

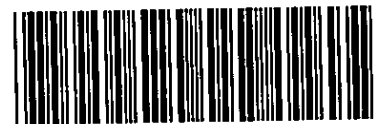
Company Registration No. 4599607

**MASSHOUSE DEVELOPMENTS
LIMITED**

Report and Financial Statements

For the year ended 31 December 2012

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MASSHOUSE DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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MASSHOUSE DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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 2012

Activities

The principal activity of the company is property development

Business review

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.

Following the successful completion of its first site, the company's activity has focused on revising its plans for the second site with the submission of a planning application during the year, which was subsequently consented and allows for the delivery of circa 750,000 sq ft of development which includes Office, Hotel, Residential, Civic and Retail uses.

During the year, the directors reached an agreement with Evora Apartments Limited to pay a one off, non-refundable compensation payment of £1,635,000 as a result of the devaluation in the stock experienced by Evora Apartments Limited upon sale.

After the sales of all the remaining apartments in its second residential block, "Hive", during 2011, turnover decreased from £24,420,293 to £714,254 with profits reducing from £6,153,117 to a loss of £103,944.

The company's net current asset position has increased to £1,553,886 compared to £1,262,336 at 31 December 2011.

The net current asset position includes loan stock of £10,288,869 (2011: £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 2012 is £865,601 (2011: £761,661).

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 18 to the financial statements.

The company has previously secured grant funding from the HCA as part of the HCA's Kickstart housing development program. During the year the company repaid £953,740 of this funding and the company's obligations under the agreement were fully satisfied during June 2013 following a further repayment of £2,399,490.

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT (continued)

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.

Liquidity

The company has a large related party debtor with Evora Apartments Limited. The debt will be repaid by Evora Apartments Limited 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. The directors review the financial position and performance of the company to determine whether there is any risk of recoverability.

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 Limited's forecasts.

Directors

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

Dividends

The directors are unable to recommend the payment of a dividend (2011 - 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 on-going 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. Further detail is included in note 1 to the financial statements.

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

Auditor

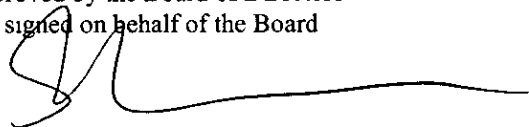
Each of the persons who is a director of the company at the date of approval of this report confirms that

- 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

28th August 2013

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 2012 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 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 2012 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.

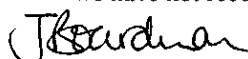
Opinion on other matter prescribed by the Companies Act 2006

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 BSc ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester

United Kingdom

28 August 2013

MASSHOUSE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1	714,254	24,420,293
Cost of sales		(1,865,529)	(18,352,567)
Gross (loss)/profit		(1,151,275)	6,067,726
Administrative expenses		(779,879)	(1,607,876)
Other operating income		1,515,525	1,710,189
Operating (loss)/profit		(415,629)	6,170,039
Interest receivable and similar income	4	1,072	657
Interest payable and similar charges	5	(26)	-
(Loss)/profit on ordinary activities before taxation	2	(414,583)	6,170,696
Tax on (loss) /profit on ordinary activities	6	310,639	(17,579)
(Loss)/profit for the financial year	15,16	(103,944)	6,153,117

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 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Investments	7		3		3
			<u>3</u>		<u>3</u>
Current assets					
Stocks	8	162,500		162,500	
Debtors	9	13,514,479		14,754,245	
Cash		436,299		1,633,580	
			<u>14,113,312</u>	<u>16,550,325</u>	
Creditors: amounts falling due within one year	10	(12,579,394)		(15,287,989)	
Net current assets			<u>1,533,886</u>		<u>1,262,336</u>
Total assets less current liabilities			<u>1,533,889</u>		<u>1,262,339</u>
Provision for liabilities	11		(2,399,490)		(2,024,000)
Net liabilities			<u>(865,601)</u>		<u>(761,661)</u>
Capital and reserves					
Called up share capital	13		4		4
Profit and loss account	14		(865,605)		(761,665)
Shareholders' deficit	15		<u>(865,601)</u>		<u>(761,661)</u>

These financial statements for Masshouse Developments Limited (company registration number 04599607) were approved by the Board of Directors and authorised for issue on 29th August 2013

