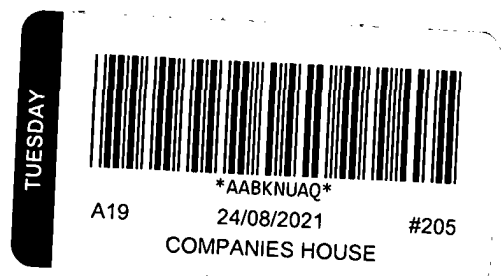


REGISTERED NUMBER: 02544711 (ENGLAND AND WALES)

MORGAN SINDALL INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020



MORGAN SINDALL INVESTMENTS LIMITED

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MORGAN SINDALL INVESTMENTS LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2020

Directors	R J Dixon S P Crummett J C Morgan W A Erlam (resigned 16 October 2020) A J Titmus (resigned 31 March 2021)
Company Secretary	C Sheridan
Registered Office	Kent House 14-17 Market Place London W1W 8AJ
Independent Auditor	Deloitte LLP Statutory Auditor London United Kingdom

MORGAN SINDALL INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Principal activities

Morgan Sindall Investments Limited (the 'Company') and its subsidiary and joint venture undertakings (together "the Group") focus on:

- property development through long-term joint venture partnerships with local authorities; and
- property development in the Later Living market, through the Morgan Sindall Later Living brand.

Through its activities the Group also generates construction and regeneration work for its sister companies in the Morgan Sindall Group. The Company utilises the Morgan Sindall Group's cash and debt facilities to invest into its subsidiaries and joint ventures.

During 2020, as part of a restructure within the Morgan Sindall Group, operational management responsibility for the local authority joint venture property partnerships and Later Living business was transferred to other companies in the Morgan Sindall Group in early 2021 resulting in restructuring costs as noted below. Further information is contained within the Directors' Report.

Business review

The results for the year for the Group were as follows:

	2020 £000	2019 £000
Revenue	34,381	7,969
Loss before tax	(8,453)	(4,293)
Net assets	2,622	9,418
Cash and cash equivalents	(4,889)	(1,412)

The Group made a loss before tax of £8.5m, including restructuring costs of £1m.

The two main areas of Covid-19 impact were delays to construction activity on existing development schemes and delays to achieving financial close on new schemes as investment decisions were deferred. While on-site construction activity recovered to normal levels relatively quickly, clients continued to be cautious and defer investment decisions throughout the second half of the year.

The Group has four property development joint ventures with local authorities and a Later Living business. In the joint venture with Slough Borough Council, work continued in the year on the £55m scheme to build 2 Marriott hotels and 64 apartments on the site of the town's former library, being delivered by Morgan Sindall Construction & Infrastructure. The hotels were completed and handed over in January 2021. Other highlights were the submission of planning applications for the development of 212 new homes in Montem Lane and a mixed-use development including 312 new homes at Stoke Wharf.

In The Bournemouth Development Company joint venture with BCP Council work started on site on a development of 44 homes in Durley Road and construction continued on 46 homes for market rent in St Stephens Road. Winter Gardens, a mixed-use scheme with a gross development value of £164m, concluded its section 106 planning agreement and is progressing towards a start on site, now anticipated to be during 2021.

MORGAN SINDALL INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

In the Brentwood Development Partnership, the Group's joint venture with Brentwood Borough Council, work is ongoing to prepare planning applications for the joint venture's first four schemes.

In Chalkdene Developments, the joint venture with Hertfordshire County Council, two developments are on site which together will deliver over 100 new homes. Both projects are being delivered by a sister company Lovell Partnerships.

In the Later Living business, six projects were on site across the UK, which together will provide over 400 extra care apartments. Three schemes were completed and handed over, bringing high quality, purpose-built new homes to those local communities. Good progress was made on new projects, with planning consents secured for a 64-apartment extra care scheme in Leeds, a 60-apartment extra care scheme in Gosport, Hampshire and a 50-apartment extra care scheme in New Milton, Hampshire.

The division also disposed of its interest in the Priority Schools Building Programme North West Batch joint venture (joint venture with Equitix and the Department for Education) in the year, delivering a profit of £2.7m.

Financial position and liquidity

The financial position of the Group is presented in the Balance Sheet. The total shareholder's funds at 31 December 2020 were £2.6m (2019: £9.4m). The Group had net current liabilities of £29.4m (2019: £25.8m).

The Group is funded and supported by its parent company Morgan Sindall Group plc. Its current liabilities include an intercompany loan from Morgan Sindall Group plc of £20.3m (2019: £25.0m). The Company also participates in Morgan Sindall Group plc's banking arrangements (under which it is a cross guarantor) and as at 31 December 2020 the Group had an overdrawn position of £4.9m (2019: £1.4m). Morgan Sindall Group plc had net cash of £332.8m (2019: £192.7) and had £180m of committed loan facilities, of which £30m mature in 2022 and the remaining £150m matures in 2023. As at 31 December 2020 these facilities were undrawn. The Group has a further facility of £0.4m that was drawn down in full during 2020 and matures in July 2025.

Future Developments

During 2020, operational management responsibility for the Company's principal activities was transferred to other companies in the Morgan Sindall Group. As a result, 28 employees were transferred to those other Group companies with effect from 1 November 2020. The remaining employees left the company at the beginning of 2021. The ownership of a number of the Company's subsidiaries transferred to the other Group companies in early 2021. The Company will continue to operate as a holding company for its other subsidiaries and joint ventures.

