Muse Developments Limited

Private limited with Share Capital

Company No : **02717800**

Registered Address:

Kent House
14-17 Market Place
London

W1W 8AJ

Muse Developments Limited

Company Registration No. 02717800

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Report and financial statements
For the year ended 31 December 2010

Contents

Company Information

Directors	ME Crompton	
	NJH Franklin	
	D Hoyle	
	JC Morgan	
	DK Mulligan	
	SA Shankland	
	P Parry	(resigned 1 April 2010)
Secretary	C Sheridan	
Head Office	Anchorage 1 Anchorage Quay Salford Quays Manchester M50 3YJ	
Registered Office	Kent House 14 - 17 Market Place London W1W 8AJ	
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor Manchester United Kingdom	

Directors' Report
For the year ended 31 December 2010

The Directors present their annual report on the affairs of Muse Developments Limited ('the Company') and its subsidiaries (the 'Group') and the audited financial statements for the year ended 31 December 2010

Principal activities

Muse Developments Limited and its subsidiary and joint venture undertakings form a UK-wide urban regeneration business specialising in the delivery of complex mixed use development projects, predominantly in town and city centre locations Muse Developments has a portfolio of around 30 projects, the majority of which are delivered in partnership with public and private sector landowners The Company has established a track record of successful regeneration projects over the last 20 years

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

Business review

	2010	**2009**
Group turnover	£46m	£32m
Profit before positive goodwill amortisation and tax[1]	£2 5m[1]	£1 1m
Profit / (loss) before tax	£0 6m	(£1 5m)
Cash at bank and in hand	£1 5m	£5 1m
Share of future development pipeline	£1 4bn	£1 4bn

Modest improvement in the market drives leads to increased profit before goodwill amortisation and tax

The Group saw a modest improvement in market conditions, which helped it to increase turnover to £46m (2009 £32m) This growth was delivered through stronger sales of open market residential units, an increase in development management fee income from regeneration projects, completion of a number of forward-sold new developments and by land trading opportunities Also, as part of its strategy to enhance its portfolio, the Group was successful during the year in buying out its joint venture partners on three schemes as explained in more detail in note 11 The increase in activity led to a recovery in profit before positive goodwill amortisation and tax to £2 5m (2009 £1 1m)

Progress made on major regeneration schemes

The Group continued with its strategy of targeting and developing high quality regeneration opportunities During the year construction commenced on two new major regeneration projects, at Doncaster, a £300m town centre redevelopment where the first phase comprises a new 185,000 square feet council office building, and at Canning Town where the first phase will deliver 271 residential apartments in a 21-storey tower The latest phase of the development of the Eurocentral Business Park in Lanarkshire was delivered with the construction of two new energy efficient distribution units totalling 158,000 square feet These buildings have been forward-sold to an investment syndicate

[1] Stated before deduction of positive goodwill amortisation of £1,895,000 (2009 £2,588,000) of which £303,000 (2009 £357,000) relates to joint ventures, but after negative goodwill amortisation credited to the profit and loss account of £460,000 (2009 £nil) Profit before total goodwill amortisation and tax is £2 1m (2009 £1 1m)

Directors' Report (continued)
For the year ended 31 December 2010

Business review (continued)

At Wakefield, followıng the completıon of the first phase of apartments, offices and retaıl unıts, the development of a new councıl office buıldıng commenced mıd-year On the sales front, 2010 saw the release and subsequent sale of the final 54 resıdentıal unıts at Chatham Place, Readıng

Outlook for 2011

Wıth the sıgnıficant financıal resources of the Morgan Sındall group behınd us, we enter 2011 well poısed to take advantage of further opportunıtıes as and when they arıse

Focus on development of existing portfolio

The Group's share of ıts development pıpelıne, ıts best measure of forward actıvıty, remaıns at £1 4bn Thıs ıs due to the Group concentratıng ıts resources on contınuıng to develop ıts exıstıng portfolıo whılst there have been relatıvely few qualıty new development opportunıtıes in the market durıng 2010 Thıs portfolıo ıs now ın an enhanced posıtıon and, through the restructurıng of deals, the Group ıs well-placed to act on opportunıtıes as they present themselves ın the medıum-term

Financial position and liquidity

The financıal posıtıon of the Group ıs presented ın the consolıdated balance sheet The total shareholders' funds of the Group at 31 December 2010 were £49 0m (2009 £48 5m)

The Group has net current assets of £10 5m (2009 £2 6m), and had £1 5m of cash at 31 December 2010 (2009 £5 1m) In addıtıon, the Company ıs a subsıdıary of Morgan Sındall Group plc ('Morgan Sındall') and as such ıs a member of Morgan Sındall's bankıng arrangements under whıch ıt ıs a cross guarantor In addıtıon to the Morgan Sındall group cash balances, whıch stood at £149m at 31 December 2010 (2009 £118m), the Morgan Sındall group has £100m of loan facılıtıes avaılable untıl June 2012

