

REGISTERED NUMBER: 02544711 (ENGLAND AND WALES)

MORGAN SINDALL INVESTMENTS LIMITED
ANNUAL REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



MORGAN SINDALL INVESTMENTS LIMITED

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MORGAN SINDALL INVESTMENTS LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2017

Directors	N P Badham	(resigned 31 October 2017)
	R J Dixon	
	S P Crummett	
	J C Morgan	
	A J Powell	(resigned 08 August 2018)
	W A Erlam	(appointed 08 August 2018)
	A J Titmus	(appointed 08 August 2018)
	L Scenna	
Company Secretary	C Sheridan	
Head Office	8 Old Jewry, 6 th Floor London EC2R 8DN	
Registered Office	Kent House 14–17 Market Place London W1W 8AJ	
Independent Auditor	Deloitte LLP Statutory Auditor London	

MORGAN SINDALL INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal activities

The objective of Morgan Sindall Investments Limited (the 'Company') is to build a balanced portfolio of infrastructure investments within the UK that will:

- provide Morgan Sindall Group plc and its subsidiary companies ('Morgan Sindall Group' and 'the Group') with an additional stable and growing profit stream;
- offer the potential for growth in capital values; and,
- where possible, create construction and development opportunities for Morgan Sindall Group's other divisions.

The Company provides project development and funding solutions through a one-stop service, allowing its partners in the public sector to implement sustainable change in order to improve the long-term prospects and wellbeing of local communities. The Company works in partnership with local communities and their government agencies and stakeholders to enhance social and economic benefits and achieve wider community outcomes across the United Kingdom. We do not expect the principal activities to change in the foreseeable future.

Business review

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

	Year to 31 December 2017 £000	Year to 31 December 2016 £000
Revenue	3,344	1,511
(Loss) before tax	(3,684)	(3,411)
Net assets	8,572	11,434
(Overdraft)	(7,708)	(11,482)

Revenue primarily consists of fees for management and project services. Increased revenue in 2017 was mainly due to development fees of £1m (2016: £0.2m) recognised on the Bournemouth development (£0.6m for the Berry Court site which was in construction phase during 2017 and £0.3m for the Winter Gardens project which reached financial close on the land). Furthermore, increased revenue was recognised on other platforms as projects reached financial close.

During the year the Company received a dividend of £29k (2016: £600k) from HB Community Solutions Holdco Limited.

Financial position and liquidity

The financial position of the Company is presented in the Balance Sheet. The total shareholder's funds at 31 December 2017 were £8.6m (2016: £11.4m). The Company had net current liabilities of £1m (2016: net current assets of £7.1m), including an overdraft of £7.7m at 31 December 2017 (2016: £11.5m). In addition to the bank overdraft, the Company has an intercompany loan of £15m from Morgan Sindall Group plc so that it can provide loans to joint ventures for pre-development work on sites.

The Company is a member of the Morgan Sindall Group, and participates in the Group's banking arrangements (under which it is a cross guarantor). As at 31 December 2017 the Group had cash balances of £221.2m. The Group also had £180m of committed loan facilities maturing in 2022, which were entirely undrawn as at 31 December 2017.

MORGAN SINDALL INVESTMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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, 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 the Group as a whole, is provided in the strategic report in the Morgan Sindall Group annual report and accounts, which does not form part of this report.

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.

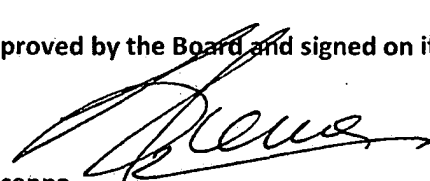
Liquidity risk

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.

Approved by the Board and signed on its behalf by:


L Scenna
Managing Director
28 September 2018

MORGAN SINDALL INVESTMENTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and the audited financial statements for the year ended 31 December 2017. 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standards 101 Reduced Disclosure Framework.