Key performance indicators

The Company's financial key performance indicators are described in the business review above. No other key performance indicators are deemed necessary to explain the development, performance or position of the Company.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to the market and economic environment, in particular the continued uncertainty of the COVID-19 pandemic and the implications of the Brexit trade deal as well as the risk of a longer term

MORGAN SINDALL INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

shortage of opportunities, health and safety and environmental performance, contractual risk (including mispricing of contracts, managing changes to contracts and contract disputes, poor project delivery and poor contract selection), counterparty and liquidity risk. Further discussion of these risks and uncertainties, in the context of Morgan Sindall Group as a whole, is provided in the strategic report in Morgan Sindall Group plc's annual report and accounts, which does not form part of this report.

During 2020 there has been the emerging risk of COVID-19. Initially, short-term mitigation actions were put in place by management which consisted of usual measures to reduce discretionary costs and improve cash flow. Specifically, these have included salary reductions for senior staff, accessing the Government's Coronavirus Job Retention Scheme, and taking advantage of permissions to defer VAT, PAYE and other tax payments. The salary reductions were repaid in full to all staff within 2020 and the deferred VAT and tax payments were also repaid in full within 2020.

Financial risk management objectives and policies

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate 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 and overdrafts, all of which have interest rates applied at floating market rates:

Section 172(1) statement Companies Act 2006

Throughout 2020, the directors have complied with the requirements of Section 172 of the Companies Act 2006, in promoting the long-term success of the Company for the benefit of all stakeholders. The following disclosure describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the directors' statement required under section 414CZA of The Companies Act 2006.

Engagement with stakeholders

The directors consider its shareholder, employees, customers, suppliers and local communities to be its core stakeholder groups. As part of its ongoing activities of engaging with stakeholders, the directors have undertaken the following activities in 2020:

Shareholder

Our ultimate shareholder is Morgan Sindall Group plc. We create value by securing a pipeline of

MORGAN SINDALL INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

future development opportunities as well as providing construction work to other parts of the Morgan Sindall group. We discuss our performance in monthly management meetings with Morgan Sindall Group's executive directors and provide executive summaries for the Morgan Sindall Group Board. The directors routinely engage with the Morgan Sindall Group on topics of strategy, governance, performance and our strategic plans include information on the impact on each of our stakeholders including the community and environment.

The Company has issued to its senior management team a schedule of authorised approvers and signatories, summarising delegated authorities within the Company. It covers the requirements contained within 'Delegation and Limits of Authority Procedures' ('DELAPs') issued by the MS Group.

Employees

In line with Morgan Sindall Group's Total Commitments, protecting the health, safety and wellbeing of everyone who comes into contact with our business is our number one priority. Furthermore, we are committed to a diverse and inclusive work environment and helping our employees gain skills that support their personal ambitions and drive the business forward.

Customers

We aim to continue developing long-term, open relationships with our clients and partners that are forged through a shared vision, values and goal to create game-changing regeneration schemes that transform communities physically, socially and economically.

Suppliers

Our suppliers and subcontractors are critical to our operations and we take a long-term collaborative approach to working with them. The Group continues to work closely with its supply chain to foster a culture of partnership, trust and collaboration. It is continuously evolving its ways of working with suppliers to encourage efficiency and improved delivery, for example engaging them early in the design process to develop deliverable solutions.

Communities

Enhancing communities is at the very heart of every development that the Group delivers. Its schemes bring about sustainable urban renewal, creating new places, which benefit communities economically, physically and socially.

The Group is involved in many charities and a variety of sponsorship initiatives, including being a corporate sponsor of homeless charity LandAid.

The Company has recently introduced a new volunteering policy, which enables employees to take one day's paid leave a year, to carry out a day of volunteering with a registered charity. Employees are encouraged to take the opportunity to volunteer their time and skills, during work hours, to support a registered charity of their choice and give something back to their community.

Principal decisions

We define principal decisions as those that are material to the Company and to the Group and those that are significant to our key stakeholder groups as above. As set out below, we have given examples of how the Directors have considered the outcomes from our stakeholder engagement as well as the need to maintain the Company's reputation for high standards of business conduct and to act fairly between the members of the Company in some of the principal decisions we have taken during the year.

MORGAN SINDALL INVESTMENTS LIMITED

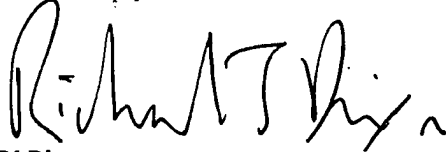
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

During the year, the Directors have reviewed and approved the Company's strategic priorities, including the financial budget whilst considering and determining the Company's appropriate risk appetite, namely being selective over what work we seek to secure and ensuring we have the right skill sets to perform the work, whilst also ensuring alignment with the Group plans and priorities.

Prior to contractors being asked to tender, each contractor goes through an internal financial review process which reviews the performance of the contractor, its current financial position as well as other factors including the value of work that the Group currently have placed with the contractor.

We continued to invest in our early careers 'foundation programme' to develop succession planning, diversity and home grown resource for business growth.

Approved by and on behalf of the Board:



RJ Dixon
Director
5 May 2021

MORGAN SINDALL INVESTMENTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020. The annual report comprises the strategic report and directors' report, which together provide the information required by the Companies Act 2006. The financial statements have been prepared under United Kingdom Accounting Standards.

Going concern

These financial statements have been prepared on a going concern basis which presumes that the Group has adequate resources to remain in operation and that the directors intend it to do so for at least one year from the date the financial statements are signed.

The Group continues to operate construction sites safely during the pandemic under the Site Operating Procedures ('SOP') agreed by the Construction Leadership Council and following the advice from UK Government, the devolved administrations and public health authorities. The Group has operated profitably with positive operating cash flows throughout the pandemic whilst under these restrictions. The company is expected to continue to operate under these guidelines for the foreseeable future until the end of the pandemic.