Key performance indicators

An analysıs of the key performance ındıcators employed by Morgan Sındall, whıch ıncludes those used by the Company, ıs dıscussed ın the Busıness Revıew ın Morgan Sındall Group plc's Annual Report, whıch does not form part of thıs report

Principal risks and uncertainties

The management of the business and the executıon of the Group's strategy are subject to a number of rısks The key busıness rısks and uncertaıntıes affectıng the Group are consıdered to relate to the market envıronment, the avaılabılıty of new busıness opportunıtıes, the abılıty to attract and retain talented ındıvıduals and legal rısks Further dıscussıon of these rısks and uncertaıntıes, ın the context of Morgan Sındall Group plc as a whole, ıs provıded in the Busıness Revıew ın Morgan Sındall Group plc's Annual Report, whıch does not form part of thıs report The Group does not own a large land bank, ınstead the Group typıcally controls land through Development Agreements wıth publıc or prıvate sector landowners Thıs has helped the Group to mıtıgate some of the land wrıte-down ıssues that have affected a number of competıtors recently The Group ıs not totally immune to market rısk and the Group reassesses, on a regular basıs, the realısable value of ıts work ın progress

Directors' Report (continued)
For the year ended 31 December 2010

Financial risk management
The Group's operatıons expose ıt to a varıety of financıal rısks that ınclude credıt risk and ınterest rate rısk

Wıth regard to credit rısk the Group has ımplemented polıcıes that requıre approprıate credıt checks on potentıal customers, ınvestment partners and key supplıers before legal agreements are sıgned

In respect of interest rate rısk the Group has interest bearıng assets These ınclude cash balances whıch have ınterest rates applıed at floatıng market rates

Dividends
No ınterım dıvıdend was paıd durıng the year (2009 £nıl) and the dırectors do not recommend the payment of a final dıvıdend (2009 £nıl)

Directors
The dırectors who served durıng the year and sınce the year end are shown on page 1

Employment policies
The Group ınsısts that a polıcy of equal opportunıty employment ıs demonstrably evıdent at all tımes Selectıon crıterıa and procedures and traınıng opportunıtıes are desıgned to ensure that all ındıvıduals are selected, treated and promoted on the basıs of theır merıts, abılıtıes and potentıal

Creditor payment policy
Muse Developments Lımıted values ıts supplıers and acknowledges the ımportance of payıng ınvoıces promptly The Group's polıcy ıs to negotıate and clearly set down the terms of payment wıth supplıers and subcontractors when agreeıng the terms for each transactıon and to make payments ın accordance wıth ıts oblıgatıons, save ın the case of genuıne dıspute

As at 31 December 2010 the Group and Company's number of credıtor days outstandıng was equıvalent to 39 days' purchases, based on the average daıly amount ınvoıced by supplıers durıng the year (2009 23 days')

Post balance sheet events
Detaıls of sıgnıficant events after the balance sheet date are contaıned ın note 26 to the financıal statements

Auditor
In the case of each of the persons who are dırectors of the Company at the date when thıs report was approved

- So far as each dırector ıs aware, there ıs no relevant audıt ınformatıon of whıch the Company's audıtor ıs unaware, and

- Each dırector has taken all the steps that they ought to have taken as a dırector ın order to make themself aware of any relevant audıt ınformatıon and to establısh that the Company's audıtor ıs aware of that ınformatıon

Directors' Report (continued)
For the year ended 31 December 2010

Auditor (continued)

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by

D Hoyle
Director

28 April 2011

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUSE DEVELOPMENTS LIMITED

We have audited the financial statements of Muse Developments Limited for the year ended 31 December 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Statement of Principal Accounting Policies and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept 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

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

3 May 2011

Consolidated profit and loss account
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover			
Existing operations		21,206	31,859
Acquisitions		24,588	-
Group turnover	1	45,794	31,859
(in addition, share of joint ventures turnover was £16,164,000 (2009 £26,136,000))			
Group cost of sales	2	(37,253)	(25,374)
Gross profit	2	8,541	6,485
Administrative and other operating expenses	2	(7,723)	(8,112)
Other operating income	2,3	460	-
Operating profit / (loss)	3		
Existing operations		(4,428)	(1,627)
Acquisitions		5,706	-
Continuing operations		1,278	(1,627)
Share of operating profit of joint venture companies		103	1,199
Profit / (loss) on ordinary activities before finance charges		1,381	(428)
Finance charges			
Net interest receivable	6	172	324
Share of net interest payable of joint venture companies		(920)	(1,381)
Profit / (loss) on ordinary activities before taxation	1	633	(1,485)
Tax on profit / (loss) on ordinary activities	7	(143)	509
Profit / (loss) on ordinary activities after taxation	18,19	490	(976)

The results for the year derive from continuing operations

The Group has no recognised gains and losses other than those included in the results above and therefore no separate consolidated statement of total recognised gains and losses has been presented

Operating profit from acquisitions of £5,706,000 (2009 £nil) relates to wholly owned entities that were previously 50% owned joint ventures and includes 100% of the operating profit of these entities from the date at which they became 100% owned by the Group

