REGISTERED NUMBER 02717800 (ENGLAND AND WALES)

MUSE DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

MUSE DEVELOPMENTS LIMITED

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MUSE DEVELOPMENTS LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

Directors	ME Crompton SP Crummett NJH Franklin D Hoyle JC Morgan SA Shankland
Secretary	C Sheridan
Head Office	Anchorage 1 Anchorage Quay Salford Quays Manchester M50 3YJ
Registered Office	Kent House 14 - 17 Market Place London W1W 8AJ
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor Manchester United Kingdom

MUSE DEVELOPMENTS LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report on the operations of the Group for the year ended 31 December 2015 together with the financial statements The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006

Principal activities
Muse Developments Limited and its subsidiary and joint venture undertakings ("the Group") form a UK-wide urban regeneration business specialising in the delivery of complex mixed use development projects, predominantly in town and city centre locations The Group has a portfolio of around 40 projects, the majority of which are delivered in partnership with public or private sector landowners The Group has established a track record of successful regeneration projects over the last 20 years

The subsidiary and associated undertakings principally affecting the results or net assets of the Group in the year are listed in notes 10 and 11 to the financial statements

Business review
The Group works with landowners and public sector partners to unlock value from under-developed assets to bring about sustainable regeneration and urban renewal through the delivery of mixed-use projects across the UK

	2015	2014
Revenue	£110 4m	£112 7m
Operating profit	£12 9m	£10 0m
Profit before tax	£11.1m	£8 5m
Capital employed at year-end	£76 6m	£50 3m
Cash and cash equivalents	£0 6m	£22 5m
Share of future development pipeline	£2 5bn	£2.4bn

The Group increased its operating profit to £12 9m (2014. £10 0m), generated from the development portfolio as schemes mature and supported by significant investment in the year in current schemes and future development opportunities

Capital employed[1] at the year end was £76 6m, up £26 3m from the prior year end This is calculated after deducting non-recourse debt of £12 8m and deferred consideration on the purchase of interests in the Group's joint venture with the Canal & River Trust of £14.0m Average capital employed[1] was £76 2m, with the overall Return on Average Capital Employed[2] of 15%

Indicative of the diversity and scale of the developments within the regeneration portfolio, there were a number of contributors to the overall performance of the Group, which included a total of 745 (2014 347) residential sales completions

[1] Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax and inter-company financing) At the period end, non-recourse debt was £12 8m (2014 £16 9m) and deferred consideration was £14 0m (2014 £13 6m) Average non-recourse debt was £18 6m (2014 £16 9m) and average deferred consideration was £13 8m (2014 £15 7m)

[2] Return On Average Capital Employed = (Adjusted operating profit less interest on non-recourse debt less unwind of discount on deferred consideration) divided by (average capital employed) Interest and fees on non-recourse debt was £1 4m (2014 £1 2m) and the unwind of discount on deferred consideration was £0 4m (2014 £0 5m)

Business review (continued)
Specifically during the year, residential completions were achieved on 14 projects including two phases of Brentford Lock West (a joint venture with the Canal & River Trust), further residential sales from the Vimto Gardens development (part of English Cities Fund's (ECf) Salford Central regeneration scheme – a joint venture with Legal & General and the Homes and Communities Agency), the completion and sale of all 184 residential units in the North and South tower apartment blocks in the Chatham Place, Reading development, the sale of remaining units in phase two of ECf's Rathbone Market scheme in Canning Town, the completion and sale of residential units on the Wapping Wharf, Bristol development (a joint venture with a local developer), and the development and sale of land in Hucknall, Nottinghamshire

During the year the Group secured forward funding for a number of projects Four major investments deals, totalling over £72m, with high profile national property funds enabled construction of a customer delivery hub (pre-let to John Lewis) on the Logic Leeds warehouse and industrial park and a total of 245 new homes in three buildings for the private rented sector within the New Bailey, Canning Town and Lewisham Gateway regeneration schemes

There are a number of key highlights in the Group's forward development programme

- Through ECf, discussions with the London Borough of Newham are progressing to further extend the £300m residential-led Rathbone Market, Canning Town scheme Over the past six years, the project has transformed the area into a desirable residential location with the new phase providing an additional 280 apartments by 2020
- Within one of the Mayor of London's new Housing Zones, we are seeking planning permission to deliver up to 500 new waterside homes at Hale Wharf, Tottenham through its partnership with the Canal & River Trust
- In addition, a mixed-tenure residential-led scheme will help revitalise the Bow Bridge Estate in East London through an agreement with registered social landlord, Poplar Housing and Regeneration Community Association

During the year the Group also secured 'preferred developer' status on six new projects which will further strengthen the forward development pipeline

Major development milestones include securing 10 planning consents on schemes with a total development value of £320m A significant achievement is receiving consent for London Borough of Lambeth's 'Your New Town Hall' project in Brixton, delivering a modern civic office, 194 new homes and regenerating the listed town hall and civic spaces

Approximately £400m of construction activity is underway on sites across the country with the Group procuring work from external contractors and also, where appropriate, from other divisions of Morgan Sindall Group Major starts include the fully-funded £107m Marischal Square development in Aberdeen, the second phase of Stockport town centre's new gateway development, Phase 1B of Lewisham Gateway, Phase 3 of Canning Town and the first stage in the redevelopment of South Shields town centre as part of the Group's £100m 365 Master Plan

MUSE DEVELOPMENTS LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Business review (continued)
The regeneration and development pipeline as at the period end was £2 5bn (2014 £2 4bn) and from this pipeline, the Group is expected to continue delivering strong returns as schemes develop and as further working capital is invested through 2016

Risks and uncertainties
The management of the business and the execution of the Group's strategy are subject to a number of risks The key business risks and uncertainties affecting the Group are considered to relate to the market environment, the availability of new business opportunities, the ability to attract and retain talented individuals and legal risks Further discussion of these risks and uncertainties, in the context of Morgan Sindall Group as a whole, is provided in the Strategic Report Principal Risks in Morgan Sindall Group plc's Annual Report, which does not form part of this report

The Group does not own a large land bank, instead the Group typically controls land through Development Agreements with public or private sector landowners This has helped the Group to reduce exposure to fluctuations in land values The Group is not totally immune to market risk and the Group reassesses, on a regular basis, the realisable value of its work in progress

Key performance indicators
The Company uses the key performance indicators as disclosed in the Business Review within the Strategic Report on Page 2 In addition to these there are key performance indicators which are employed by the Group which are discussed in the Strategic Report in Morgan Sindall Group plc's Annual Report, which does not form part of this report

