

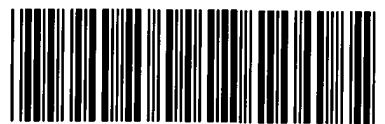
Company Registration No. 4599607

**MASSHOUSE DEVELOPMENTS
LIMITED**

Annual Report and Financial Statements

For the year ended 31 December 2016

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MASSHOUSE DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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MASSHOUSE DEVELOPMENTS LIMITED

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 Plc
1 Dale Street
Liverpool
L2 2PP

Solicitors

Eversheds LLP
115 Colmore Row
Birmingham
B3 3AL

Auditor

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF
United Kingdom

MASSHOUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the financial statements of the company for the year ended 31 December 2016.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small company's exemption. Accordingly, no strategic report has been prepared on the basis that the company is small.

Principal 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 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 space, a hotel, a Magistrates Court and car parking.

Following the successful completion of its first site, the company's activity has focused on advancing development of the remaining land.

During the year, the directors reached agreement for the acquisition and subsequent sale of a plot of land held under a development agreement realising revenue of £15 million.

In addition, Evora Developments Limited, a related party company, secured a forward funding deal for the delivery of 603 apartments for the Private Rental Sector ("PRS") on this same land. The company therefore reached an agreement with Evora Developments Limited to transfer the cumulative costs held within stock which related to this project at cost therefore resulting in neither a profit nor a loss for the company.

This leaves one remaining development with planning consent for circa 220 further apartments for the PRS with ancillary retail space which is expected to complete in 2019.

Turnover increased from £1,356,453 to £15,267,049 as a result of the sale of the plot of land. This has resulted in generating a £2,776,682 after tax profit (2015: £70,342 after tax loss). The directors expect the level of activity to fall next year while the company secures further funding for the final development.

As a result of the increased activity the management fees charged by a related party increased from £300,000 to £1,185,999 reflecting the increased support provided by the Nikal Group (See note 14) in financing the development and securing the forward funding deal for the 603 Unit PRS development.

The net current asset position includes loan stock of £10,288,869 (2015: £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 the company has sufficient financial resources to do so.

The net asset position for the company at 31 December 2016 is £2,307,047 (2015: £469,635 net liabilities) following the profit for the year.

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 14 to the financial statements.

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 is exposed to liquidity risk resulting from the timing of working capital payments and receipts. The company is currently funded by a number of related party loans with future funding planned to be secured in relation to each specific phase.

Economic factors affecting the property industry

The company is exposed to short term volatility in the property market but manages this risk through careful appraisal of projects, considering the interest of potential investors and the timing of the development activity. Market sentiment is improving and interest in both the residential and commercial aspects of the second site has increased significantly.

Directors

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

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements (see note 1).

Auditor

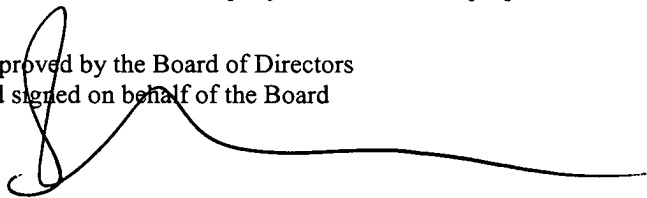
Each of the persons who is a director of the company at the date of approval of this report confirms that:

- 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
22 September 2017

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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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.

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

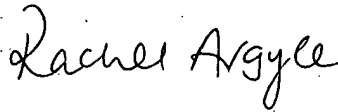
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MASSHOUSE DEVELOPMENTS LIMITED (continued)

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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.



Rachel Argyle (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK
22 September 2017

MASSHOUSE DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	1	15,267,049	1,356,453
Cost of sales		(10,772,182)	(511,830)
Gross profit		<u>4,494,867</u>	<u>844,623</u>
Administrative expenses		(1,249,820)	(820,445)
Operating profit		<u>3,245,047</u>	<u>24,178</u>
Finance income	5	169	153
Profit on ordinary activities before taxation	3	<u>3,245,216</u>	<u>24,331</u>
Tax charge on profit on ordinary activities	6	(468,534)	(94,673)
Profit/(loss) for the financial year		<u><u>2,776,682</u></u>	<u><u>(70,342)</u></u>

There is no income or expenditure for the current or preceding year other than as stated above. Accordingly, no separate statement of comprehensive income has been presented.

All the results derive from continuing operations.

MASSHOUSE DEVELOPMENTS LIMITED

BALANCE SHEET As at 31 December 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Investments	7		5		4
Current assets					
Stocks	8	3,208,891		961,598	
Debtors	9	10,928,460		11,067,898	
Cash		376,640		46,578	
		<u>14,513,990</u>		<u>12,076,074</u>	
Creditors: amounts falling due within one year	10	<u>(12,206,948)</u>		<u>(12,545,713)</u>	
Net current assets/(liabilities)			<u>2,307,042</u>		<u>(469,639)</u>
Total assets less current liabilities			<u>2,307,047</u>		<u>(469,635)</u>
Net assets/(liabilities)			<u>2,307,047</u>		<u>(469,635)</u>
Capital and reserves					
Called up share capital	12		4		4
Profit and loss account			<u>2,307,043</u>		<u>(469,639)</u>
Shareholders' funds/(deficit)			<u>2,307,047</u>		<u>(469,635)</u>

These financial statements for Masshouse Developments Limited (company registration number 04599607) were approved by the Board of Directors and authorised for issue on 22 September 2017.

Signed on behalf of the Board of Directors

N S Payne
Director



MASSHOUSE DEVELOPMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2016

	Called-up share capital	Profit and loss account	Total
	£	£	£
At 1 January 2015	4	(399,297)	(399,293)
Loss for the financial year and total comprehensive expense	-	(70,342)	(70,342)
At 31 December 2015	4	(469,639)	(469,635)
Profit for the financial year and total comprehensive income	-	2,776,682	2,776,682
At 31 December 2016	4	2,307,043	2,307,047

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

1. ACCOUNTING POLICIES

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

a. General information and basis of accounting

Masshouse Developments Limited is private limited company incorporated in England within the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Directors' report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be GBP because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a 'small company' under the Companies Act 2006, as amended in 2015 on implementation of the new European Accounting Directive and is consequently eligible to apply both Section 1A of FRS 102 and the reductions in statutory disclosure requirements applicable to a small company.

Exemptions have been taken in these separate company financial statements in relation to presentation of a cash flow statement and financial instruments.

b. Going concern

The financial statements have been prepared using the going concern basis of accounting.

The directors have prepared forecasts that take account of the local property market allowing for uncertainty. Taking these factors into account along with the £110m secured development funding and their cost estimates the directors 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 these financial statements 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.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

1 ACCOUNTING POLICIES (continued)

c. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

d. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

d.. Impairment of assets (continued)

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

e. Taxation

Unrelieved tax losses and other deferred tax assets are 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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

f. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year from the sale of development stock, the temporary car park and advertising hoardings.

Turnover from the sale of development stock is recognised on legal completion of the sale. Turnover from the temporary car park and advertising hoardings is recognised on the accruals basis.

g. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes financial costs which are directly attributable to the construction of the assets classified as stock. Provision is made for any impairment.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not consider there to be any critical judgments that require disclosure in the financial statements.

Sources of estimation uncertainty

The directors consider the following matters to be the key sources of estimation uncertainty which affect the financial statements;

Capitalised development costs – Stocks are carried at the lower of cost and net realisable value. In estimating the net realisable value the directors are required to estimate certain future costs and revenues to develop an overall appraisal of the project. Whilst many of these estimates are based on third party evidence and signed contracts there remains an element of uncertainty over the final outcome of the project.

Recoverability of intercompany and related party balances – The settlement of certain intercompany and related party receivables is sometimes dependent on the counterparties completing other development schemes and generating sufficient profit to repay the company. In making these assessments the directors have to consider the existing financial resources available to the counterparty and any uncertainty in the development scheme.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activity before taxation is stated after charging:

	2016 £	2015 £
Cost of stock recognised as an expense	10,286,571	-
Impairment of stock recognised as an expense	485,611	-
Impairment of related party debtor	-	448,817
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	10,600	10,100
Fees payable to the company's auditor for other services:		
Other assurance services	3,500	6,500
Tax services	4,500	4,400
	<u>10,600</u>	<u>10,100</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration during the year from the company (2015: same). The company does not employ any staff (2015: same).

5. FINANCE INCOME

	2016 £	2015 £
Interest receivable and similar income		
Bank interest	169	153
	<u>169</u>	<u>153</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2016

6. TAXATION

	2016 £	2015 £
Analysis of tax charge		
Current tax		
UK corporation tax	446,157	-
Adjustments in respect of prior years	(1)	1
Total current tax charge	446,156	1
Deferred tax		
Origination and reversal timing differences	21,138	95,837
Adjustments in respect of previous periods	-	1
Effect of change in tax rates	1,239	(1,166)
Total deferred tax charge	22,377	94,672
Tax charge for the year	468,533	94,673

Factors affecting the current tax charge for the year

The tax assessed for the year is higher (2015: higher) than that resulting from applying the standard rate of corporation tax in the UK of 20.0% (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	3,245,216	24,331
Tax on profit on ordinary activities before taxation at 20.0% (2015: 20.25%) thereon	649,043	4,926
Effects of:		
Expenses not deductible for tax purposes	131	90,912
Effect of change in tax rates	1,239	(1,166)
Adjustments in respect of prior years	(1)	1
Group relief surrendered	(181,878)	
Tax charge for the year	468,534	94,673

Finance Act 2016, which was substantively enacted in October 2016, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 17% from 1 April 2020. Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts. To the extent that the deferred tax reverses before 1 April 2020 then the impact on the net deferred tax asset will be reduced.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

7. INVESTMENTS

Cost and net book value	£
At 1 January 2016	4
Additions	1
31 December 2016	5

Investments are held at cost less impairment because their fair value cannot be measured reliably.