Consolidated balance sheet
31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Goodwill	9	10,721	11,043
Negative goodwill	9	(1,130)	-
Intangible assets		9,591	11,043
Tangible assets	10	333	551
Investments			
Joint ventures			
Share of gross assets		42,653	52,918
Share of gross liabilities		(33,065)	(39,616)
Goodwill arising on acquisition		4,784	6,357
Loans from Group		18,527	20,636
	11	32,899	40,295
		42,823	51,889
Current assets			
Stocks	12	30,571	25,011
Debtors			
- due within 1 year	13	10,252	7,679
- due after more than 1 year	13	664	-
Cash at bank and in hand		1,520	5,089
		43,007	37,779
Creditors			
Amounts falling due within one year	14	(32,544)	(35,133)
Net current assets		10,463	2,646
Total assets less current liabilities		53,286	54,535
Provisions for liabilities	15	(4,311)	(6,050)
Net assets		48,975	48,485
Capital and reserves			
Called up share capital	17	40,000	40,000
Profit and loss account	18	8,975	8,485
Shareholders' funds	19	48,975	48,485

Approved by the Board on 28 April 2011

D Hoyle
Director

Company balance sheet
31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	9	8,296	9,760
Tangible assets	10	333	551
Investments	11	30,430	33,362
		39,059	43,673
Current assets			
Stocks	12	26,277	24,973
Debtors	13	21,449	18,923
Cash at bank and in hand		1,360	5,089
		49,086	48,985
Creditors			
Amounts falling due within one year	14	(41,024)	(41,522)
Net current assets		8,062	7,463
Total assets less current liabilities		47,121	51,136
Provisions for liabilities	15	(3,277)	(5,127)
Net assets		43,844	46,009
Capital and reserves			
Called up share capital	17	40,000	40,000
Profit and loss account	18	3,844	6,009
Shareholders' funds		43,844	46,009

The financial statements of Muse Developments Limited, registered number 02717800, were approved by the Board on 28 April 2011

D Hoyle
Director

Principal Accounting Policies
For the year ended 31 December 2010

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

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards

The Company's and Group's business activities, together with the factors likely to affect their future development and position, are set out in the Directors' Report on pages 2 to 5

The Group is expected to trade profitably for the foreseeable future, taking account of uncertainties in the economic climate The Group participates in the Morgan Sindall group's centralised treasury arrangements and participates in banking arrangements, including the provision of cross guarantees, with its ultimate parent Morgan Sindall Group plc and fellow subsidiaries

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

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

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year The results of the subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method

Cash flow statement
The Company has taken advantage of the exemption given under FRS 1 (revised) not to produce a cash flow statement as the Company's ultimate parent undertaking, Morgan Sindall Group plc, publishes a consolidated cash flow statement

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

The timing of the transfer of risks and rewards varies depending on the individual terms of the contract of sale. In accordance with FRS 5 Application Note G ("Revenue Recognition"), where the terms of the contract of sale are such that it is classified as an agreement for the rendering of services, revenue is recognised by reference to the stage of completion of the development

Principal Accounting Policies (continued)
For the year ended 31 December 2010

Revenue recognition (continued)
Where the terms of the contract of sale are such that it is classified as an agreement for the sale of goods, revenue is recognised at the point where the transfer of control and the significant risks and rewards of ownership occurs This can occur at a single point in time or continuously through the course of the development and is dependent on the specific characteristics of each development

Acquisitions
On the acquisition of a business, fair values are attributed to the net separable assets and where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition

Intangible fixed assets - goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life which is 20 years Provision is made for any impairment

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit

Goodwill arising on piecemeal acquisitions of subsidiaries during the year has been accounted for in accordance with FRS 2 'Accounting for subsidiary undertakings' which requires a departure from the Accounting Regulations 2008

Tangible fixed assets
Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows

Fixtures, Fittings and Equipment – between three and five years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation

Joint ventures
In the Group financial statements investments in joint ventures are accounted for using the gross equity method The consolidated profit and loss account includes the group's share of joint venture profits less losses while the group's share of net assets of the joint ventures is shown in the consolidated balance sheet Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the policy set out above

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

Principal Accounting Policies (continued)
For the year ended 31 December 2010

Stocks and work in progress
Stocks and work in progress are stated at the lower of cost and net realisable value

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

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

Taxation
Current tax, including United Kingdom Corporation Tax, is provided out of amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantively enacted, by the Balance Sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Notes to the financial statements
For the year ended 31 December 2010

1. Analysis of turnover and profit / (loss) on ordinary activities before taxation

All turnover and profit / (loss) on ordinary activities before taxation relates to the group's principal activities carried out in the UK The group's share of joint venture turnover also relates to the group's principal activities carried out in the UK.