Financial risk management
The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and price risk

Credit risk
With regard to credit risk the Company has implemented policies that require appropriate credit checks on potential customers before contracts are commenced The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers outside of the Group

Liquidity risk
This is the risk that the Company will not be able to meet its financial obligations as they fall due The Company aims to manage liquidity by ensuring that it will always have sufficient resources to meet its liabilities when they fall due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation Liquidity is provided through cash balances and access to the Group's committed bank loan facilities

Interest rate risk
In respect of interest rate risk the Company has interest bearing assets and liabilities Interest bearing assets and liabilities include cash balances, overdrafts and loan facilities all of which have interest rates applied at floating market rates Project appraisals are regularly reviewed with changing interest rates to ensure the level of interest risk is within acceptable parameters as set out in the Group risk management framework

Financial risk management (continued)

Price risk

The Group is exposed to the risk of cost inflation during site development To mitigate this risk, the Group enters into fixed price design and build construction contracts The Group is also exposed to the risk of price movements in the housing sector which affect underlying sales values To mitigate this risk a proportion of stock is subject to forward sale agreements

Approved by the Board and signed on its behalf by

D Hoyle
Director
28 April 2016

MUSE DEVELOPMENTS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Company's principal activities, results, principal risks and uncertainties, future developments and financial risk management are presented in the Strategic report The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union

Directors
The directors who served during the year and thereafter are shown on page 1

Qualifying third party indemnities
In common with many other companies, Morgan Sindall Group plc and its subsidiaries and joint ventures had during the year and continues to have in place directors' and officers' insurance in favour of its directors and other officers in respect of certain losses or liability to which they may be exposed due to their office

Dividends
An interim dividend of £4,740,000 was paid during the year (2014· £nil). The directors do not recommend the payment of a final dividend (2014 £nil)

Employment policies
The Group insists that a policy of equal opportunity employment is demonstrably evident at all times Selection criteria and procedures and training opportunities are designed to ensure that all individuals are selected, treated and promoted on the basis of their merits, abilities and potential

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Directors' responsibilities statement (continued)

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 and disclosure of information to the independent Auditor

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

- So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

- Each director has taken all the steps that they ought to have taken as a director in order to make themselves 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 has expressed its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by

D Hoyle
Director

28 April 2016

MUSE DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUSE DEVELOPMENTS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of Muse Developments Limited for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cashflow Statement, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Cashflow Statement, the Company Statement of Changes in Equity, the Principal Accounting Policies and the related notes to the financial statements 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company's members 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, 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 group's and the parent 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.

MUSE DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUSE DEVELOPMENTS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2015

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements 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 Strategic Report and 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 parent company 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

Rachel Argyle

Rachel Argyle (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

3 May 2016

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Revenue	1	110,369	112,662
Cost of sales		(94,510)	(99,064)
Gross profit		**15,859**	**13,598**
Administrative expenses		(10,376)	(8,895)
Share of net profit of joint ventures	10	7,456	5,304
Operating profit	**2**	**12,939**	**10,007**
Net finance expense	4	(1,866)	(1,546)
Profit before tax		**11,073**	**8,461**
Tax	5	(2,099)	(2,357)
Profit after tax		**8,974**	**6,104**

There were no discontinued operations in either the current or comparative years There was no other comprehensive income during the year (2014· none)

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Assets			
Goodwill	8	13,645	13,645
Property, plant & equipment	9	144	96
Investments in joint ventures	10	30,186	38,244
Shared equity loan receivables	12	299	421
Non-current assets		**44,274**	**52,406**
Inventories	13	115,362	94,650
Trade and other receivables	14	18,175	14,541
Cash and cash equivalents	24	587	22,453
Current assets		**134,124**	**131,644**
Total assets		**178,398**	**184,050**
Liabilities			
Trade and other payables	15	(86,638)	(86,068)
Current tax liabilities		(3,171)	(2,119)
Borrowings	24	(12,805)	(16,940)
Provisions for liabilities	17	(429)	(512)
Current liabilities		**(103,043)**	**(105,639)**
Net current assets		**31,081**	**26,005**
Trade and other payables	15	(7,008)	(13,580)
Deferred tax liabilities	16	(2,159)	(2,242)
Provisions for liabilities	17	(365)	(1,000)
Non-current liabilities		**(9,532)**	**(16,822)**
Total liabilities		**(112,575)**	**(122,461)**
Net assets		**65,823**	**61,589**
Equity			
Share capital	18	40,000	40,000
Retained earnings		25,823	21,589
Total equity		**65,823**	**61,589**

The consolidated financial statements of Muse Developments Limited, registered number 02717800, were approved by the Board of Directors and were signed on its behalf on 28 April 2016 by

D Hoyle
Director

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Profit after tax		**8,974**	**6,104**
Adjusted for			
Taxation	5	2,099	2,357
Interest receivable	4	(79)	(133)
Interest payable	4	1,945	1,679
Operating profit		**12,939**	**10,007**
Adjusted for			
Depreciation	9	51	44
Share of net (profit) / loss of equity accounted joint ventures	10	(7,456)	(5,304)
Decrease / (increase) in shared equity loans	12	122	207
Decrease in provisions	17	(718)	(575)
Operating inflow before movements in working capital		**4,938**	**4,379**
Increase in inventories	13	(20,713)	(17,596)
Increase in receivables	14	(3,603)	(5,535)
Increase in payables	15	(5,842)	13,836
Movements in working capital		**(30,159)**	**(9,295)**
Cash outflow from operating activities		**(25,221)**	**(4,916)**
Income taxes paid		(1,130)	(152)
Net cash outflow		**(26,351)**	**(5,068)**
Investing activities			
Interest received		48	133
Purchase of property, plant and equipment	9	(99)	(91)
Net receipts from joint ventures	10	15,514	8,274
Net cash inflow from investing activities		**15,463**	**8,316**
Financing activities			
Interest paid	4	(2,104)	(1,186)
Proceeds from borrowings	24	11,365	11,072
Repayment of borrowings	24	(15,500)	(2,850)
Dividends paid	7	(4,740)	-
Net cash (outflow) / inflow from financing activities		**(10,979)**	**7,036**
Net (decrease) / increase in cash and cash equivalents		(21,866)	10,284
Cash and cash equivalents at 1 January	24	22,453	12,169
Cash and cash equivalents at 31 December	**24**	**587**	**22,453**