The Group participates in its parent company, Morgan Sindall Group plc, banking arrangements (under which it is a cross guarantor). As at 31 December 2020, the Morgan Sindall Group plc held cash of £400.5m and total loans and borrowings of £67.7m, including £67.3m of overdrafts repayable on demand (together net cash of £333m). Should further funding be required, Morgan Sindall Group plc has significant committed financial resources available including unutilised bank facilities of £180m, of which £30m matures in March 2022 and £150m matures in October 2023.

Based on the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a minimum of 12 months from the date of signing the accounts. Thus, they continue to adopt the going concern basis in preparing the financial statements. Further details can be found in the principal accounting policies in the financial statements.

Future developments

Please refer to the Strategic Report for further information on future developments relating to the Company.

Directors

The directors who served during the year and to the date of this report are shown on page 1. None of the directors had any interest in the shares of the Company during the year ended 31 December 2020.

Directors' indemnities

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Furthermore, the Group maintains liability insurance for its directors and officers and those of its directors and officers of its associated companies.

The Company has not made qualifying third party indemnity provisions for the benefit of its directors during the year.

Dividends

The directors do not recommend the payment of a final dividend (2019: £nil).

MORGAN SINDALL INVESTMENTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Post balance sheet events

During 2020, operational management responsibility for the Company's principal activities was transferred to other companies in the Morgan Sindall Group. As a result, 28 employees were transferred to those other Group companies with effect from 1 November 2020. The remaining employees left the Company at the beginning of 2021. The ownership of a number of the Company's subsidiaries have transferred to the other Group companies since 1 January 2021. Any associated net assets were transferred for an amount equal to their book value. The transfer of these operations does not have any impact on the financial information reported in these accounts. The Company will continue to operate as a holding company for its other subsidiaries and joint ventures.

Political contributions

The Company made no political contributions during the year (2019: none).

Employment policies

The Company insists that a policy of equal opportunity employment is demonstrably evident at all times. Selection criteria, 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.

Independent auditor and disclosure of information to the independent auditor

Each of the persons who is a director 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
- Each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

Following an audit tender conducted during the year, Ernst & Young LLP were selected as auditor for the Morgan Sindall Group. Accordingly, it is intended that Ernst & Young LLP will be appointed to replace Deloitte LLP as auditor for the year ending 31 December 2021.

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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the parent company financial statements, the directors are required to:

MORGAN SINDALL INVESTMENTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:



RJ Dixon
Director
5 May 2021

MORGAN SINDALL INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Morgan Sindall Investments Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated cash flow statement;
- the consolidated statement of changes in equity;
- the Company balance sheet
- the Company statement of changes in equity
- the statement of principal accounting policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to

MORGAN SINDALL INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

MORGAN SINDALL INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, the UK Corporate Governance code and related guidance and relevant tax laws; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the UK Bribery Act 2010 and the environmental regulations in the jurisdictions in which it operates.

We discussed among the audit engagement team, including relevant internal specialists such as tax, valuations, IT specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address are described below:

- We identified revenue recognition specifically relating to accuracy in relation to ad hoc services income. As part of our procedures we have performed test of details and traced our samples to sales invoices. We have also identified the valuation of Claymore Roads investment specifically due to the significant issues, such as increased lifecycle costs arising from defects and an ongoing claim against subcontractor. Given the size of the investment there is a significant judgement as to whether the investment is recoverable. As part of our procedures we have challenged and evaluated the client impairment model (in accordance with IFRS 9).

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

MORGAN SINDALL INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

- enquiring of management, legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

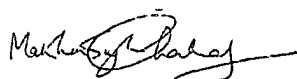
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Makhan Chahal, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

5 May 2021

MORGAN SINDALL INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Revenue	1	34,381	7,969
Cost of sales		(32,835)	(9,002)
Gross profit/(loss)		1,546	(1,033)
Administrative expenses		(10,609)	(7,995)
Share of net profit of joint ventures		(958)	133
Other net gains	8	1,813	4,431
Operating loss	2	(8,208)	(4,464)
Interest receivable	4	415	774
Interest payable	4	(660)	(603)
Loss before tax		(8,453)	(4,293)
Tax	5	1,657	218
Loss for the financial year attributable to owners of the Company		(6,796)	(4,075)

Continuing operations

The results for the current derive from discontinuing operations (see note 20).

MORGAN SINDALL INVESTMENTS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

		2020 £000	2019 £000
	Notes		
Non-current assets			
Goodwill and intangible fixed assets	6	3,789	5,677
Property, plant and equipment	7	2,447	2,707
Investments in joint ventures	8	27,659	26,826
Other investments		-	2,049
Deferred tax asset	12	292	321
		34,187	37,580
Current assets			
Contract assets	9	6,604	3,289
Trade and other receivables	10	5,015	4,813
Cash and bank balances		-	-
		11,619	8,102
Total assets		45,806	45,682
Current liabilities			
Trade and other payables	11	(35,805)	(32,231)
Cash and bank balances		(4,889)	(1,412)
Lease liabilities	17	(287)	(213)
		(40,981)	(33,856)
Net current liabilities		(29,362)	(25,754)
Non-current liabilities			
Provision for liabilities	13	(366)	(270)
Lease liabilities	17	(1,837)	(2,138)
		(2,203)	(2,408)
Total liabilities		(43,184)	(36,264)
Net assets		2,622	9,418
Capital and reserves			
Share capital	14	4,806	4,806
Retained earnings		(2,184)	4,612
Total shareholder's funds		2,622	9,418