Going concern

The directors have a reasonable expectation that the Company and the Group of which it is part have 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

The Company will continue to operate in its principal activity in building a balanced portfolio of infrastructure investments that will contribute to Morgan Sindall Group's profit streams and create development and construction opportunities for the Group's subsidiaries.

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 2017.

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 Morgan Sindall Group plc 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 (2016: £nil).

Political contributions

The Company made no political contributions during the year (2016: none).

Employment policies

The Company 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.

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

MORGAN SINDALL INVESTMENTS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

- 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.

Deloitte LLP have expressed their willingness to continue in office as auditor and pursuant to Section 487 of the Companies Act 2006, Deloitte LLP is deemed to be reappointed as auditor.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, 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.

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 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:



L Scenna
Managing Director
28 September 2018

MORGAN SINDALL INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL INVESTMENTS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2017

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of Morgan Sindall Investments Limited's (the 'Company') affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

MORGAN SINDALL INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL INVESTMENTS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2017

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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

MORGAN SINDALL INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN SINDALL INVESTMENTS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2017

- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in respect of these matters.



Jacqueline Holden FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 September 2018

MORGAN SINDALL INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Revenue	1	3,344	1,511
Cost of sales		(1,101)	(398)
Gross profit		2,243	1,113
Administrative expenses		(7,425)	(6,859)
Operating loss	2	(5,182)	(5,746)
Gain on disposal of investment		374	770
Income from shares in Group undertakings		29	637
Interest receivable	5	1,351	1,027
Interest payable	5	(256)	(99)
Loss on ordinary activities before tax		(3,684)	(3,411)
Tax	6	822	1,297
Loss for the financial year	14	(2,862)	(2,114)

Continuing operations

The results for the current and previous financial years derive from continuing operations.

MORGAN SINDALL INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2017

		31 December 2017 £000	31 December 2016 £000
	Notes		
Non-current assets			
Property, plant and equipment	7	584	654
Investments in subsidiaries	8	9,138	3,798
Trade and other receivables – amounts falling due after more than one year	9	5	2,866
		9,727	7,318
Current assets			
Trade and other receivables – amounts falling due within one year	9	31,264	17,147
		31,264	17,147
Total assets		40,991	24,465
Current liabilities			
Trade and other payables	10	(32,286)	(12,898)
Net current (liabilities)/assets		(1,022)	7,115
Non-current liabilities			
Provision for liabilities	11	(133)	(133)
Total liabilities		(32,419)	(13,031)
Net assets		8,572	11,434
Capital and reserves			
Share capital	13	4,806	4,806
Retained earnings	14	3,766	6,628
Total shareholder's funds		8,572	11,434

The financial statements of Morgan Sindall Investments Limited (company number 02544711) were approved by the Board and authorised for issue on 28 September 2018. They were signed on its behalf by:

A J Titmus

A J Titmus, Finance Director

28th September 2018

MORGAN SINDALL INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £000	Retained earnings £000	Total £000
At 1 January 2016	4,806	8,742	13,548
Loss for the financial year	-	(2,114)	(2,114)
At 1 January 2017	4,806	6,628	11,434
Loss for the financial year	-	(2,862)	(2,862)
At 31 December 2017	4,806	3,766	8,572

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

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 accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has prepared its financial statements in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts of Morgan Sindall Group plc which are available to the public at www.morgansindall.com.

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.

These financial statements are presented in pounds sterling which is the Company's functional currency.

The directors consider that the immediate and 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 only group into which the results of the Company are consolidated. Copies of the consolidated financial statements of Morgan Sindall Group plc are available from www.morgansindall.com or from its registered office Kent House, 14-17 Market Place, London W1W 8AJ.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the preparation of consolidated financial statements because it is included in the Group accounts of Morgan Sindall Group plc. These financial statements are separate financial statements and present information about the Company as an individual undertaking and not of the Group.