MUSE DEVELOPMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 January 2014	**40,000**	**15,485**	**55,485**
Total comprehensive income	-	6,104	6,104
At 31 December 2014 (Note 18)	**40,000**	**21,589**	**61,589**
Total comprehensive income	-	8,974	8,974
Dividends paid (Note 7)	-	(4,740)	(4,740)
At 31 December 2015 (Note 18)	**40,000**	**25,823**	**65,823**

MUSE DEVELOPMENTS LIMITED

COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015	2014
		£'000	£'000
Assets			
Goodwill	8	7,292	7,292
Property, plant & equipment	9	144	96
Investments in joint ventures	10	700	6,084
Investments in subsidiaries	11	22,109	22,109
Non-current assets		**30,245**	**35,581**
Inventories	13	46,920	41,779
Trade and other receivables	14	45,399	19,695
Cash and cash equivalents	24	-	21,941
Current assets		**92,319**	**83,415**
Total assets		**122,564**	**118,996**
Liabilities			
Trade and other payables	15	(72,113)	(68,405)
Current tax liabilities		(1,206)	(1,365)
Provisions for liabilities	17	(429)	(512)
Overdraft	24	(317)	-
Current liabilities		**(74,065)**	**(70,282)**
Net current assets		**18,254**	**13,133**
Deferred tax liabilities	16	(1,014)	(1,156)
Provisions for liabilities	17	(365)	(1,000)
Non-current liabilities		**(1,379)**	**(2,156)**
Total liabilities		**(75,444)**	**(72,438)**
Net assets		**47,120**	**46,558**
Equity			
Share capital	18	40,000	40,000
Retained earnings		7,120	6,558
Total equity		**47,120**	**46,558**

The financial statements of Muse Developments Limited, registered number 02717800, were approved by the Board of Directors on 28 April 2016

D Hoyle
Director

MUSE DEVELOPMENTS LIMITED

COMPANY CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Loss after tax		**(1,698)**	**(1,593)**
Adjusted for			
Taxation		(937)	233
Interest receivable		(564)	(244)
Interest payable		93	-
Operating loss		**(3,106)**	**(1,604)**
Adjusted for·			
Depreciation	**9**	51	44
Decrease in provisions	**17**	(718)	(575)
Operating outflow before movements in working capital		**(3,773)**	**(2,135)**
Increase in inventories	**13**	(5,141)	(4,888)
Increase in receivables	**14**	(18,704)	(1,016)
Increase in payables	**15**	4,212	14,280
Movements in working capital		**(19,633)**	**8,376**
Cash (outflow) / inflow from operating activities		**(23,406)**	**6,241**
Income taxes (paid) / received		636	1,008
Net cash (outflow) / inflow		**(22,770)**	**7,249**
Investing activities			
Interest received		60	92
Purchase of property, plant and equipment	**9**	(99)	(91)
Net receipts from joint ventures	**10**	5,384	3,049
Net cash inflow from investing activities		**5,345**	**3,050**
Financing activities			
Interest paid	**4**	(93)	-
Dividends paid	**7**	(4,740)	-
Net cash (outflow) / inflow from financing activities		**(4,833)**	**7,036**
Net (decrease) / increase in cash and cash equivalents		(22,258)	10,299
Cash and cash equivalents at 1 January	**24**	21,941	11,642
Cash and cash equivalents at 31 December	**24**	**(317)**	**21,941**

MUSE DEVELOPMENTS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 January 2014	**40,000**	**8,151**	**48,151**
Total comprehensive expense	-	(1,593)	(1,593)
At 31 December 2014 (Note 18)	**40,000**	**6,558**	**46,558**
Total comprehensive income	-	5,302	5,302
Dividends paid (Note 7)	-	(4,740)	(4,740)
31 December 2015 (Note 18)	**40,000**	**7,120**	**47,120**

Muse Developments Limited (the Company) is domiciled and incorporated in the United Kingdom The nature of the Group's operations and its principal activities are set out in the strategic report on pages 2 to 5 The address of the registered office is given on page 1

The principal accounting policies adopted in the preparation of the financial statements are set out below. They have been applied consistently throughout the current and preceding year

Basis of preparation

(a) Statement of compliance

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union

The consolidated and company financial statements have been prepared on the going concern basis as discussed below and in accordance with IFRS adopted by the European Union

(b) Basis of accounting

The financial statements have been prepared under the historical cost convention except for the revaluation of shared equity loan receivables that are measured at fair values at the end of each reporting period, as explained in the accounting policies below Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services

(c) Functional and presentation currency

These consolidated and company financial statements are presented in pounds sterling which is the Group and company's functional currency

(d) Adoption of new and revised standards

(i) New and revised accounting standards adopted by the Group

During the year, the Group has adopted the following new and revised standards and interpretations. Their adoption has not had any significant impact on the amounts or disclosures reported in these financial statements:

- IAS 27 (revised) 'Separate Financial Statements' Introduces new disclosure requirements to investment entities
- IAS 28 (revised) 'Investments in Associates and Joint Ventures (2011)' This standard was issued and supersedes IAS 28 (2003) and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures
- IAS 32 (amended) 'Financial Instruments Presentation' This amendment clarifies existing application issues relating to the offsetting financial assets and financial liabilities
- IAS 36 (amended) 'Impairment of Assets' The amendments remove the requirement to disclose the recoverable amount of a cash generating unit (or group of cash generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognised and introduce additional disclosure requirements in respect of assets for which an impairment has been recognised or reversed and for which the recoverable amount is determined using fair value less costs of disposal

- IFRS 10 'Consolidated Financial Statements' This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities
- IFRS 11 'Joint Arrangements' This standard establishes the principles for financial reporting by entities that have an interest in arrangements that are controlled jointly
- IFRS 12 'Disclosure of Interests in Other Entities' This standard requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows

(ii) New and revised accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early by the Group

At the date of publishing these financial statements the following new and revised standards and interpretations were in issue but were not yet effective (and in some cases had not yet been adopted by the EU) None of these new and revised standards and interpretations have been adopted early by the Group

- Annual improvements 2012-2014 cycle
- IAS 1 (amended) 'Disclosure Initiative'
- IAS 16 (amended) 'Property, Plant and Equipment'
- IAS 12 (amended) 'Recognition of Deferred Tax Assets for Unrealised Losses'
- IAS 27 (amended) 'Separate Financial Statements'
- IAS 38 (amended) 'Intangible Assets'
- IFRS 9 'Financial Instruments'
- IFRS 11 (amended) 'Joint Arrangements'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows.