The financial statements of Morgan Sindall Investments Limited (company number 02544711) were approved by the Board and authorised for issue on 5 May 2021. They were signed on its behalf by:



.....
RJ Dixon, Director

MORGAN SINDALL INVESTMENTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Operating loss		(8,208)	(4,464)
Adjusted for:			
Depreciation of equipment, fixtures and fittings	7	699	664
Amortisation of intangible fixed assets	6	1,888	561
Impairment of inventories		-	1,483
Impairment of joint ventures	8	788	-
Impairment of other investments		791	-
Impairment of trade and other receivables		1,224	-
Net gain on disposals of joint ventures		(1,813)	-
Gain on disposal of right of use assets		-	(39)
Share of net loss/(profit) of joint ventures	8	958	(133)
Increase in provisions	14	96	138
Operating cash outflow before movements in working capital		(3,577)	(1,790)
Increase in inventories		-	(27)
(Increase)/decrease in contract assets	9	(3,315)	3,661
(Increase)/decrease in receivables		(251)	1,710
Increase/(decrease) in payables		8,737	(2,358)
Movements in working capital		5,171	2,986
Income taxes		511	14
Interest paid		(594)	(537)
Net cash inflow from operating activities		1,511	673
Investing activities			
Interest received		415	774
Dividends from joint ventures		-	2,949
Purchase of property, plant and equipment	7	(439)	(75)
Net receipts from/(payments to) joint ventures	8	(8,004)	(4,466)
Net receipts from/(payments to) other investments	8	1,258	(356)
Net payment for the acquisition of a subsidiary		(163)	(1,283)
Disposal of joint ventures		7,238	-
Net cash inflow/(outflow) from investing activities		305	(2,457)
Financing activities			
Repayment of loan from parent undertaking		(5,000)	-
Repayment of lease liabilities		(293)	(355)
Net cash outflow from financing activities		(5,293)	(355)
Net decrease in cash and cash equivalents		(3,477)	(2,139)
Cash and cash equivalents at 1 January		(1,412)	727
Cash and cash equivalents at 31 December		(4,889)	(1,412)

MORGAN SINDALL INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000	Retained earnings £000	Total £000
At 1 January 2019	4,806	8,687	13,493
Loss for the financial year	-	(4,075)	(4,075)
At 31 December 2019	4,806	4,612	9,418
Loss for the financial year	-	(6,796)	(6,796)
At 31 December 2020	4,806	(2,184)	2,622

MORGAN SINDALL INVESTMENTS LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	7	2,447	2,707
Investments	8	6,358	9,180
Deferred tax asset	12	269	296
		9,074	12,183
Current assets			
Trade and other receivables	10	29,811	27,584
Cash and bank balances		-	-
		29,811	27,584
Total assets		38,885	39,767
Current liabilities			
Trade and other payables	11	(30,296)	(30,795)
Cash and bank balances		(3,496)	(2,821)
Provision for liabilities	13	(20)	(133)
Lease liabilities	17	(287)	(213)
		(34,099)	(33,872)
Net current liabilities		(4,288)	(6,288)
Non-current liabilities			
Lease liabilities	17	(1,837)	(2,138)
		(1,837)	(2,138)
Total liabilities		(35,936)	(36,010)
Net assets		2,949	3,757
Capital and reserves			
Share capital	14	4,806	4,806
Retained earnings		(1,857)	(1,049)
Total shareholder's funds		2,949	3,757

The financial statements of Morgan Sindall Investments Limited (company number 02544711) were approved by the Board and authorised for issue on 5 May 2021. They were signed on its behalf by:



RJ

Dixon,

Director

MORGAN SINDALL INVESTMENTS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000	Retained earnings £000	Total £000
At 1 January 2019	4,806	(4,763)	43
Profit for the financial year	-	3,714	3,714
At 31 December 2019	4,806	(1,049)	3,757
Loss for the financial year	-	(808)	(808)
At 31 December 2020	4,806	(1,857)	2,949

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

General information

Morgan Sindall Investments Limited (the 'Company') is a private company limited by shares, incorporated and domiciled in the UK and registered in England and Wales. The nature of the Company's operations and its principal activities are set out in the business review on pages 2 to 3. The address of the registered office is given on page 1.

Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared on the going concern basis as set out below and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company financial statements have been prepared on the going concern basis in accordance with United Kingdom General Accepted Accounting Practice including Financial Reporting Standard 101. Both the consolidated and Company financial statements have been prepared in accordance with the Companies Act 2006.

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently the statement of comprehensive income (including the profit and loss account) of the Parent Company is not presented as part of these accounts. The profit/(loss) for the Company is shown in the Company statement of changes in equity shown on page 19.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in relation to the presentation of a cash flow statement, related party disclosures and disclosing standards not yet effective.

(b) Basis of accounting

The financial statements have been prepared under the historical cost convention. 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 Company's functional currency.

(d) Ultimate controlling party

The directors consider that the ultimate parent undertaking and ultimate controlling party of this Company is Morgan Sindall Group plc, which is registered in England and Wales. It is the largest and smallest Group into which the results of the Company are consolidated. Copies of the consolidated financial statements of Morgan Sindall Group plc are publicly available from www.morgansindall.com or from its registered office Kent House, 14-17 Market Place, London, W1W 8AJ.

(e) Adoption of new and revised standards

During the year the Group has not adopted any new and revised standards and interpretations..

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic and Director's reports. The Company participates in the 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.

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

The Company is in a net current liabilities position of £4.3m (2019: £6.3m) and is reliant on Morgan Sindall Group plc for funding and access to banking arrangements. The Company has obtained a letter of support from Morgan Sindall Group plc, committing to provide financial support for at least 12 months from the date of signing the accounts.