Signed on behalf of the Board of Directors


N S Payne
Director

MASSHOUSE DEVELOPMENTS LIMITED

CASH FLOW STATEMENT Year ended 31 December 2012

	Note	2012 £	2011 £
Net cash (outflow) /inflow from operating activities	16	(1,198,327)	493,998
Returns on investments and servicing of finance	16	1,046	657
Taxation	16	-	-
Capital expenditure and financial investment	16	-	-
Cash (outflow)/inflow before financing		(1,197,281)	494,655
Financing	16	-	-
(Decrease)/increase in cash in the year		<u>(1,197,281)</u>	<u>494,655</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT Year ended 31 December 2012

	2012 £	2011 £
(Decrease)/increase in cash in the year	(1,197,281)	494,655
Cash flow from movement in debt financing	-	-
Change in net debt resulting from cash flows	(1,197,281)	494,655
Net debt at 1 January	(8,655,289)	(9,149,944)
Net debt at 31 December	<u>(9,852,570)</u>	<u>(8,655,289)</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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 principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

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.

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 2012

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 deferred tax asset 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 2012 and 2011 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 the accruals 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. No such interest costs were capitalised in the period.

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 2012

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

(Loss)/profit on ordinary activity before taxation is stated after charging

	2012 £	2011 £
Exceptional item	1,635,000	-
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual financial statements	10,000	9,000
Fees payable to the company's auditor for other services		
Tax services	4,400	9,500

During the year the directors reached an agreement to compensate Evora Apartments Limited for the deterioration in the market value of the properties that were sold for £15,800,000 in the prior year resulting in a £1,635,000 recharge. The amount has been reflected in cost of sales for the year ended 31 December 2012.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration during the year from the company (2011 same). The company does not employ any staff (2011 same).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £	2011 £
Bank interest	1,072	657

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
Bank interest paid excluding loans	(26)	-

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

6. TAXATION

Analysis of tax (credit) / charge	2012 £	2011 £
Current tax		
UK corporation tax	-	20,826
Adjustments in respect of prior years	(20,693)	(3,247)
Total current tax	<u>(20,693)</u>	<u>17,579</u>
Deferred tax		
Timing differences	(289,946)	-
Total deferred tax	<u>(289,946)</u>	<u>-</u>
Tax (credit)/ charge for the year	<u>(310,639)</u>	<u>17,579</u>

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

The tax assessed for the year is lower (2011 lower) than that resulting from applying the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £	2011 £
(Loss)/profit on ordinary activities before tax	<u>(414,583)</u>	<u>6,170,696</u>
Tax on profit/(loss) on ordinary activities before taxation at 24.5% (2011 26.5%) thereon	(101,573)	1,635,234
Effects of		
Expenses/(income) not deductible/ (taxable) for tax purposes	(148,734)	167,189
Difference between capital allowances and depreciation	(3,258)	(4,752)
Creation of tax losses	253,565	-
Tax losses utilised in the period	-	(1,776,845)
Adjustments in respect of prior years	(20,693)	(3,247)
Current tax (credit)/charge for the year	<u>(20,693)</u>	<u>17,579</u>

The Finance Act 2012, which was substantively enacted in March 2012, included provisions to reduce the rate of corporation tax to 24% with effect from 1 April 2012 and 23% from 1 April 2013

On 2 July 2013 further reductions to the rate of corporation tax were substantively enacted to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. As this legislation was not substantively enacted by 31 December 2012, the anticipated impact of the rate changes has not been reflected in the tax provisions reported in these financial statements

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

7. INVESTMENTS

				Subsidiary undertakings £	
Cost and net book value					
At 1 January 2012 and 31 December 2012				<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

8. STOCKS

	2012 £	2011 £
Completed property held for resale	<u>162,500</u>	<u>162,500</u>

9 DEBTORS

	2012 £	2011 £
Amounts falling due within one year		
Trade debtors	59,305	79,951
Amounts owed by related parties (see note 17)	13,103,593	14,588,344
Other debtors	52,522	18,236
Prepayment and accrued income	9,114	67,714
Deferred tax asset (see note 12)	289,946	-
	<u>13,514,479</u>	<u>14,754,245</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	148,734	554,779
Amounts owed to related parties (see note 17)	345,967	45,965
Amounts owed to subsidiary undertakings (see note 17)	3	3
Accruals and deferred income	642,821	379,147
Government grants	1,153,000	3,998,400
UK corporation tax	-	20,826
Loan stock	10,288,869	10,288,869
	<u>12,579,394</u>	<u>15,287,989</u>

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

	2012 £	2011 £
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 Evora. 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.