- The directors are in the process of assessing the potential impact of IFRS 15 on both revenue recognition and disclosure requirements

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements

Going concern
The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report The Group is expected to trade profitably for the foreseeable future, taking account of uncertainties in the economic climate The Group participates in the Morgan Sindall Group's centralised treasury arrangements and shares banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries

Going concern (continued)
The directors, having assessed the responses of the directors of Morgan Sindall Group plc to their enquiries, and having received confirmation regarding its continued support, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Morgan Sindall Group to continue as a going concern or its ability to continue to trade with the current banking arrangements

On the basis of their assessment of the Company and the Group's financial position and of the enquiries made of the directors of Morgan Sindall Group plc, the Company's directors have a reasonable expectation that the Company and Group will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, together with the Group's share of the results of joint ventures made up to 31 December each year

Business combinations are accounted for using the acquisition method The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement Acquisition related costs are expensed in administrative expenses as incurred All identifiable assets and liabilities acquired and contingent liabilities assumed are initially measured at their fair values at the acquisition date

The excess of the consideration transferred, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquiree as compared with the Group's share of the identifiable net assets are recognised as goodwill Where the Group's share of identifiable net assets acquired exceeds the total consideration transferred, a gain from a bargain purchase is recognised immediately in the income statement after the fair values initially determined have been reassessed

(a) Subsidiaries
Subsidiaries are entities that are controlled by the Group Control is exerted where the Group has the power to govern, directly or indirectly, the financial and operating policies of the entity so as to obtain economic benefits from its activities Typically, a shareholding of more than 50% of the voting rights is indicative of control However, the impact of potential voting rights currently exercisable is taken into consideration.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control is obtained to the date that control ceases The accounting policies of new subsidiaries are changed where necessary to align them with those of the Group

(a) Subsidiaries (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein They are initially measured at the non-controlling interests' share of the net fair value of the assets and liabilities recognised or at fair value, as determined on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of the changes in equity since the date of the combination

(b) Joint arrangements

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, which requires unanimous consent for strategic financial and operating decisions

(i) Joint ventures

A joint venture generally involves the establishment of a corporation, partnership or other entity in which each venturer has an interest The results, assets and liabilities of jointly controlled entities are incorporated in the financial statements using the equity method of accounting

Goodwill relating to a joint venture which is acquired directly is included in the carrying amount of the investment and is not amortised After application of the equity method, the Group's investments in joint ventures are reviewed to determine whether any additional impairment loss in relation to the net investment in the joint venture is required When there is a change recognised directly in the equity of the joint venture, the Group recognises its share of any change and discloses this, where applicable, in the statement of comprehensive income

Where the Group's share of losses exceeds its equity accounted investment in a joint venture, the carrying amount of the equity interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations Appropriate adjustment is made to the results of joint ventures where material differences exist between a joint venture's accounting policies and those of the Group

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

(ii) Joint operations

Construction contracts carried out as a joint arrangement without the establishment of a legal entity are joint operations The Group's share of the results and net assets of these joint operations are included under each relevant heading in the income statement and the balance sheet

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements Unrealised gains arising from transactions with equity accounted investments are eliminated to the extent of the Group's interest in that investment Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

Revenue recognition

Revenue from the sale of development properties is measured at the fair value of the consideration received or receivable Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the properties and the amount of revenue can be estimated reliably

The timing of the transfer of risks and rewards varies depending on the individual terms of the contract of sale Where the terms of the contract of sale are such that it is classified as an agreement for the rendering of services, revenue is recognised by reference to the stage of completion of the development. Where the terms of the contract of sale are such that it is classified as an agreement for the sale of goods, revenue is recognised at the point where the transfer of control and the significant risks and rewards of ownership occurs This can occur at a single point in time or continuously through the course of the development and is dependent on the specific characteristics of each development

Government grants

Funding received in respect of developer grants, where funding is awarded to encourage the building and renovation of sites, is recognised as revenue on a stage of completion basis over the life of the project to which the funding relates Government grants are initially recognised as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attached and the grants will be received, and are netted against any related inventory

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases

Finance income and expense

Finance income and expense is recognised using the effective interest method

Income tax

The income tax expense represents the current and deferred tax charges Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity

Current tax is the Group's expected tax liability on taxable profit for the year using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax (continued)
Taxable profit differs from that reported in the income statement because it is adjusted for items of income or expense that are assessable or deductible in other years and is adjusted for items that are never assessable or deductible

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases used in tax computations Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is recognised on temporary differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at the tax rates expected to apply when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted and are only offset where there is a legally enforceable right to offset current tax assets and liabilities

Intangible assets – goodwill
(i) Initial recognition – Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the Group's share of the identifiable net assets of the acquiree at the acquisition date Where the cost is less than the Group's share of the identifiable net assets, the difference is immediately recognised in the income statement as a gain from a bargain purchase

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and at least annually thereafter

(ii) Subsequent measurement – Goodwill is measured at cost less accumulated impairment losses In respect of equity accounted investments, goodwill acquired directly is included in the carrying amount of the investment

(iii) Impairment – The Group consists of only one cash-generating unit This is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets

If the recoverable amount of the Group's net assets is lower than their carrying amount, then the impairment loss is first applied to the goodwill and then to the other assets on a pro-rata basis, based on the carrying amount of each asset Any such impairment loss is recognised immediately in the income statement and is not subsequently reversed

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss Depreciation is charged so as to write off the cost of the assets over their estimated useful lives using the straight-line method on the following basis·

Plant, equipment, fixtures and fittings – between three and five years

Residual values of property, plant and equipment are reviewed and updated annually.