On the basis of their assessment of the Company'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 the Group will be able to continue in operational existence for at least 12 months from the date of signing the accounts. 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.

(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.

(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

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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

(a) Sale of land and properties

The Company derives a significant portion of revenue from the sale of land, and the development and sale of residential and commercial properties.

Contracts are typically satisfied at a point in time. This is usually deemed to be legal completion as this is the point at which the Group has an enforceable right to payment. The only exception to this is pre-let forward sold developments where the customer controls the work in progress as it is created; or where the Company is unable to put the asset being constructed to an alternative use due to legal or practical limitations and has an enforceable right to payment for the work completed to date. Where these conditions are met, the contract is accounted for as construction contract in accordance with paragraph (b) below.

Revenue from the sale of land, residential and commercial properties is measured at the transaction price agreed in the contract with the customer. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Profit is recognised by allocating the total costs of a scheme to each unit at a consistent margin.

(b) Construction contracts

A portion of the Company's revenue is derived from construction contracts. The majority of contracts are considered to contain only one performance obligation for the purposes of recognising revenue. Whilst the scope of works may include a number of different components, in the context of construction activities these are usually highly interrelated and produce a combined output for the customer.

Contracts are typically satisfied over time. For fixed price construction contracts progress is measured through a valuation of the works undertaken by a professional quantity surveyor. Variations are not included in the estimated total contract price until the customer has agreed the revised scope of work.

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

Where the scope has been agreed but the corresponding change in price has not yet been agreed, only the amount that is considered highly probable not to reverse in the future is included in the estimated total contract price. Where delays to the programme of works are anticipated and liquidated damages would be contractually due, the estimated total contract price is reduced accordingly. This is only mitigated by liquidated damages due from others, expected extensions of time or commercial resolution being achieved where it is highly probable that this will not lead to a significant reversal in the future.

In order to recognise the profit over time it is necessary to estimate the total costs of the contract. Once the outcome of a construction contract can be estimated reliably, margin is recognised in the income statement in line with the stage of completion. Where a contract is forecast to be loss-making, the full loss is recognised immediately in the income statement.

(c) Contract costs of land and properties

Costs to obtain a contract are expensed unless they are incremental, i.e. they would not have been incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered.

Costs to fulfil a contract are expensed unless they relate to an identified contract, generate or enhance resources that will be used to satisfy the obligations under the contract in future years and the contract is expected to be sufficiently profitable for them to be recovered.

Where costs are capitalised, they are amortised over the shorter of the period for which revenue and profit can be forecast with reasonable certainty and the duration of the contract except where the contract becomes loss making. If the contract becomes loss making, all capitalised costs related to that contract are immediately expensed.

(d) Government grants

Funding received in respect of developer grants, where funding is awarded to encourage the building of affordable housing, is recognised as revenue on a stage of completion basis over the life of the project to which the funding relates.

Funding received to support the construction of housing where current market prices would otherwise make a scheme financially unviable is recognised as revenue on a legal completion basis when the properties to which it relates are sold.

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.

Property, plant and equipment

Leasehold property, plant, machinery and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided in equal annual instalments at rates calculated to write off the cost of the assets, less estimated residual value, over their estimated useful lives as follows:

Plant, equipment, fixtures and fittings	between three and ten years
Right of use – Leasehold buildings	the period of the lease

Investments in subsidiaries and joint ventures and other investments

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

Investments held as non-current assets are stated at cost less provision for impairment.

Interest receivable and interest payable

Interest receivable and interest payable are recognised on an accruals basis, by reference to the principal outstanding, and at the effective interest rate applicable.

Leases

Where the Company is a lessee, a right-of-use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Company's expectations of the likelihood of lease extension or break options being exercised. The lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any lease modifications. The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Group and an estimate of any costs that are expected to be incurred at the end of the lease to dismantle or restore the asset. The right-of-use asset is subsequently depreciated in accordance with the Group's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

Pensions

The Company contributes to The Morgan Sindall Retirement Benefits Plan which is of a defined contribution type. The amount charged to the statement of comprehensive income is equal to the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Income tax

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

Current tax is the Company'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.

Taxable profit differs from that reported in the statement of comprehensive income 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 profits, 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

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2020

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 this is a legally enforceable right to offset current tax assets and liabilities.

Provisions

Provisions are recognised when the Company 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 can be estimated reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the Company's management to make judgements, 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. 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.

(a) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

The directors made no critical judgements in preparing these accounts.

(b) Key sources of estimation uncertainty

In assessing whether investments are impaired, estimates are made of the future profitability and cash flows of the projects that the Company has invested in. The most significant of which was the investment in Claymore Roads Limited, which has a carrying value of £1m at the year end. The future cash flows of this investment are dependent upon the successful refinancing of the project.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Revenue and business segments

The Group has one reportable segment. All revenue relates to the Group's principal activities carried out in the UK.

2. Operating loss

	2020 £000	2019 £000
Operating loss is stated after charging:		
Depreciation:		
- owned tangible fixed assets	290	228
- Right of use assets	409	436
Amortisation of intangible fixed assets	1,888	561
Fees payable to the Company's auditor for the audit of the Company's annual accounts	65	18
Fees payable to the Company's auditor for the audit of annual financial statements of subsidiary companies pursuant to legislation	22	33

No fees payable for non-audit services were paid by the Company to the Company's auditor during the year (2019: £nil).