Adoption of new and revised standards

During the year the Company 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.

- IFRS 12: Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying scope);
- IAS 12: Amendments regarding the recognition of deferred tax assets for unrealised losses;

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the company in future periods. The Company will be adopting IFRs 9, 15 and 16 on 1 January 2018 and the impact is expected to be as follows:

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

IFRS9: Financial instruments

The company adopted this accounting standard on 1 January 2018. A provision for impairment was recognised on the Claymore Roads holding loan resulting in an opening reserve reduction of £1.5m (net of deferred tax) at 1 January 2018.

IFRS 15: Revenue

This is not expected to have any significant impact

IFRS16: Leases

The Company will adopt this accounting standard early on 1 January 2018. This will require the Company to recognise a right of use asset and a lease liability. The gross asset and liability are estimated at £2.2m at 1 January 2018. The income statement will no longer include an operating lease expense but will include depreciation of the right of use asset and an interest charge on the lease liability. It is estimated that operating profit will increase by £0.3m and net finance costs will increase by £0.1m.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Director's report. The Company is expected to return to profitability in the foreseeable future. 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.

The Company is in a net current liabilities position of £1,022k (2016: net current assets of £7,115) 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.

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
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Investments in subsidiaries and joint ventures

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

Revenue

Revenue is defined as the value of goods and services rendered excluding discounts and VAT and is recognised through an internal assessment of work carried out based on time incurred and materials utilised or percentage of completion depending upon the nature of the services.

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

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.

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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 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.

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

MORGAN SINDALL INVESTMENTS LIMITED

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

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 had a carrying value of £3m at the year end. No impairment was considered necessary as at 31 December 2017. The future cash flows of this investment are dependent upon the successful resolution of issues with the carriageway which was resolved in 2018.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Analysis of revenue and loss on ordinary activities before taxation

All revenue and loss on ordinary activities before taxation relates to the Company's principal activity of developing a portfolio of infrastructure investments carried out in the UK.

2. Operating loss

	2017 £000	2016 £000
Operating loss is stated after charging:		
Depreciation:		
- owned tangible fixed assets	129	99
Operating lease rentals:		
- land and buildings	386	294
Fees payable to the Company's auditor for the audit of the Company's annual accounts	16	10
Fees payable for the audit of subsidiary companies' annual accounts	11	12
Fees payable for tax services	10	9

3. Staff costs

	2017 £000	2016 £000
Wages and salaries	3,629	3,917
Social security costs	631	463
Redundancy costs	3	-
Pension costs	148	143
	4,383	4,523

	No.	No.
The average number of employees (including executive directors) during the year was:	41	39

4. Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration		
Emoluments	1,035	952
Company contributions to money purchase pension scheme	31	25
	1,066	977

Remuneration of the highest paid director		
Emoluments	480	522
Company contributions to money purchase pension scheme	10	17

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

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 (2016: three) in their capacity as directors of this Company. These individuals are remunerated by another company in the Group.

Retirement benefits are accruing to three (2016: three) directors under the company's defined contribution pension scheme.

5. Net interest receivable

	2017 £000	2016 £000
Interest receivable from subsidiary companies	1,331	973
Interest receivable from joint ventures	20	54
Interest receivable	1,351	1,027
Bank interest payable	(236)	(99)
Interest payable to parent company	(20)	-
Interest payable	(256)	(99)
Net interest receivable	1,095	928

6. Tax

	2017 £000	2016 £000
UK corporation tax	789	771
Adjustment in respect of previous years	38	537
Total current tax	827	1,308
<i>Origination and reversal of timing differences</i>		
Current year	(9)	(7)
Prior year	4	(4)
Total deferred tax (note 12)	(5)	(11)
Total tax credit	822	1,297

Corporation tax is calculated at 19.25% (2016: 20.0%) 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.