Investments

In the Company balance sheet, fixed asset investments in subsidiaries and joint ventures are shown at cost less provision for impairment

Shared equity loan receivables

The shared equity loans receivable are designated at fair value through profit or loss Fair value movements are recognised in profit from operations and the resulting financial asset is presented as a non-current receivable Fair value movements include accreted interest

Inventories

Inventories principally comprise properties held for sale, properties under construction and land Inventories are stated at the lower of cost and net realisable value. Cost comprises land, direct materials and other costs that have been incurred in bringing the inventories to their present location and condition Net realisable value is the estimated selling price less applicable costs

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method with an appropriate allowance for estimated irrecoverable amounts recognised in the income statement when there is objective evidence that the asset is impaired

Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method

Pensions

The Company contributes to The Morgan Sindall Retirement Benefits Plan, which is of a defined contribution type The annual costs are charged to the profit and loss account as incurred

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably

Critical accounting judgments and key sources of estimation uncertainty
The preparation of financial statements under IFRS requires management to make judgments, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense Actual results may differ from these estimates

Assumptions and estimates are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised The following items are those that management consider to be critical due to the level of judgment and estimation required

- **Accounting for construction and service contracts**
  Recognition of revenue and profit is based on judgements made in respect of the ultimate profitability of a contract Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing contracts to completion, including satisfaction of maintenance responsibilities These estimates are made by reference to recovery of pre-contract costs, surveys of progress against the construction programme, changes in work scope, the contractual terms under which the work is being performed, including the recoverability of any unagreed income from variations and the likely outcome of discussions on claims, costs incurred and external certification of the work performed The Group has appropriate control procedures to ensure all estimates are determined on a consistent basis and subject to appropriate review and authorisation

- **Impairment of work in progress**
  In assessing whether work in progress is impaired, estimates are made of future sales revenue, timing and build costs The Group has controls in place to ensure that estimates of sales revenue are consistent, and external valuations are used where appropriate

- **Goodwill and intangible assets**
  Goodwill is not amortised but is tested at least annually for impairment, along with the other assets of the Group Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective The Group performs various sensitivity analyses in respect of the tests for impairment, as detailed in note 7

MUSE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. Revenue and business segments

All revenue relates to the Group's principal activities carried out in the UK Management review the performance of the Group on a project basis None of these projects meet the criteria to be classified as an operating segment as defined by IFRS 8 Therefore no segmental analysis is disclosed

2. Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of property plant and equipment		
- owned assets	51	44
Government grants	(10,717)	(2,750)
Auditor's remuneration (see below)	97	77
Operating lease rentals		
- plant and machinery	29	27

	2015 £'000	2014 £'000
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	72	44
Fees payable to the Company's auditor for the audit of annual financial statements of subsidiary companies pursuant to legislation	21	20
	93	**64**
Group share of fees payable to the Company's auditor for the audit of annual financial statements of joint venture companies pursuant to legislation	4	13
Total auditor's remuneration	**97**	**77**

3. Staff costs

	2015 £'000	2014 £'000
Wages and salaries	5,998	4,885
Social security costs	788	646
Pension costs	392	469
	7,178	**6,000**

	No.	No
The average number of employees (including executive directors) during the year was	**66**	57

3. Staff costs (continued)

	2015	2014
	£'000	£'000
Total emoluments paid to directors in the year	2,337	1,886
Contribution paid to money purchase pension scheme	10	35
Number of directors who are members of money purchase pension schemes	1	1
Highest paid director		
Total emoluments paid to directors in the year	796	645
Contribution paid to money purchase pension scheme	-	13

Staff costs and Directors' remuneration excludes the impact of directors JC Morgan and SP Crummett who are members of the Morgan Sindall Group plc board of directors and are remunerated by Morgan Sindall Group plc

4. Net finance expense

	2015	2014
	£'000	£'000
Interest receivable from parent company	19	69
Other interest receivable	60	64
Total interest receivable	**79**	**133**
Loan interest payable	(1,517)	(1,186)
Other interest payable	(428)	(493)
Total interest payable	**(1,945)**	**(1,679)**
Net finance expense	**(1,866)**	**(1,546)**

5. Tax

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax charge on profit for the year	2,090	1,868
Adjustment in respect of previous years	92	342
Total current tax expense	**2,182**	**2,210**
Deferred tax:		
Current year (credit) / charge	(137)	10
Adjustment in respect of previous years	54	137
Total deferred tax (credit) / expense	**(83)**	**147**
Total income tax expense	**2,099**	**2,357**

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 20 25% (2014 21 5%) The actual tax charge for the current and preceding year differs from the standard rate for the reasons set out in the following reconciliation

	2015 £'000	2014 £'000
Profit before tax on continuing operations	11,073	8,461
Tax at the UK corporation tax rate of 20 25% (2014 21 5%)	**2,242**	**1,819**
Tax effect of:		
Share of results of joint ventures	(90)	(77)
Expenses not deductible in determining taxable profit	159	123
Capital allowances for the year lower than depreciation	2	3
Change in deferred tax liabilities	(137)	147
Adjustments to tax charge in respect of previous years	146	342
Other adjustments	(223)	-
Income Tax expense	**2,099**	**2,357**

A reduction in the UK corporation tax rate from 21% to 20% took effect from 1 April 2015 Finance Act 2015 (No 2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020 Provisions have been made to further reduce the rate of corporation tax to 17% from 1 April 2020 although this has not yet been substantively enacted

Deferred tax assets of £32,000 (2014 £32,500) have not been recognised in relation to tax losses carried forward due to uncertainty regarding their future reversal

6. Profit attributable to the Company

The profit for the financial year dealt with in the financial statements of the parent company was £5,302,000 (2014 loss of £1,593,000) As permitted by section 408 of the Companies Act 2006 a profit and loss account of the parent company is not presented as part of these financial statements

7. Dividends

Amounts recognised as distributions to equity holders in the year

	2015 £'000	2014 £'000
Current tax:		
Interim dividend for the year ended 31 December 2015 of 12 0p per share	4,740	-
	4,740	**-**

The directors do not recommend the payment of a final dividend (2014 £nil)

8. Goodwill

Cost & Net Book Value	Group Goodwill £'000	Company Goodwill £'000
As at 1 January 2014 and 1 January 2015	13,645	7,292
As at 31 December 2015	**13,645**	**7,292**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In testing goodwill for impairment, the recoverable amount of the Group has been determined from value in use calculations The key assumptions for the value in use calculations are those regarding the forecast cash flows, discount rates and long-term growth rates The calculations are based on a single cash generating unit (CGU)

Cash flow forecasts have been determined by using Board approved budgets and strategic plans for the next five years Cash flows beyond five years have been extrapolated using an estimated nominal growth rate of 2 2% (2014 2 2%) This growth rate does not exceed the long-term average for the relevant market. Discount rates are pre-tax and reflect the current market assessment of the time value of money and the specific risks The risk-adjusted nominal rate used is 12 5% (2014 13 0%) In carrying out this exercise, no impairment of goodwill has been identified