3. Staff costs

	2020 £000	2019 £000
Wages and salaries	4,952	4,940
Social security costs	841	775
Redundancy costs	1,499	786
Pension costs	197	178
	7,489	6,679

	No.	No.
The average number of employees (including executive directors) during the year was:	43	49

	2020 £000	2019 £000
Group and Company		
Directors' remuneration		
Emoluments	804	1,074
Compensation for loss of office	331	288
Company contributions to money purchase pension scheme	16	49
	1,151	1,411

Remuneration of the highest paid director

Emoluments	244	388
Compensation for loss of office	331	-
Company contributions to money purchase pension scheme	5	10

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	No.	No.
The number of directors who:		
- were members of money purchase pension schemes	3	3
- exercised options over shares in the ultimate Group	1	3

Total emoluments excludes amounts in respect of share options (granted and/or exercised), pension contributions, benefits under pension schemes and benefits under long term incentive plans.

Two current directors of the Company received no emoluments (2019: two) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

4. Net interest receivable

	2020 £000	2019 £000
Interest receivable from joint ventures	415	774
Interest receivable	415	774
Bank interest payable	(54)	(6)
Interest payable to Group companies	(540)	(531)
Lease liabilities	(66)	(66)
Interest payable	(660)	(603)
Net interest receivable	(245)	171

5. Tax

	2020 £000	2019 £000
Group	£000	£000
UK corporation tax	1,423	339
Adjustment in respect of previous years	305	(57)
Total current tax	1,728	282
<i>Origination and reversal of timing differences</i>		
Current year	3	(136)
Prior year	(74)	72
Total deferred tax (note 12)	(71)	(64)
Total tax credit	1,657	218

Corporation tax is calculated at 19% (2019: 19%) of the estimable taxable profit for the year. The actual tax charge for the current and preceding year differs from the standard rate for the reasons set out in the following reconciliation.

	2020 £000	2019 £000
Loss before tax	(8,453)	(4,293)
Tax on profit at corporation tax rate	1,606	816
<i>Factors affecting the credit for the year:</i>		
Adjustment related to inventory write down	282	(282)
Adjustments to tax in respect of prior periods	(231)	(316)
Total tax credit	1,657	218

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 17% (2019: 17%).

6. Goodwill and intangible fixed assets

	Goodwill	Intangible fixed assets	Total
Group	£000	£000	£000
Cost			
As at 1 January 2020	3,789	2,449	6,238
As at 31 December 2020	3,789	2,449	6,238
Depreciation			
As at 1 January 2020	-	(561)	(561)
Charge for the year	-	(1,888)	(1,888)
As at 31 December 2020	-	(2,449)	(2,449)
Net Book Value			
As at 31 December 2020	3,789	-	3,789
As at 31 December 2019	3,789	1,888	5,677

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 2.1% (2019: 2.1%). 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 10.4% (2019: 12.1%). In carrying out this exercise, no impairment of goodwill has been identified.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7. Property, plant and equipment

Group and Company	Equipment, fixtures & fittings £000	Right of use assets – Buildings £000	Total £000
Cost			
As at 1 January 2020	1,059	2,681	3,740
Additions	439	-	439
Disposals	(896)	(80)	(976)
As at 31 December 2020	602	2,601	3,203
Depreciation			
As at 1 January 2020	(814)	(219)	(1,033)
Charge for the year	(290)	(409)	(699)
Disposals	896	80	976
As at 31 December 2020	(208)	(548)	(756)
Net Book Value			
As at 31 December 2020	394	2,053	2,447
As at 31 December 2019	245	2,462	2,707

8. Investments

Investments in equity accounted joint ventures are as follows:

Group	2020 £'000	2019 £'000
As at 1 January	26,826	30,537
Share of net (loss)/profit	(958)	133
Dividends received	-	(2,949)
Increase in loan investments	11,466	5,128
Repayment of loan investments	(3,462)	(662)
Disposals (see below)	(5,425)	(5,361)
Provision for impairment	(788)	-
As at 31 December	27,659	26,826

The Group transferred its shareholding in Community Solutions Living Limited (and therefore its interests in HB Community Solutions Living Limited) on 30 June 2020 for consideration of £1, realising a loss on disposal of £854,000.

The Group sold its interest in PSBP NW Holdco Limited on 18 December 2020 for consideration of £7,250,000, realising a gain on disposal of £2,644,000 after costs.

The Group recognised £23,000 related to other minor disposals during the year.

The provision for impairment includes provisions against investments in Hub West Scotland Limited Claymore Roads Limited.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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.

	Chalkdene Developments		Slough Urban Renewal		The Bournemouth Development Company		Other	
	2020	2019	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets	-	-	-	-	-	-	235,895	331,202
Current assets	13,266	5,009	14,514	8,450	15,130	12,749	100,108	44,653
Current liabilities	(14,853)	(4,879)	(14,538)	(8,303)	(13,565)	(11,771)	(23,325)	(19,825)
Non-current liabilities	-	-	-	-	-	-	(334,322)	(364,583)
Net assets	(1,587)	130	(24)	147	1,565	978	(21,644)	(8,553)
Proportion of the Group's ownership interest	50%	50%	50%	50%	50%	50%	50%	50%
Other Adjustments ⁽¹⁾	5,532	2,423	6,013	5,541	8,270	7,123	32,697	35,180
Carrying amount of the Group's interest in the joint venture	4,738	2,488	6,001	5,614	9,052	7,612	21,865	30,903
Revenue	1,611	413	31,228	45,713	5,194	4,926	33,108	26,587
Expenses	(1,962)	(561)	(31,804)	(44,229)	(4,868)	(4,888)	(34,903)	(25,590)
Net profit	(351)	(148)	(576)	1,484	326	38	(23,439)	997

¹ Other adjustments relate to a differential proportion between profit share and funding contribution.