	2017 £000	2016 £000
Loss before tax	(3,684)	(3,411)
Tax at standard rate	709	682
<i>Factors affecting the credit for the year:</i>		
Expenses not deductible for tax purposes	(1)	(3)
Dividend income for which no tax liability is due	6	113
Capital allowances for the year lower than depreciation	-	(7)
Adjustments to tax in respect of prior periods	42	537
Gain on disposal of fixed asset	72	-
Other permanent differences	(6)	(25)
Total tax credit	822	1,297

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

7. Property, plant and equipment

	Plant, equipment, fixtures & fittings
	£000
Cost	
As at 1 January 2017	988
Additions	59
As at 31 December 2017	1,047
Depreciation	
As at 1 January 2017	(334)
Charge for the year	(129)
As at 31 December 2017	(463)
Net Book Value	
As at 31 December 2017	584
As at 31 December 2016	654

8. Investments

	Subsidiary shares £000	Joint venture shares £000	Joint venture loans £000	Total £000
Cost				
As at 1 January 2017	681	154	3,434	4,269
Additions	1,270	4,050	20	5,340
At 31 December 2017	1,951	4,204	3,454	9,609
Provisions at 1 January 2017 and 31 December 2017	(471)	-	-	(471)
Carrying amount				
At 31 December 2017	1,480	4,204	3,454	9,138
At 31 December 2016	210	154	3,434	3,798

The details of the Company's subsidiaries 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.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Name of company	Direct/Indirect investment	Proportion of ordinary shares held
Claymore Roads (Holdings) Limited (Cannon Place, 78 Cannon Street, London, EC4N 6AF)	Direct	50%
Community Solutions for Education Limited	Direct	100%
PSBP NW HoldCo Limited	Indirect	45%
Community Solutions for Emergency Services Limited	Direct	100%
Community Solutions for Leisure Limited	Direct	100%
Community Solutions for Leisure (Basildon) Limited	Indirect	100%
Community Solutions for Regeneration Limited	Direct	100%
Community Solutions for Regeneration (Bournemouth) Limited	Indirect	100%
The Bournemouth Development Company LLP (1)	Indirect	50%
Community Solutions for Regeneration (Slough) Limited	Indirect	100%
Slough Urban Renewal LLP (1)	Indirect	50%
Towcester Regeneration Limited	Indirect	100%
Community Solutions Limited	Direct	100%
Community Solutions Management Services Limited	Direct	100%
Community Solutions Living Limited	Indirect	100%
HB Community Solutions HoldCo Limited	Indirect	78.75%
HB Community Solutions Living Limited (2)	Indirect	50%
Community Solutions Management Services (Hub) Limited	Indirect	100%
Hampshire LIFT Management Services Limited	Indirect	50%
Health Innovation Partners Limited	Indirect	50%
Community Solutions Partnership Services Limited	Direct	100%
Hamsard 3134 Limited	Direct	100%
Hamsard 3135 Limited	Direct	100%
Weymouth Community Sports LLP (1)	Indirect	100%
Morgan Ashley Care Developments LLP (1)	Indirect	50%
Morgan Sindall Investments (Newport SDR) Limited	Direct	100%
Morgan-Vinci Limited	Indirect	50%
Community Solutions Limited	Direct	100%
Wellspring Finance Company Limited	Direct	50%
Wellspring Partnership Limited (C/o Anderson Strathern, 1 Rutland Court Edinburgh EH3 8EY)	Direct	90%

Key (1) Limited Liability Partnership - % of Membership Interests
(2) Holding of ordinary and preference shares

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. Trade and other receivables

	2017 £000	2016 £000
Amounts falling due within one year		
Trade debtors	14	418
Amounts owed by Group undertakings	26,524	14,322
Amounts owed by related undertakings	749	35
Other debtors	1,116	776
Group relief receivable	1,632	1,059
Prepayments and accrued income	1,229	537
	31,264	17,147
Amounts falling due after more than one year		
Deferred tax (note 12)	5	10
Amounts owed by Group undertakings	-	2,856
	31,269	20,013

The amount falling due after more than one year is owed by Weymouth Community Sports LLP and consists of a loan note which is repayable on 31 October 2018. Interest on the loan is charged at Lloyds bank rate +2% per annum and is repayable on demand.

Amounts owed by Group undertakings are payable on demand and are not interest bearing.

10. Trade and other payables

	2017 £000	2016 £000
Amounts falling due within one year		
Bank overdraft	7,708	11,482
Trade creditors	96	16
Amounts owed to parent company	15,000	-
Amounts owed to Group undertakings	6,085	421
Other creditors	377	41
Accruals and deferred income	3,020	938
	32,286	12,898

Amounts owed by Group undertakings are payable on demand and are not interest bearing.

11. Provision for liabilities

	2017 £000	2016 £000
Balance as at 1 January	133	133
Addition during the year	-	-
Balance at 31 December	133	133

Provisions relate to dilapidations on the Companies office.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Deferred tax asset

	2017	2016
	£000	£000
Balance as at 1 January	10	21
Profit and loss (charge)/credit (note 6)	(5)	(11)
Balance at 31 December	5	10

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

13. Share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
4,806,002 ordinary shares of £1 each	4,806	4,806

14. Retained earnings

	2017	2016
	£000	£000
Balance as at 1 January	6,628	8,742
Loss for the year	(2,862)	(2,114)
Balance as at 31 December	3,766	6,628

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. The annual costs charged to the profit and loss account for the year ended 31 December 2017 were £148,292 (2016: £143,004). All pensions were paid over to the scheme by the year ended 31 December 2017.

16. Contingent liabilities

The Company holds an investment in Claymore Roads Limited ('Claymore Roads') which at 31 December 2017 had a carrying value of £3.1m. Claymore Roads is a special purpose PFI company responsible for the design, construction, financing, and operation of the A92 Dundee to Arbroath road. Claymore Roads has needed to undertake remedial works to the carriageway earlier than was originally anticipated and therefore commissioned an investigation to establish whether there was an underlying issue with the carriageway which was resolved in 2018. No impairment was required in 2017.

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.

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Operating lease commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings 2017 £000	Land & Buildings 2016 £000
Within one year	363	323
Within two to five years	1,047	1,293
After more than five years	1,051	1,078
	2,461	2,694

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. Advantage has been taken of the exemption permitted by FRS 101 not to disclose transactions with entities that are wholly owned by the Group. Balances with these entities are disclosed in notes 9 and 10 of these financial statements.

In the ordinary course of business the Company has traded with directly and indirectly held joint ventures, all of whom are companies registered in England and Wales.

Company	Transaction amount during the year		Balance at 31 December	
	2017 £000	2016 £000	2017 £000	2016 £000
The Bournemouth Development Company LLP	752	234	85	29
Claymore Roads Limited	-	21	3,054	2,902
HB Villages Developments Limited	260	189	220	103
HB Villages Developments 2 Limited	10	-	13	-
HB Villages Limited	75	-	10	-
HB Villages Tranche 3 Limited	227	126	-	151
Leyton Mount Development LLP	1	4	-	-
Morgan-Vinci Limited	22	42	6	2
Slough Urban Renewal LLP	392	244	52	56
Slough Urban Renewal Community Projects LLP	551	302	40	-
Hub West Scotland Limited	-	-	590	570
Hub West Scotland Proj Co 1 Limited	3	-	-	-
Wellspring Partnership Limited	330	283	271	67
Wellspring Sub-Debt Limited	157	-	-	-
Supported Housing Investment Partnership (GP) Limited	155	-	14	-
PSBP NW Projectco Limited	5	5	-	-
Morgan Ashley Care Developments Limited	-	-	4,051	-
Total	2,940	1,450	8,406	3,880

MORGAN SINDALL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. Subsequent events

There were no subsequent events that affected the financial statements of the Company.