The Group performed various sensitivity analyses which involved reducing future cash flows from 2016 to 2020 in use by 25%, reducing terminal growth rates to nil or increasing pre-tax discount rates by 100 bps The results of these analyses showed that the value in use of the Group continued to exceed their carrying value

9. Property, plant and equipment

Group and Company	Plant, equipment, fixtures & fittings £'000
Cost	
As at 1 January 2014	1,087
Additions	91
As at 31 December 2014	**1,178**
Additions	99
As at 31 December 2015	**1,277**
Depreciation	
As at 1 January 2014	(1,038)
Charge for the year	(44)
As at 31 December 2014	**(1,082)**
Charge for the year	(51)
As at 31 December 2015	**(1,133)**
Net Book Value	
As at 31 December 2015	**144**
As at 31 December 2014	96

10. Investments in joint ventures

The parent company and the Group have investments in the following joint ventures which principally affected the results or net assets of the Group All of the fixed asset investments held by the Group and parent company have property development as their principal activity

Name of company	Country of incorporation	Proportion of ordinary shares held	Proportion of voting power held
ISIS Waterside Regeneration Limited Partnership1	England	50%	50%
ISIS Waterside Regeneration (General Partner) Limited	England	50%	50%
English Cities Fund Limited Partnership1	England	12 5% equity participation	33 3%
ECf (General Partner) Limited	England	33 3%	33 3%
Lingley Mere Business Park Development Company Limited	England	50%	50%
St Andrews Brae Developments Limited	England	50%	50%
Wapping Wharf (Alpha) LLP	England	50%	50%
Warp 4 General Partner Nominees Limited	England	50%	50%

10. Investments in joint ventures (continued)

Name of company	Country of incorporation	Proportion of ordinary shares held	Proportion of voting power held
Logic Leeds Management Company Limited	England	50%	50%
Intercity Developments Limited	England	50%	50%
Bromley Park (Holdings) Limited	England	50%	50%
Ashton Moss Developments Limited	England	50%	50%
Hulme High Street Limited	England	50%	50%
Hulme Management Company Limited	England	33 3%	33 3%

[1] The investment in these joint ventures are held by subsidiary undertakings

[2] The financial statements of Lingley Mere Business Park Development Company Limited are not coterminous with those of the Group as the company has a financial year end of 31 March

ISIS Waterside Regeneration: 50% equity participation

ISIS Waterside Regeneration is a joint venture with British Waterways to undertake regeneration of waterside sites

English Cities Fund: 12.5% equity participation

English Cities Fund is a limited partnership with the Homes and Communities Agency and Legal & General to develop mixed-use regeneration schemes in assisted areas Joint control is exercised through the board of the general partner at which each partner is represented by two directors and no decision can be taken without the agreement of a director representing each partner

Lingley Mere Business Park Development Company Limited: 50% share

Lingley Mere Business Park Development Company Limited is a joint venture with United Utilities and is developing new office space and ancillary facilities at Warrington in Cheshire.

St Andrews Brae Developments Limited: 50% share

St Andrews Brae Developments Limited is a joint venture with Miller Homes which is developing residential housing and apartments in Bearsden, Glasgow

Wapping Wharf (Alpha) LLP. 50% partner

Wapping Wharf (Alpha) LLP is a joint venture with Umberslade which is developing the first phase of residential apartments within the Harbourside Regeneration Area of Bristol

10. Investments in joint ventures (continued)

Investments in equity accounted joint ventures are as follows

	2015		2014	
	Group	**Company**	**Group**	**Company**
	£'000	**£'000**	**£'000**	**£'000**
As at 1 January	38,244	6,084	41,214	9,133
Share of net profit	7,456	-	5,304	-
Increase in investment	45	40	351	351
Investment repayment	(15,559)	(5,424)	(8,625)	(3,400)
As at 31 December	**30,186**	**700**	**38,244**	**6,084**

The following information is given in respect of the Group's equity accounted joint ventures Information categorised as "Other" relates to joint ventures that are not individually material The information represents the 100% share reported by the joint ventures unless stated otherwise

	ISIS Waterside Regeneration LP		English Cities Fund		Other	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets	-	-	-	-	1,378	1,414
Current assets	47,075	68,604	85,397	111,476	13,397	35,713
Current liabilities	(6,407)	(19,144)	(26,236)	(16,353)	(9,836)	(9,552)
Non-current liabilities	-	-	(22,575)	(42,250)	-	(19,083)
Net assets	**40,668**	**49,460**	**36,586**	**52,873**	**4,939**	**8,492**
Proportion of the Group's ownership interest	20,334	24,730	4,390	6,609		
Other Adjustments	(755)	(745)	1,172	400		
Carrying amount of the Group's interest in the joint venture	**19,579**	**23,985**	**5,562**	**7,009**		
Revenue	40,530	31,204	56,488	65,860	39,200	15,771
Expenses	(34,222)	(24,380)	(58,274)	(61,988)	(32,378)	(14,087)
Net profit	**6,308**	**6,824**	**(1,786)**	**3,872**	**6,822**	**1,684**

MUSE DEVELOPMENTS LIMITED

10. Investments in joint ventures (continued)

Additional financial information on material joint ventures is given below

	ISIS Waterside Regeneration LP		English Cities Fund	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash and cash equivalents	574	1,263	9,424	25,369
Current loans	1,404	14,916	-	-
Non-current loans	-	-	(22,575)	(42,250)
Interest income	6	3	56	64
Interest expense	(410)	(433)	(3,165)	(3,581)

11 Investments in subsidiary undertakings

The parent company has investments in the following subsidiaries All of the fixed asset investments held by the Group and parent company have property development as their principal activity.