Additional financial information on material joint ventures is given below:

	Chalkdene Developments		Slough Urban Renewal		The Bournemouth Development Company	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	509	904	129	98	724	257
Current loans	(18,053)	(7,564)	(13,617)	(4,785)	(13,179)	(10,084)
Interest income	1	1	1	14	-	1
Interest expense	(65)	(41)	-	-	(246)	(167)

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

In the Company balance sheet investments are as follows:

Company	Subsidiary shares £000	Joint venture shares £000	Joint venture loans £000	Other Investments £000	Total £000
Cost					
As at 1 January 2020	5,828	153	3,840	1,693	11,514
Additions	-	-	15	-	15
Reclassification	-	-	(356)	356	-
Repayment of loan	-	-	-	(1,258)	(1,258)
At 31 December 2020	5,828	153	3,499	791	10,271
Provisions					
As at 1 January 2020	(470)	-	(1,864)	-	(2,334)
Additions	-	(153)	(635)	(791)	(1,579)
At 31 December 2020	(470)	(153)	(2,499)	(791)	(3,913)
Carrying amount					
At 31 December 2020	5,358	-	1,000	-	6,358
At 31 December 2019	5,358	153	1,976	1,693	9,180

The Company 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
Community Solutions for Education Limited	09094702
Community Solutions for Regeneration Limited	05527215
Community Solutions for Regeneration Limited (Bournemouth)	07455599
Community Solutions for Regeneration Limited (Brentwood)	12068605
Community Solutions for Regeneration Limited (Hertfordshire)	11280392
Community Solutions for Regeneration Limited (Slough)	08251430
Towcester Regeneration Limited	07988514
Community Solutions Management Services Limited	05509928
Community Solutions Management Services (Hub) Limited	07986854
Community Solutions Partnership Services Limited	04727097
Hamsard 3134 Limited	06660768
Hamsard 3135 Limited	06660771
Weymouth Community Sports LLP	OC341096
Morgan Sindall Investments (Newport SDR) Limited	04330581

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The details of the Company's subsidiaries and joint ventures are shown below. The country of incorporation and principal place of business is the UK and the address of the registered office of each entity is the same as the registered office of this Company unless otherwise indicated.

Name of company	Direct/ Indirect investment	Proportion of ordinary shares held
Claymore Roads (Holdings) Limited ¹	Direct	50%
Community Solutions for Education Limited	Direct	100%
	Indirect	45%
	Direct	100%
Community Solutions for Regeneration Limited	Direct	100%
Community Solutions for Regeneration (Bournemouth) Limited ²	Indirect	100%
The Bournemouth Development Company LLP ^{2,3}	Indirect	50%
Community Solutions for Regeneration (Slough) Limited ²	Indirect	100%
Slough Urban Renewal LLP ^{2,3}	Indirect	50%
Towcester Regeneration Limited	Indirect	100%
Community Solutions Limited	Direct	100%
Community Solutions Management Services Limited	Direct	100%
	Indirect	100%
	Indirect	78.75%
	Indirect	50%
Community Solutions Management Services (Hub) Limited	Indirect	100%
Health Innovation Partners Limited	Indirect	50%
Community Solutions Partnership Services Limited	Direct	100%
Hamsard 3134 Limited ⁴	Direct	100%
Hamsard 3135 Limited ⁴	Direct	100%
Weymouth Community Sports LLP ^{3,4}	Indirect	100%
Morgan Sindall Later Living LLP ⁴	Indirect	100%
	Indirect	100%
Morgan Sindall Investments (Newport SDR) Limited	Direct	100%
Morgan-Vinci Limited	Indirect	50%
Wellspring Finance Company Limited	Direct	50%
Wellspring Partnership Limited ⁵	Direct	90%
Community Solutions for Regeneration (Hertfordshire) Limited	Indirect	100%
Chalkdene Developments LLP ³	Indirect	50%
Community Solutions for Regeneration (Brentwood) Limited ⁴	Indirect	100%
Brentwood Development Partnership LLP ^{2,3}	Indirect	50%

¹ Registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF

² Transferred to another subsidiary of the Morgan Sindall Group on 4 January 2021

³ Limited Liability Partnership - % of Membership Interests

⁴ Transferred to another subsidiary of the Morgan Sindall Group on 22 January 2021

⁵ Registered office is C/o Anderson Strathern, 1 Rutland Court Edinburgh EH3 8EY

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9. Construction contracts

The Group has recognised the following revenue-related assets:

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Contract assets	6,604	-	3,289	-

Contract assets primarily relate to the Groups right to consideration for work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the contract administrator. On most contracts, certificates are issued by the contract administrator on a monthly basis.

The Group has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

Significant changes in the contract assets and the contract liabilities in the Group during the period are as follows:

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 January	3,289	-	-	-
Revenue recognised		-	-	-
- performance obligations satisfied in the current period	34,565	2,435	7,969	2,498
- adjustments to performance obligations satisfied in previous periods	(184)	-	-	-
Arising on an acquisition	-	-	1,215	-
Additional costs incurred to fulfil a contract with a customer	500	-	-	-
Amounts transferred to trade receivables	(31,066)	(2,435)	(5,895)	(2,498)
Impairment of contract assets	(500)	-	-	-
As at 31 December	6,604	-	3,289	-

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the balance sheet date:

	2021 £000	2022 £000	2023+ £000	Total £m
As at 31 December 2020	23,787	1,818	5,914	31,519

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10. Trade and other receivables

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year				
Trade receivables	949	35	435	10
Amounts owed by Group undertakings	778	26,732	-	22,823
Amounts owed by joint ventures	369	216	1,089	966
Other receivables	1,110	35	726	50
Prepayments and accrued income	223	223	2,152	1,732
Group relief receivables	1,586	2,570	411	1,807
Trade and other receivables	5,015	29,811	4,813	27,584

Amounts owed to the Company by its subsidiary undertakings are payable on demand. Interest ranging from 2% + LIBOR to 11.2% is charged on amounts due.