2. Cost of sales, gross profit and other operating expenses (net)

	2010		
	Existing Operations £'000	Acquisitions £'000	Total Continuing Operations £'000
Cost of sales	17,942	19,311	37,253
Gross profit	3,264	5,277	8,541
Administrative and other operating expenses	7,692	31	7,723
Other operating income	-	(460)	(460)
Other operating expenses (net)	7,692	(429)	7,263

Cost of sales, gross profit and other operating income / expenses from acquisitions relates to wholly owned entities that were previously 50% owned joint ventures and includes 100% of the results of these entities from the date at which they became 100% owned by the Group

All turnover, cost of sales, gross profit, administrative & other operating expenses and other operating income in 2009 was derived from existing operations There were no acquisitions in 2009

3. Operating profit / (loss)

Operating profit / (loss) is stated after charging / (crediting)

	2010 £'000	2009 £'000
Depreciation of owned tangible fixed assets	221	272
Amortisation of positive goodwill (excluding joint ventures)	1,592	2,231
Amortisation of negative goodwill (classified as other operating income)	(460)	-
Operating lease rentals		
- Plant and machinery	18	22
- Other	-	25

Notes to the financial statements (continued)
For the year ended 31 December 2010

3. Operating profit / (loss) (continued)

Amortisation of goodwill relating to joint venture companies (note 11(a)) is included in the Group share of operating profit of joint venture companies in the consolidated profit and loss account

Analysis of auditor's remuneration is as follows

	2010 £'000	2009 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	37	35
Fees payable to the Company's auditor for the audit of annual accounts of subsidiary companies	48	27
	85	62
Group share of fees payable to the Company's auditor for the audit of annual accounts of joint venture companies	10	36
Total audit fees	**95**	**98**

There were no non-audit fees payable to the Company's auditor in the year (2009 nil)

4. Staff costs

Group and Company	2010 £'000	2009 £'000
Wages and salaries	4,293	3,998
Social security costs	538	533
Pension costs	423	229
	5,254	**4,760**

The average number of employees during the year was	No.	No.
Directors	4	4
Other	46	45
	50	**49**

Staff costs and employee numbers exclude the impact of directors JC Morgan and DK Mulligan who are members of the Morgan Sindall Group plc board of directors and are remunerated by Morgan Sindall Group plc

Notes to the financial statements (continued)
For the year ended 31 December 2010

5. Directors' remuneration

	2010 £'000	2009 £'000
Total emoluments paid to directors in the year	1,460	1,204
Contributions paid to money purchase pension scheme	95	77
Number of directors who are members of money purchase pension schemes at year end (including highest paid director)	4	5
Highest paid director's emoluments	501	382
Pension contributions of highest paid director	43	31

Directors' remuneration excludes the impact of directors JC Morgan and DK Mulligan who are members of the Morgan Sindall Group plc board of directors and are remunerated by Morgan Sindall Group plc

6. Net interest receivable

	2010 £'000	2009 £'000
Bank interest payable	8	-
Interest payable to parent company	8	13
Interest payable to joint ventures	-	27
Total interest payable	16	40
Bank interest receivable	(39)	(25)
Interest receivable from parent company	(15)	-
Interest receivable from joint ventures	(134)	(339)
Total interest receivable	(188)	(364)
Net interest receivable	**(172)**	**(324)**

Notes to the financial statements (continued)
For the year ended 31 December 2010

7. a) Tax on profit / (loss) on ordinary activities

	2010 £'000	2009 £'000
Current tax		
UK corporation tax payable / (receivable) at 28% (2009 28%)	169	(712)
Adjustment in respect of prior years	(108)	(1,233)
Total current tax charge / (credit) (note 7b)	61	(1,945)
Deferred tax		
Origination and reversal of timing differences		
- current year	(30)	(29)
Adjustment in respect of prior years	141	960
Total deferred tax charge (note 16)	111	931
Share of joint venture current tax (credit) / charge for the year	(29)	505
Tax charge / (credit) on profit / (loss) on ordinary activities	**143**	**(509)**

Notes to the financial statements (continued)
For the year ended 31 December 2010

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

The standard rate of corporation tax for the year is based on the UK standard rate of corporation tax which averages 28% for 2010 (2009 28%) The actual tax charge / (credit) for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

	2010 £'000	2009 £'000
Profit / (loss) on ordinary activities before tax		
- Company and subsidiaries	1,450	(1,303)
- Share of joint ventures	(817)	(182)
	633	(1,485)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	177	(416)
Effects of		
Depreciation for the year in excess of capital allowances	54	52
(Income not chargeable) / expenses not deductible for tax purposes	(91)	157
Adjustments to tax charge in respect of previous periods	(108)	(1,233)
Loss / (profit) of joint venture undertakings	29	(505)
Current tax charge / (credit) for the year (note 7a)	**61**	**(1,945)**

8. Loss / profit attributable to the Company

The loss for the financial year dealt with in the financial statements of the parent company was £2,165,000 (2009 profit of £1,944,000) As permitted by section 408 of the Companies Act 2006 a profit and loss account of the parent company is not presented as part of these accounts

Notes to the financial statements (continued)
For the year ended 31 December 2010