Name of company	Country of incorporation	Proportion of ordinary shares held	Proportion of voting power held
Muse (ECF) Partner Limited	England	100%	100%
Muse (Warp 4) Partner Limited	England	100%	100%
Warp 4 General Partner Limited	England	100%	100%
Warp 4 Limited Partnership	England	100%	100%
Rail Link Europe Limited	England	80 1%	80 1%
Eurocentral Partnership Limited	England	100%	100%
Chatham Place (Building 1) Limited	England	100%	100%
Ician Developments Limited	England	100%	100%
Northshore Management Company Limited	England	100%	100%
North Shore Development Partnership Limited	England	100%	100%
Lewisham Gateway Developments (Holdings) Limited	England	100%	100%
Lewisham Gateway Developments Limited	England	100%	100%
Lewisham Gateway (Plot A & B) Management Company Limited	England	100%	100%
Lewisham Gateway Estate Management Company Limited	England	100%	100%
Sovereign Leeds Limited	England	100%	100%
Chatham Place Building 1 (Commercial) Limited	England	100%	100%
Chatham Place (Phase 1) Estate Manco Limited	England	100%	100%
Chatham Square Limited	England	100%	100%

11. Investments in subsidiary undertakings (continued)

Name of company	Country of incorporation	Proportion of ordinary shares held	Proportion of voting power held
Muse Chester Limited	England	100%	100%
Muse (Brixton) Limited	England	100%	100%
Muse Developments (Northwich) Limited	England	100%	100%
Muse Properties Limited	England	100%	100%
Plot 2000, Phase 2 (Ashton Moss) Management Company Limited	England	100%	100%

The ordinary shares held by Muse Developments Limited in Rail Link Europe Limited confer the right to 100% of the subsidiary's results and net assets No minority interests are thus included within the financial statements of Muse Developments Limited

The movement in investments in subsidiary undertakings during the year was as follows

	2015 £'000	2014 £'000
Cost and net book value		
At 1 January	22,109	22,810
Disposals	-	(701)
At 31 December	**22,109**	**22,109**

Muse Developments Limited guarantees the following companies under section 479A of the Companies Act 2006 and accordingly these companies are exempt from the requirement to have their accounts audited

Company	Registered number
Eurocentral Partnership Limited	03881458
Chatham Place (Building 1) Limited	06050459
EPL Contractor (Plot F East) Limited	04620368
EPL Contractor (Plot F West) Limited	04620390

In addition, Muse Developments Limited guarantees the following companies under section 394A of the Companies Act 2006 and accordingly these companies are exempt from the requirement to prepare accounts

Company	Registered number
EPL Developer (Plot F East) Limited	04615055
EPL Developer (Plot F West) Limited	04614646
EPL Developer (Plot B West) Limited	04614968
EPL Contractor (Plot B West) Limited	04615550

12. Shared equity loans

	2015	2014
	£'000	£'000
1 January	421	628
Repayments	(188)	(248)
Net change in fair value recognised in the income statement	66	41
31 December	**299**	421

The fair value measurement for shared equity loan receivables is classified as Level 3 as defined by IFRS 7 'Financial Instruments: Disclosures'

13. Inventories

	2015		2014	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Work in progress	115,362	46,920	94,650	41,779

Work in progress comprises land and housing, commercial and mixed-use developments in the course of construction

14. Trade and other receivables

	2015		2014	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade receivables	16,959	16,149	13,471	5,828
Amounts owed by group undertakings	100	100	48	48
Amounts owed by joint ventures	262	262	183	183
Amounts owed by subsidiaries	-	28,635	-	13,441
Prepayments	126	126	142	142
Other receivables	728	127	697	53
Trade and other receivables	**18,175**	**45,399**	**14,541**	**19,695**

15. Trade and other payables

	2015		2014	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade payables	13,422	9,800	11,614	9,601
Amounts owed to group undertakings	19,769	19,615	20,402	20,180
Amounts owed to joint ventures	152	152	153	153
Amounts owed to subsidiaries	-	16,396	-	19,929
Other taxation and social security	3,126	2,990	396	857
Accrued expenses	25,848	20,946	24,684	17,685
Deferred income	17,321	2,213	28,819	-
Other payables	7,000	1	-	-
Current trade and other payables	**86,638**	**72,113**	**86,068**	**68,405**
Non-current other payables	7,008	-	13,580	-
Total trade and other payables	**93,646**	**72,113**	**99,648**	**68,405**

Current and non-current other payables include £7 0m and £7 0m respectively (2014 £nil and £13 6m) related to the discounted deferred consideration due on the acquisition of an additional interest in ISIS Waterside Regeneration Government grants of £3 6m have been received during 2015 (2014 £17 1m) and an amount of £10 7m has been credited to the Profit and Loss account during the year (2014 £2 7m) An amount of £13 1m (2014 £20 2m) is included as deferred income and represents the difference between the amount of grant received and the amount credited to the Profit and Loss account

16. Deferred tax

Deferred tax is provided by the Group as follows

	Capital Allowances	Short term timing differences	Goodwill	Total
	£'000	£'000	£'000	£'000
At 1 January 2014	13	(945)	(1,163)	(2,095)
(Credited) / charged to the income statement	2	(141)	(8)	(147)
At 31 December 2014	**15**	**(1,086)**	**(1,171)**	**(2,242)**
Charged / (credited) to the income statement	5	(59)	137	83
At 31 December 2015	**20**	**(1,145)**	**(1,034)**	**(2,159)**

16. Deferred tax (continued)

Deferred tax is provided by the Company as follows

	Capital Allowances £'000	Short term timing differences £'000	Goodwill £'000	Total £'000
At 1 January 2014	13	-	(1,163)	(1,150)
(Credited) / charged to the income statement	2	-	(8)	(6)
At 31 December 2014	**15**	**-**	**(1,171)**	**(1,156)**
Charged to the income statement	5	-	137	142
At 31 December 2015	**20**	**-**	**(1,034)**	**(1,014)**

17. Provisions for liabilities

Group and Company	2015 Property £'000	2014 Property £'000
At 1 January	1,512	2,087
Addition	254	188
Utilised	(487)	(726)
Released unused	(485)	(37)
At 31 December	**794**	**1,512**
Provisions are analysed as follows		
Current	429	512
Non-current	365	1,000
	794	**1,512**

Provisions relate to the costs of remedial works, warranty costs and rent guarantees, where amounts are likely to be payable over a period up to 2017

18. Called-up share capital

Group and Company	2015 £'000	2014 £'000
Authorised, allotted, called-up and fully paid		
40,000,000 ordinary shares of £1 each	40,000	40,000

19. Pension costs

The Company contributes to employees' pension arrangements The annual costs charged to the profit and loss account for the year ended 31 December 2015 were £392,000 (2014 £469,000). The pension creditor at 31 December 2015 was £nil (2014 £nil).

20. Contingent liabilities

Performance bonds have been entered into in the normal course of business Performance bond facilities and the bank accounts of the Group and associated undertakings are supported by cross guarantees

21. Financial commitments

The Group has future commitments to purchase land and buildings with a combined purchase price of £2 5m (2014 £2 8m)

As at 31 December 2015, the Group has a commitment to invest further funding of up to £22 1m in Warp 4 Limited (2014 £14 5m) This commitment is guaranteed by the Company's ultimate parent, Morgan Sindall Group plc.