During the year the company acquired 100% of the ordinary share capital of Exchange Square Management Birmingham Limited which was newly incorporated during the year to December 2016.

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

Subsidiary undertakings:	Country of incorporation	Principal activity	Holding	Profit / (loss) for the year £	Aggregate share capital and reserves £
Masshouse Site 3 Management Limited	UK	Dormant	100%	-	1
Masshouse Commercial Block HI Limited	UK	Property development	100%	20,698	1,851,186
Lighthouse Apartments Limited	UK	Dormant	100%	-	1
Lighthouse Management Limited	UK	Dormant	100%	-	1
Exchange Square Management Birmingham Limited	UK	Dormant	100%	-	1

All of the holdings above represent ordinary shares held. The registered address for all the companies listed above is Mynshulls House, 14 Cateaton Street, Manchester, M3 1SQ.

Consolidated financial statements have not been prepared as the combined group is exempt under the small companies' regime.

8. STOCKS

	2016 £	2015 £
Work in progress	<u>3,208,891</u>	<u>961,598</u>

In the opinion of the directors there is no material difference between the carrying value of the stock and its net realisable value.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

9. DEBTORS

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	-	27,288
Amounts owed by related parties (see note 13)	10,890,731	11,004,746
Prepayment and accrued income	30,712	6,470
Deferred tax asset (see note 11)	7,017	29,394
	<u>10,928,460</u>	<u>11,067,898</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade creditors	176,123	216,559
Amounts owed to related parties (see note 13)	1,252,544	1,976,416
Accruals and deferred income	43,255	63,868
UK corporation tax	446,157	1
Loan stock	<u>10,288,869</u>	<u>10,288,869</u>
	<u>12,206,948</u>	<u>12,545,713</u>

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

	2016 £	2015 £
Evora Developments Limited	4,588,278	4,588,278
Buro Services Limited	<u>5,700,591</u>	<u>5,700,591</u>
	<u>10,288,869</u>	<u>10,288,869</u>

The loan stock is repayable on demand. As discussed in the directors' report, the directors have received written confirmation from the loan stock holders that repayment will not be sought until the company has sufficient financial resources to be able to repay the loan stock. No interest is charged.

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2016

11. DEFERRED TAX ASSET

	2016 £
Opening balance	29,394
Charged to the profit and loss account	(22,377)
Closing balance	<u>7,017</u>

	2016 £	2015 £
Analysis of deferred tax		
Depreciation in excess of capital allowances	6,696	7,878
Losses	321	21,516
Closing balance	<u>7,017</u>	<u>29,394</u>

There is no unrecognised deferred tax in either year.

12. CALLED UP SHARE CAPITAL

	2016 £	2015 £
Called up and allotted:		
2 A ordinary shares of £1 each (2015: 2)	2	2
2 B ordinary shares of £1 each (2015: 2)	2	2
	<u>4</u>	<u>4</u>

All shares rank pari-passu.

13. RELATED PARTY DISCLOSURES

As at 31 December 2016, 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 14), are included in debtors:

	2016 £	2015 £
Evora Apartments Limited	73,130	90,200
Buro Services Limited	650,001	650,001
Nikal Limited	10,167,086	10,263,928
Lighthouse Apartments Limited (subsidiary)	514	617
	<u>10,890,731</u>	<u>11,004,746</u>

MASSHOUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2016

13. RELATED PARTY DISCLOSURES (continued)

Included in creditors are the following related party balances:

	2016 £	2015 £
Evora Developments Limited	478,903	1,245,967
Masshouse Commercial Block HI Limited (subsidiary)	773,641	730,449
Buro Services Limited (loan notes)	5,700,591	5,700,591
Evora Developments Limited (loan notes)	4,588,278	4,588,278
	<u>11,541,413</u>	<u>12,265,285</u>

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

	2016 £	2015 £
Management fees charged to the company by Evora Developments Limited	1,185,999	300,000
Transfer of work in progress to Evora Developments at cost	<u>(1,143,816)</u>	<u>-</u>

The increase in Management fees during the year reflects the increased support provided by the Nikal Group (See note 14) in financing the development and securing the forward funding deal for the 603 Unit PRS development.

14. CONTROLLING PARTIES

As at 31 December 2016, 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. Mr Allan Murphy also controls Buro Services Limited.