9. Intangible fixed assets – goodwill

Group	**Positive Goodwill £'000**	**Negative Goodwill £'000**	**Group Goodwill £'000**
Cost			
As at 1 January 2010	16,294	-	16,294
Transfer from investments in joint ventures	1,445	-	1,445
Arising on purchase of subsidiaries	-	(1,590)	(1,590)
As at 31 December 2010	**17,739**	**(1,590)**	**16,149**
Amortisation			
As at 1 January 2010	(5,251)	-	(5,251)
(Charge) / credit for year	(1,592)	460	(1,132)
Transfer from investments in joint ventures	(175)	-	(175)
As at 31 December 2010	**(7,018)**	**460**	**(6,558)**
Net book value			
As at 31 December 2010	**10,721**	**(1,130)**	**9,591**
As at 31 December 2009	11,043	-	11,043

Company	**Positive Goodwill £'000**
Cost	
As at 1 January 2010 and 31 December 2010	14,835
Amortisation	
As at 1 January 2010	(5,075)
Charge for year	(1,464)
As at 31 December 2010	**(6,539)**
Net book value	
As at 31 December 2010	**8,296**
As at 31 December 2009	9,760

The total company goodwill net book value as at 31 December 2010 relates to the acquisition in 2007 of certain net assets and the development business

The total positive group goodwill at cost relates to the acquisition in 2007 of certain net assets and the development business as detailed above, and also to the acquisition of certain holdings in subsidiaries The goodwill relating to the acquisition of holdings in certain investments in joint ventures is included within the carrying value of joint venture investments and is disclosed in note 11(a) The negative group goodwill at cost relates to the piecemeal acquisition of subsidiaries during the year as detailed in note 11(b)

Notes to the financial statements (continued)
For the year ended 31 December 2010

9. Intangible fixed assets – goodwill (continued)

Amortisation charges in respect of intangible assets with a finite life are recorded within administrative expenses (for positive goodwill amortisation) or other operating income (for negative goodwill amortisation) in the profit and loss account Positive goodwill relating to net assets and business acquired is amortised over 20 years on a straight line basis Negative goodwill relating to the piecemeal acquisition of subsidiaries (see note 11b) is credited to the profit and loss account over the period in which the acquired non-monetary assets are expected to be sold

10. Tangible fixed assets

Group and Company	**Fixtures, Fittings & Equipment £'000**
Cost	
As at 1 January 2010	1,052
Additions	3
As at 31 December 2010	**1,055**
Accumulated depreciation	
As at 1 January 2010	(501)
Charge for the year	(221)
As at 31 December 2010	**(722)**
Net book value	
As at 31 December 2010	**333**
As at 31 December 2009	551

Notes to the financial statements (continued)
For the year ended 31 December 2010

11. Fixed asset investments

Fixed asset investments comprise

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments in joint ventures (note 11(a))	32,899	6,225	40,295	10,687
Investments in subsidiaries (note 11(b))	-	24,205	-	22,675
	32,899	30,430	40,295	33,362

(a) Investments in joint ventures

The parent company and the Group have investments in the following joint ventures which principally affected the results or net assets of the Group To avoid a statement of excessive length, details of investments which are not significant are not included All of the fixed asset investments held by the Group and parent company have property development as their principal activity

Name of company	Country of incorporation	Proportion of ordinary shares held
Lewisham Gateway Developments Limited	England	50%
North Shore Development Partnership Limited	England	50%
Bromley Park Limited	England	50%
ISIS Waterside Regeneration Limited Partnership[1]	England	25% equity participation
English Cities Fund Limited Partnership[1]	England	12 5% equity participation
Ashton Leisure Park Limited	England	50%
Durham Heart of the City Limited	England	50%
Lingley Mere Business Park Development Company Limited[2]	England	50%
Hulme High Street Limited[3]	England	80 1%
St Andrews Brae Developments Limited	England	50%
Intercity Developments Limited	England	50%

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

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

[3] Whilst the Group holds 80 1% of the ordinary shares, Hulme High Street Limited is jointly controlled so is treated as a joint venture

Notes to the financial statements (continued)
For the year ended 31 December 2010

11. Fixed asset investments (continued)

(a) Investments in joint ventures (continued)

The above investments comprise

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Cost of shares	17,511	2,939	17,609	7,059
Goodwill	4,784	-	6,357	-
Loans	18,527	3,286	20,636	3,628
Share of accumulated losses	(7,923)	-	(4,307)	-
At 31 December	**32,899**	**6,225**	**40,295**	**10,687**

The following information is given in respect of the Group's share of all joint ventures

	2010 £'000	2009 £'000
Fixed assets	1,989	892
Current assets	40,664	52,026
	42,653	52,918
Liabilities due within one year	(16,602)	(19,816)
Liabilities due after one year	(16,463)	(19,800)
	(33,065)	(39,616)
Share of net assets	**9,588**	**13,302**

Detailed below is the Group's share of the following joint ventures for which the Group share of the individual joint venture gross assets at 31 December 2010 exceeds 25% of the total Group gross assets at the same date