22. Operating lease commitments

The future minimum lease payments under operating leases are as follows

	2015 Other		2014 Other	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Within one year	11	11	11	11
Within two to five years	16	16	27	27
	27	**27**	**38**	**38**

23. Related party transactions

In the ordinary course of business, the Company has traded with its ultimate parent company Morgan Sindall Group plc, a company registered in England and Wales, together with its subsidiaries Balances with these entities are disclosed in notes 14 and 15 of these financial statements

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Transactions between the Group and its joint ventures are disclosed below

Trading transactions

During the year, Group companies entered into transactions with related parties which are not members of the Group Amounts owed at the year end and transactions during the year are as follows

	2015 Amounts owed by / (to) related parties £'000	2014 Amounts owed by / (to) related parties £'000
Bromley Park Limited	-	-
Intercity Developments Limited	(153)	(153)
ISIS Waterside Regeneration Limited	43	41
St Andrews Brae Developments Limited	-	98
Wapping Wharf (Alpha) LLP	-	44
Total	**110**	**30**
Within amounts owed by joint ventures (note 14)	293	183
Within amounts owed to joint ventures (note 15)	(183)	(153)
Total	**110**	**30**

During the year ECF General Partner Limited was charged £2,451,320 in respect of development management fees by the Company (2014 £3,695,037) During the year the Company charged £20,000 in respect of management fees (2014. £20,000) to St Andrews Brae Developments Limited During the year the Company charged £106,483 (2014 £358,418) in respect of management fees, £20,137 (2014 £nil) in respect of interest and £28,544 (2014 £6,342) in respect of other costs to Wapping Wharf (Alpha) LLP The company was charged £150,868 (2014 £nil) in respect of notional funding costs from Wapping Wharf (Alpha) LLP

Remuneration of key management personnel

The Group considers key management personnel to be the directors Details of their remuneration are given in note 3 of these financial statements

24. Financial instruments

Net cash

Cash and cash equivalents comprise cash in hand, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value The carrying amount of these assets approximates to their fair value Net cash is defined as cash and cash equivalents less non recourse project financing as shown below

	2015		2014	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Cash and cash equivalents	587	(317)	22,453	21,941
Non recourse project finance due within one year	(12,805)	-	(16,940)	-
Non recourse project finance due after one year	-	-	-	-
Net cash	**(12,218)**	**(317)**	**5,513**	**21,941**

The Group's operations expose it to a variety of financial risks that include credit risk, interest rate risk, liquidity risk, price risk and market risk.

Credit risk

With regard to credit risk the Group has implemented policies that require appropriate credit checks on potential customers, investment partners and key suppliers before legal agreements are signed

The ageing of the Group's trade receivables at the reporting date was as follows

	2015		2014	
	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment
	£'000	£'000	£'000	£'000
Not past due	12,980	-	11,395	-
Past due 1 to 30 days	3,299	-	1,096	-
Past due 31 to 120 days	182	-	551	-
Past due 121 to 365 days	162	-	300	-
Past due greater than 1 year	351	(15)	144	(15)
	16,974	**(15)**	**13,486**	**(15)**

24. Financial instruments (continued)
Credit risk (continued)

The ageing of the Company's trade receivables at the reporting date was as follows

	2015		2014	
	Gross trade receivables £'000	Provision for impairment £'000	Gross trade receivables £'000	Provision for impairment £'000
Not past due	12,170	-	4,342	-
Past due 1 to 30 days	3,299	-	1,041	-
Past due 31 to 120 days	182	-	45	-
Past due 121 to 365 days	162	-	300	
Past due greater than 1 year	351	(15)	115	(15)
	16,164	**(15)**	**5,843**	**(15)**

In determining the recoverability of trade receivables, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors believe that there is no further credit provision required in excess of the provision for impairment losses

Interest rate risk
In respect of interest rate risk the Group has both interest bearing assets and interest bearing liabilities These include cash balances which have interest rates applied at floating market rates The interest payable on interest bearing liabilities is determined at European Community Reference Rate plus a margin The Group is not exposed to significant interest rate risk as it does not have significant interest bearing liabilities and its only interest bearing asset is cash invested on a short-term basis

Liquidity risk
The Group has net current assets of £31 4m (2014 £26 0m), including £0 6m of cash at 31 December 2015 (2014 £22 5m) In addition, the Company is a subsidiary of Morgan Sindall Group plc and as such is a member of Morgan Sindall Group's banking arrangements under which it is a cross guarantor In addition to the Morgan Sindall Group cash balances, which stood at £58m at 31 December 2015 (2014 £56m), the Morgan Sindall Group has £175m of committed banking facilities of which £15m mature in May 2017, £20m in September 2017 and £140m in September 2018

The Group had £12 8m (2014 £16 9m) of additional project finance borrowing drawn down to fund specific projects These project finance borrowings are without recourse to the remainder of the Groups assets

24. Financial instruments (continued)

Price risk

The Group is exposed to the risk of cost inflation during site development. To mitigate this risk, the Group enters into fixed price design and build construction contracts The Group is also exposed to the risk of price movements in the housing sector which affect underlying sales values To mitigate this risk a proportion of stock is subject to forward sale agreements

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices, will affect the Group's income or the carrying amount of its holdings of financial instruments The objective of market risk management is to achieve a level of market risk that is within acceptable parameters as set out in the Group risk management framework

Capital management

The Board aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity The cash and cash equivalents are supplemented by the £175m of committed bank facilities expiring in 2017 and beyond, as described under the liquidity risk section above

There were no changes in the Group's approach to capital management during the year and the Group is not subject to any capital requirements imposed by regulatory authorities

25. Ultimate parent company

The company regarded by the directors as the ultimate parent company and controlling party is Morgan Sindall Group plc which is incorporated in England Copies of the Morgan Sindall Group plc's consolidated accounts can be obtained from www.morgansindall com This is the only group into which Muse Developments Limited is consolidated.

26. Exemption in Partnership (Accounts) Regulations taken

Muse Developments Limited, through its wholly owned subsidiary company Muse (Warp 4) Partner Limited, has a 100% interest in Warp 4 Limited Partnership, a partnership governed by English law The registered place of business of Warp 4 Limited Partnership is Kent House, 14-17 Market Place, London, W1W 8AJ.

The consolidated financial statements of Muse Developments Limited include the results and financial position of the Group's 100% interest in Warp 4 Limited Partnership. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnership (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts