9,500	5,000
	<u>9,500</u>	<u>5,000</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration during the year from the company (2010 same) The company does not employ any staff (2010 same)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £	2010 £
Bank interest	657	13,965
Other interest	-	1,299
	<u>657</u>	<u>15,264</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £	2010 £
Bank interest paid excluding loans	-	25
Bank interest paid on loans	-	91,717
Capitalised to stock	-	(91,717)
Bank interest charged to profit and loss account	-	25
	<u>-</u>	<u>25</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

6. TAXATION

Analysis of tax charge/(credit)	2011 £	2010 £
Current tax		
UK corporation tax	20,826	(3,247)
Adjustments in respect of prior years	(3,247)	-
Total current tax	17,579	(3,247)
Tax charge/(credit) for the year	17,579	(3,247)

Factors affecting the current tax charge for the year

The tax assessed for the year is lower (2010 higher) than that resulting from applying the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 £	2010 £
Profit/(loss) on ordinary activities before tax	6,170,696	(177,030)
Tax on profit/(loss) on ordinary activities before taxation at 26.5% (2010 28%) thereon	1,635,234	(49,568)
Effects of		
Expenses/(income) not deductible for tax purposes	167,189	920
Difference between capital allowances and depreciation	(4,752)	29
Creation of tax losses	-	51,866
Tax losses utilised in the period	(1,776,845)	-
Adjustments in respect of prior years	(3,247)	-
Current tax charge/(credit) for the year	17,579	(3,247)

The Finance Act 2011, which was substantively enacted in July 2011, included provisions to reduce the rate of corporation tax to 26% with the effect from 1 April 2011 and 25% with effect from 1 April 2012

On 21 March 2012, the government announced that it intends to further reduce the rate of corporation tax to 24% with effect from 1 April 2012, 23% from 1 April 2013 and 22% from 1 April 2014. As this legislation was not substantively enacted by 31 December 2011, the impact of the anticipated rate changes has not been reflected in the tax provisions reported in these financial statements

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
Cost	
At 1 January 2011 and 31 December 2011	28,538
Depreciation	
At 1 January 2011 and 31 December 2011	(28,538)
Net book value	
At 1 January 2011 and 31 December 2011	-

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

8. INVESTMENTS

					Subsidiary undertakings £
Cost and net book value					
At 1 January 2011 and 31 December 2011					<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	Result 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

	2011 £	2010 £
Construction in progress	-	15,650,635
Completed property held for resale	<u>162,500</u>	<u>-</u>
	<u>162,500</u>	<u>15,650,635</u>
Included in construction in progress		
Cumulative interest charges capitalised	<u>-</u>	<u>670,087</u>

10. DEBTORS

	2011 £	2010 £
Amounts falling due within one year		
Amounts owed by related parties (see note 18)	14,588,344	796,254
Trade debtors	79,951	74,244
Prepayment and accrued income	67,714	34,174
Other debtors	<u>18,236</u>	<u>4,315</u>
	<u>14,754,245</u>	<u>908,987</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Amounts owed to related parties (see note 18)	45,965	-
Amounts owed to subsidiary undertakings (see note 18)	3	3
Trade creditors	554,779	3,795,257
Accruals and deferred income	379,147	3,160,552
Government grants	3,998,400	4,805,400
UK corporation tax	20,826	3,247
Loan stock	10,288,869	10,288,869
	<u>15,287,989</u>	<u>22,053,328</u>

The loan stock is held by Evora Developments Limited and Buro Services Limited as shown below

	2011 £	2010 £
Evora Developments Limited	4,588,278	4,588,278
Buro Services Limited	5,700,591	5,700,591
	<u>10,288,869</u>	<u>10,288,869</u>

The loan stock is repayable on demand and is secured against the stocks and work in progress held in the company. As discussed in the directors' report, the directors have received written confirmation from the loan stock holders that repayment will not be sought prior to 12 months from the date these accounts have been signed. No interest is charged.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

12 PROVISION FOR LIABILITIES

Provision for liabilities relate to the estimated amounts repayable under the HCA funding secured during 2010. The amounts repayable under the agreement are driven by the final profits achieved under the company's second residential block, Hive.

	2011 £	2010 £
Opening balance	2,560,000	-
Provision for repayment	-	2,560,000
Revaluation during the period – reclassified to deferred income	(536,000)	-
Closing balance	<u>2,024,000</u>	<u>2,560,000</u>

13. DEFERRED TAXATION

In 2011, 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 £58,701 (2010 £1,694,271) and capital allowances in excess of depreciation £17,931 (2010 £24,207). 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

	2011 £	2010 £
Called up and allotted:		
4 (2010 4) A ordinary shares of £1 each	<u>4</u>	<u>4</u>

15. RESERVES

	Profit and loss account £
At beginning of year	(6,914,782)
Profit for the financial year	<u>6,153,117</u>
At end of year	<u>(761,665)</u>

MASSHUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2011 £	2010 £
Profit/(loss) for the financial year	6,153,117	(180,277)
Movement in shareholders' deficit	6,153,117	(180,277)
Opening shareholders' deficit	(6,914,778)	(6,734,501)
Closing shareholders' deficit	(761,661)	(6,914,778)

17. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	2011 £	2010 £
Operating profit/(loss)	6,170,039	(192,269)
Depreciation	-	140
Decrease/(increase) in stock	15,488,135	(9,290,882)
Increase/(decrease) in debtors	(13,845,258)	241,550
Decrease/(increase) in creditors	(5,975,918)	3,750,990
Grants released	(1,343,000)	-
Net cash inflow/(outflow) from operating activities	493,998	(5,490,471)

RETURN ON INVESTMENTS AND SERVICING OF FINANCE

	2011 £	2010 £
Interest received	657	15,264
Interest paid excluding loans	-	(25)
Interest paid on loans	-	(91,717)
Net cash inflow/(outflow)	657	(76,478)

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2011 £	2010 £
Grants received	-	7,365,400
Net cash inflow	-	7,365,400

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2011**

17. NOTES TO THE CASH FLOW STATEMENT (continued)

FINANCING

	2011 £	2010 £
Repayment of secured loan	-	(5,935,589)
Net cash outflow	-	(5,935,589)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2011 £	Cash flows £	At 31 December 2011 £
Cash at bank and in hand	1,138,925	494,555	1,633,580
Debt due within one year	(10,288,869)	-	(10,288,869)
Net debt	(9,149,944)	494,655	(8,655,289)

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2011

18. RELATED PARTY DISCLOSURES

As at 31 December 2011, the company was a joint venture between Evora Developments Limited and Buro Services Limited. The following related party balances, by virtue of their common control by Mr Allan Murphy (see note 19) are included in debtors

	2011 £	2010 £
Evora Apartments Limited	10,105,943	-
Evora Developments Limited	-	2
Buro Services Limited	650,001	796,252
Nikal Limited	3,383,583	-
Cathedral Park Developments Ltd	448,817	-

Included in creditors are the following related party balances

	2011 £	2010 £
Evora Developments Limited	45,965	-
Masshouse Block M Limited (subsidiary)	1	1
Masshouse Management Limited (subsidiary)	1	1
Masshouse Residential Block M Limited (subsidiary)	1	1
Evora Developments Limited (loan notes)	4,588,278	4,588,278
Buro Services Limited (loan notes)	5,700,351	5,700,391

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

	2011 £	2010 £
Sales (with Evora Apartments Limited)	15,800,000	-
Management fees (with Evora Developments Limited)	350,000	250,000
Loan stock - (repayment to KUC Properties Limited)	-	(5,700,391)
- (issuance to Buro Services Limited)	-	5,700,391

19. CONTROLLING PARTIES

As at 31 December 2011, the company was under the joint control of Evora Developments Limited, which is incorporated in Great Britain and registered in England, and Buro Services Limited which is incorporated in Great Britain and registered in Scotland

Evora Developments Limited was under the control of Nikal Limited. Mr Allan Murphy controls Evora Developments Limited as a result of his controlling shareholding in Nikal Limited.