Other receivables for the Group includes VAT amounts due to the Group of £0.9m (2019: £0.3m).

11. Trade and other payables

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year				
Trade payables	2,188	2	331	182
Amounts owed to parent company	20,302	20,302	25,000	25,000
Amounts owed to Group undertakings	8,010	8,053	1,797	3,579
Other payables	131	10	90	246
Accruals and deferred income	5,174	1,929	5,013	1,894
Trade and other receivables	35,805	30,296	32,231	30,705

Amounts owed by the Company to its subsidiary undertakings are payable on demand and are not interest bearing. Amount owed to parent company are payable on demand and bear interest at 2%.

12. Deferred tax asset

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance as at 1 January	321	296	387	338
Profit and loss (charge)/credit (note 5)	(71)	(27)	(64)	(42)
Other	42	-	(2)	-
Balance at 31 December	292	269	321	296

The deferred tax asset relates to temporary differences in respect of capital allowances.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

13. Provision for liabilities

	2020		2019	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance as at 1 January	270	133	133	133
Created during the year	366	20	137	-
Utilised during the year	(270)	(133)	-	-
Balance at 31 December	366	20	270	133

The provisions relate to onerous leases and dilapidations on properties. These are expected to be utilised over the next 13 years.

14. Share capital

	2020 £000	2019 £000
Group and Company		
Allotted, called up and fully paid		
4,806,002 ordinary shares of £1 each	4,806	4,806

The Company has one class of ordinary shares which carry no right to fixed income. The ordinary shares entitle the owners to appoint or remove officers of the Company and to receive dividends from the Company when it is deemed acceptable.

15. Pension commitments

The Company contributes to The Morgan Sindall Retirement Benefits Plan. The Morgan Sindall Retirement Benefits plan is a defined contribution post-retirement benefit plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. Pensions which were not paid over to the scheme by the year ended 31 December 2020 were £4,800 (2019: £17,900).

16. Contingent liabilities

Performance bonds have been entered into in the normal course of business. Performance bond facilities and banking facilities of the Group are supported by cross guarantees given by the Company and other participating companies in the Group. It is not anticipated that any liability will accrue.

17. Lease liabilities

The Group leases several buildings to enable the Group to carry out its day to day operations. The lease terms range between 1 and 10 years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2020 is set out below:

	2020 £000	2019 £000
Group and Company		
Maturity analysis		
Within one year	287	213
Within two to five years	833	1,134
After more than five years	1,004	1,004
	2,124	2,351

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	£000	£000
Group and Company		
As at 1 January	2,351	2,168
Additions	-	2,119
Terminations	-	(1,569)
Repayments	(293)	(433)
Interest expense	66	66
As at 31 December	2,124	2,351

All leases relate to land and buildings. Approximately one fifth of the leases for buildings and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of £nil in 2020 (2019: £2.1m).

18. Related party transactions

In the ordinary course of business, the Company has traded with its parent company Morgan Sindall Group plc together with its subsidiaries. Balances with these entities are disclosed in notes 11 and 12 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.

During the year, Group companies entered into transactions to provide property development services with related parties, all of which were joint ventures, not members of the Group, amounting to £3.3m (2019: £2.9m).

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.

19. Financial instruments

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.

The Company is a member of Morgan Sindall Group's banking arrangements in which there is an overdraft facility with Lloyds bank. Interest is paid at 1.5% over base rate and is payable on a monthly basis.

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.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020		2019	
	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment
	£'000	£'000	£'000	£'000
Not past due	65	(41)	311	-
Past due 1 to 30 days	907	-	11	-
Past due 31 to 120 days	25	(7)	3	-
Past due 121 to 365 days	-	-	61	-
Past due greater than 1 year	175	(175)	161	(112)
	1,172	(223)	547	(112)

Included in the Group's trade receivable balance are debtors with a carrying amount of £0.9m (2019: £0.1m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable.

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

	2020		2019	
	Gross trade receivables	Provision for impairment	Gross trade receivables	Provision for impairment
	£'000	£'000	£'000	£'000
Not past due	65	(41)	-	-
Past due 1 to 30 days	-	-	10	-
Past due 31 to 120 days	18	(7)	-	-
Past due 121 to 365 days	-	-	-	-
Past due greater than 1 year	175	(175)	-	-
	258	(223)	10	-

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 either LIBOR or 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 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 £332.8m at 31 December 2020 (2019: £192.7m), the Morgan Sindall Group had £180m of committed loan facilities, of which £30m matures in 2022 and £150m matures in 2023, which were entirely undrawn as at 31 December 2020. The Group has a further facility of £0.4m that was drawn down in full during 2020 and matures in July 2025.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 Morgan Sindall 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 £180m of committed bank facilities 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.

20. Subsequent events

During 2020, operational management responsibility for the Company's principal activities was transferred to other companies in the Morgan Sindall Group. As a result, 28 employees were transferred to those other Group companies with effect from 1 November 2020. The remaining employees will have left the Company at the beginning of 2021. The ownership of a number of the Company's subsidiaries have transferred to the other Group companies since 1 January 2021. Any associated net assets were transferred for an amount equal to their book value. The transfer of these operations does not have any impact on the financial information reported in these accounts. The Company will continue to operate as a holding company for its other subsidiaries and joint ventures.