	ISIS Waterside Regeneration Limited Partnership £'000
Group share of:	
Turnover	5,792
Loss before tax	(378)
Taxation	106
Loss after tax	(272)
Fixed assets	5
Current assets	22,550
Liabilities due within one year	(5,810)

Notes to the financial statements (continued)
For the year ended 31 December 2010

11. Fixed asset investments (continued)

(a) Investments in joint ventures (continued)

The movement in investments in joint ventures during the year was as follows

	2010	
	Group £'000	Company £'000
Cost		
At 1 January 2010		
Share of net assets and loans	33,938	10,687
Goodwill	7,133	-
	41,071	10,687
Movement during the year		
Share of net loss for the year	(485)	-
Additional loan advances	2,795	1,297
Loan repayments received	(841)	(152)
Dividend received	(1,451)	-
Net investment transferred on acquisition as subsidiaries[1]	(3,223)	(4,120)
Loans transferred on acquisition as subsidiaries	(4,063)	(1,487)
At 31 December 2010	**33,803**	**6,225**
At 31 December 2010		
Share of net assets and loans	28,115	6,225
Goodwill	5,688	-
	33,803	**6,225**
Accumulated amortisation of goodwill		
At 1 January 2010	(776)	-
Charge for the year	(303)	-
Net investment transferred on acquisition as subsidiaries	175	-
At 31 December 2010	**(904)**	-
Net book amount at 31 December 2010		
Share of net assets and loans	28,115	6,225
Goodwill	4,784	-
Total investments in joint ventures	**32,899**	**6,225**

[1] The net investment transferred on acquisition as subsidiaries of £3,223,000 includes £1,445,000 relating to the transfer of goodwill

Notes to the financial statements (continued)
For the year ended 31 December 2010

11. Fixed asset investments (continued)

(b) Investments in subsidiary undertakings

The parent company has investments in the following subsidiaries which principally affect the profits or net assets of the Group To avoid a statement of excessive length, details of investments which are not significant are not included

Name of company	Country of incorporation	Proportion of ordinary shares held
NQD plc	England	100%
Mutanderis (94) Limited	England	100%
Muse (ECF) Partner Limited	England	100%
Muse (Warp 4) Partner Limited	England	100%
Muse Developments (Durham) Limited	England	100%
Rail Link Europe Limited	England	80 1%
Mossend Developments Limited	England	75%
Eurocentral Partnership Limited	England	100%
Chatham Place (Building 1) Limited	England	100%
Ician Developments Limited	England	100%

The ordinary shares held by Muse Developments Limited in Rail Link Europe Limited and Mossend Developments Limited confer the right to 100% of the subsidiary's results and net assets The shareholdings held by or on behalf of persons other than Muse Developments Limited do not confer rights to a share of the results or net assets of the relevant subsidiary No minority interests are thus included within the financial statements of Muse Developments Limited

The investment in Eurocentral Partnership Limited is held indirectly by Muse Developments Limited through its ownership of the entire share capital of Eurocentral Holdings Limited Eurocentral Holdings is the immediate parent company of Eurocentral Partnership Limited

Piecemeal acquisition of subsidiary undertakings

The group acquired the remaining 50% shareholding of three joint ventures during the year Each became 100% owned by the group The acquisitions are accounted for under the acquisition method Results of the acquired joint ventures have been accounted for using the gross equity method up to the various dates of acquisition during the year and fully consolidated since acquisition

Notes to the financial statements (continued)
For the year ended 31 December 2010

11. Fixed asset investments (continued)

(b) Investments in subsidiary undertakings (continued)

The following table sets out the 50% share amounts of the identifiable assets and liabilities acquired and their fair value to the group There were no fair value adjustments required

	Eurocentral Partnership Limited £'000	Chatham Place (Building 1) Limited £'000	Ician Developments Limited £'000
Fixed assets			
Tangible fixed assets	-	-	-
	-	-	-
Current assets			
Work in progress	2,605	3,615	135
Debtors	692	335	28
Cash	601	337	128
	3,898	4,287	291
Creditors	-	(933)	(63)
Contract accruals	(504)	-	-
Shareholder loans	(1,803)	(2,602)	(160)
Dividend payable	-	(751)	-
	(2,307)	(4,286)	(223)
Net current assets	1,591	1	68
Total assets less current liabilities	1,591	1	68
Creditors amounts falling due after more than one year	-	-	-
Net assets	1,591	1	68
Negative goodwill	(1,590)	-	-
Satisfied by:			
Cash paid	1	1	68

Notes to the financial statements (continued)
For the year ended 31 December 2010

11. Fixed asset investments (continued)

(b) Investments in subsidiary undertakings (continued)

In addition to the cash consideration paid to acquire the remaining 50% shareholdings (£70,000 detailed above), each acquisition included an element of consideration to acquire the shareholder loans due to the former joint venture partner Cash consideration relating to the acquisition of shareholder loan balances was as follows

Eurocentral Partnership Limited £1,724,000
Chatham Place (Building 1) Limited £2,602,000
Ician Developments Limited £160,000