11. PROVISION FOR LIABILITIES

Provision for liabilities relate to the estimated amounts repayable under the Homes and Communities Agency funding secured during 2011. The amounts repayable under the agreement are driven by the final profits achieved under the company's second residential block, Hive.

	2012 £	2011 £
Opening balance	2,024,000	2,560,000
Utilised	(953,740)	-
Revaluation during the year - reclassified to deferred income	1,329,230	(536,000)
Closing balance	<u>2,399,490</u>	<u>2,024,000</u>

During the year the company repaid £953,740 of this funding and the company's obligations under the agreement were fully satisfied during June 2013 following a further repayment of £2,399,490.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

12 DEFERRED TAXATION

	2012 £
Opening balance	-
Credit to the profit and loss account	289,946
Closing balance	<u>289,946</u>

	2012 £
Analysis of deferred tax	
Depreciation in excess of capital allowances	13,473
Losses	276,473
Closing balance	<u>289,946</u>

In 2012, the company has an unrecognised deferred tax asset relating to losses and capital allowances in excess of depreciation. In the prior year the amounts not recognised in respect of losses were £58,701 and capital allowances in excess of depreciation £17,931

13. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Called up and allotted		
4 A ordinary shares of £1 each (2011 4)	<u>4</u>	<u>4</u>

14. RESERVES

	Profit and loss account £
At beginning of year	(761,665)
Loss for the financial year	(103,940)
At end of year	<u>(865,605)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2012 £	2011 £
(Loss)/profit for the financial year	<u>(103,940)</u>	6,153,117
Movement in shareholders' deficit	(103,940)	6,153,117
Opening shareholders' deficit	(761,661)	(6,914,778)
Closing shareholders' deficit	<u>(865,601)</u>	<u>(761,661)</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2012**

16 NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	2012	2011
	£	£
Operating (loss)/profit	(415,629)	6,170,039
Decrease in stock	-	15,488,135
Decrease (increase) in debtors	1,529,712	(13,845,258)
Increase (decrease) in creditors	532,990	(5,975,918)
Grants released	(2,845,400)	(1,343,000)
	<u> </u>	<u> </u>
Net cash (outflow)/ inflow from operating activities	<u>(1,198,327)</u>	<u>493,998</u>

RETURN ON INVESTMENTS AND SERVICING OF FINANCE

	2012	2011
	£	£
Interest received	1,072	657
Interest paid on loans	(26)	-
	<u> </u>	<u> </u>
Net cash inflow	<u>1,046</u>	<u>657</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

16. NOTES TO THE CASH FLOW STATEMENT (continued)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2012 £	Cash flows £	At 31 December 2012 £
Cash at bank and in hand	1,633,580	(1,197,281)	436,299
Debt due within one year	(10,288,869)	-	(10,288,869)
Net debt	<u>(8,655,289)</u>	<u>(1,197,281)</u>	<u>(9,852,570)</u>

17. RELATED PARTY DISCLOSURES

As at 31 December 2012, 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 18) are included in debtors

	2012 £	2011 £
Evora Apartments Limited	6,935,437	10,105,943
Buro Services Limited	650,001	650,001
Nikal Limited	5,069,338	3,383,583
Cathedral Park Developments Ltd	<u>448,817</u>	<u>448,817</u>

Included in creditors are the following related party balances

	2012 £	2011 £
Evora Developments Limited	345,967	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)	<u>5,700,591</u>	<u>5,700,351</u>

17 RELATED PARTY DISCLOSURES (continued)

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

	2012 £	2011 £
Sales (with Evora Apartments Limited)	-	15,800,000
Purchases (with Evora Apartments Limited)	<u>(1,635,000)</u>	-

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

Management fees (with Evora Developments Limited)	300,000	350,000
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Prior to the year end, the directors reached an agreement to compensate Evora Apartments Limited for the deterioration in the market value of the properties that were sold for £15,800,000 in the prior year. The value of the compensation payment was agreed in the post balance sheet period, resulting in a £1,635,000 charge to cost of sales for the year ended 31 December 2012.

18 CONTROLLING PARTIES

As at 31 December 2012, 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.