The total cash consideration paid for shareholdings and loan balances was £4,556,000

The remaining 50% shareholding in Eurocentral Partnership Limited was acquired on 24 March 2010 Eurocentral Partnership Limited made a profit after taxation of £825,000 in the year ended 31 December 2010 (2009 £102,000) of which a loss after tax of £8,000 arose in the period 1 January 2010 to 24 March 2010

With effect from 1 January 2010, Muse Developments Limited acquired the remaining 50% shareholding in Chatham Place (Building 1) Limited Chatham Place (Building 1) Limited made a profit after taxation of £2,034,000 in the year ended 31 December 2010 (2009 £2,823,000) which all arose in the period after the effective date of acquisition In accordance with the sale and purchase agreement, a dividend of £751,500 was paid to each shareholder on 1 June 2010 representing a distribution of retained profits as at 31 December 2009

The remaining 50% shareholding in Ician Developments Limited was acquired on 19 March 2010 Ician Developments Limited made a profit after taxation of £997,000 in the year ended 31 December 2010 (2009 £78,000) which all arose in the period after the effective date of acquisition (19 March 2010)

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

	Company	
	2010	**2009**
	£'000	**£'000**
Cost and net book value		
At 1 January	22,675	22,675
Additions	1,530	-
At 31 December	**24,205**	**22,675**

Notes to the financial statements (continued)
For the year ended 31 December 2010

12. Stocks and work in progress

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Development land and work in progress	30,571	26,277	25,011	24,973
	30,571	**26,277**	**25,011**	**24,973**

13. Debtors

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Due within 1 year				
Trade debtors	2,760	2,392	3,836	2,743
Amounts owed by joint ventures (note 25)	4,283	4,283	1,394	1,394
Amounts owed by subsidiaries	-	13,659	-	12,300
Other debtors	2,199	24	35	35
Prepayments and accrued income	165	165	100	100
Group relief receivable – owed by parent company	845	845	2,314	2,314
Deferred tax asset (notes 15 & 16)	-	81	-	37
	10,252	**21,449**	**7,679**	**18,923**
Due after more than 1 year				
Other debtors	664	-	-	-
	664	-	-	-

Other debtors due after more than one year are loans receivable which relate to residential property legal completions where a Group company has retained an equity interest through agreement to defer recovery of a percentage of the market value of the property These loans are secured by a legal charge over the property

Notes to the financial statements (continued)
For the year ended 31 December 2010

14. Creditors

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts falling due within one year:				
Contract accruals	(5,073)	(3,244)	(8,848)	(8,504)
Trade creditors	(3,105)	(2,128)	(2,166)	(2,166)
Amounts owed to group undertakings	(22,584)	(21,685)	(22,708)	(22,708)
Amounts owed to joint ventures (note 25)	(744)	(744)	(744)	(744)
Amounts owed to subsidiaries	-	(11,404)	-	(6,733)
Other taxation and social security	(192)	(973)	(516)	(516)
Accruals and deferred income	(846)	(846)	(151)	(151)
	(32,544)	**(41,024)**	**(35,133)**	**(41,522)**

15. Provisions for liabilities

Group	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2010	(923)	(5,127)	(6,050)
Increase in provision	(111)	(1,506)	(1,617)
Utilisation of provision	-	2,645	2,645
Release of provision	-	711	711
At 31 December 2010	**(1,034)**	**(3,277)**	**(4,311)**

Company	Deferred tax £'000	Other £'000	Total £'000
At 1 January 2010	-	(5,127)	(5,127)
Increase in provision	-	(1,506)	(1,506)
Utilisation of provision	-	2,645	2,645
Release of provision	-	711	711
At 31 December 2010	-	**(3,277)**	**(3,277)**

"Other" provisions relate to the costs of remedial works, warranty costs, third party land compensation claims and rent guarantees, where amounts are likely to be payable over a period up to 2017

Further details relating to the deferred tax balances are disclosed within note 16

Notes to the financial statements (continued)
For the year ended 31 December 2010

16. Deferred tax

Deferred tax is provided as follows

	2010		2009	
	Group £'000	**Company £'000**	**Group £'000**	**Company £'000**
Accelerated capital allowances	20	20	2	2
Deferred tax on goodwill	61	61	35	35
Short term timing differences	(1,115)	-	(960)	-
Deferred tax (liability) / asset	(1,034)	81	(923)	37

	Group	Company
At 1 January 2010	(923)	37
Deferred tax (charge) / credit in profit and loss account for the year:		
Origination and reversal of timing differences		
- Current year	30	30
- Prior year	(141)	14
At 31 December 2010 (notes 13 and 15)	**(1,034)**	**81**

17. Called-up share capital

Group and Company	**2010 £'000**	**2009 £'000**
Authorised		
40,000,000 ordinary shares of £1 each (2009 40,000,000)	40,000	40,000
49,043,720 Irredeemable preference shares of £0 01 each	490	490
	40,490	**40,490**
Allotted, called up and fully paid		
40,000,000 ordinary shares of £1 each (2009 40,000,000)	**40,000**	**40,000**

Notes to the financial statements (continued)
For the year ended 31 December 2010

18. Reserves

	2010	
	Group £'000	Company £'000
Profit and loss account		
At 1 January	8,485	6,009
Retaıned profit / (loss) for the year	490	(2,165)
At 31 December	**8,975**	**3,844**

19. Reconciliation of movements in group shareholders' funds

	2010 £'000	2009 £'000
Profit / (loss) on ordınary actıvıtıes after taxatıon	490	(976)
Net addition to / (reduction in) shareholders' funds	**490**	**(976)**
Openıng shareholders' funds	48,485	49,461
Closing shareholders' funds	**48,975**	**48,485**

20. Pension costs

The Company contrıbutes to employees' pensıon arrangements The annual costs charged to the profit and loss account for the year ended 31 December 2010 were £423,000 (2009 £229,000) The pensıon credıtor at 31 December 2010 was £nıl (2009 £nıl)

21. Contingent liabilities

Performance bonds have been entered ınto ın the normal course of busıness Performance bond facılıtıes and the bank accounts of the group and associated undertakıngs are supported by cross guarantees

Notes to the financial statements (continued)
For the year ended 31 December 2010

22. Financial commitments

The Group has a commitment to provide additional funding to ISIS Waterside Regeneration Limited Partnership of up to £0 8m (2009 £1 8m) In addition, the Group has future commitments to purchase land with a combined purchase price of £9 1m (2009 £16 6m) of which contracts have been signed to sell land with a sales value of £2 5m (2009 £7 8m)

23. Operating leases

The future annual commitments under operating leases were as follows

Group and Company	**2010**		**2009**	
	Land & Buildings £'000	**Other £'000**	**Land & Buildings £'000**	**Other £'000**
Expiring within 1 year	-	-	-	-
Expiring between 2 and 5 years	-	16	-	16
Expiring after 5 years	-	-	-	-
Total	-	**16**	-	**16**

24. Ultimate parent company

The company regarded by the directors as the ultimate parent company and controlling party is Morgan Sindall Group plc which is incorporated in England Copies of this company's accounts can be obtained from Morgan Sindall Group plc, Kent House, 14 - 17 Market Place, London, W1W 8AJ This is the largest group in which Muse Developments Limited is consolidated

25. Related party transactions

In the ordinary course of business, the Company has traded with its ultimate parent company Morgan Sindall Group plc, a Company registered in England and Wales, together with its subsidiaries Advantage has been taken of the exemption permitted by Financial Reporting Standard 8 not to disclose transactions with wholly owned entities that are part of the Morgan Sindall Group plc group Balances with these entities are disclosed in notes 13 and 14 of these financial statements

Muse Developments Limited is a wholly owned subsidiary of Morgan Sindall Group plc, who report consolidated financial statements Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Transactions between the Group and its joint ventures are disclosed below

Notes to the financial statements (continued)
For the year ended 31 December 2010

25. Related party transactions (continued)

Tradıng transactions

Durıng the year, Group companıes entered ınto transactıons wıth related partıes whıch are not members of the Group Amounts owed at the year end and transactıons durıng the year are as follows

	2010 Amounts owed by / (to) related parties £'000	2009 Amounts owed by / (to) related parties £'000
Ashton Leısure Park Lımıted	-	2
Bromley Park Lımıted	(591)	(591)
Bromley Park Lımıted	8	14
Icıan Developments Lımıted	-	355
Intercıty Developments Lımıted	(153)	(153)
Lewısham Gateway Developments Lımıted	196	152
North Shore Development Partnershıp Lımıted	81	71
Eurocentral Partnershıp Lımıted	-	232
ECF General Partner Lımıted	(2)	555
Chatham Place (Buıldıng 1) Lımıted	-	13
St Andrews Brae Developments Lımıted	4,000	-
Total	3,539	650
Included wıthın Amounts owed by joınt ventures (note 13)	4,283	1,394
Included wıthın Amounts owed to joınt ventures (note 14)	(744)	(744)
Total	3,539	650

Durıng the year Muse Developments Lımıted recharged costs of £6,500 to Bromley Park Lımıted (2009 £12,000)

Durıng the year Muse Developments Lımıted was charged ınterest of £nıl on a loan advanced by Lıngley Mere Busıness Park Development Company Lımıted (2009 £28,000) and made repayments of £nıl agaınst the loan (2009 £3,561,000) Durıng the year Muse Developments Lımıted receıved dıvıdends of £nıl (2009 £2,248,000)

Durıng the year Muse Developments Lımıted earned loan note ınterest of £41,000 on loans made to Lewısham Gateway Developments Lımıted (2009 £41,000) and recharged costs of £6,500 to Lewısham Gateway Developments Lımıted (2009 £4,000)

Notes to the financial statements (continued)
For the year ended 31 December 2010

25. Related party transactions (continued)

During the year North Shore Development Partnership Limited was recharged costs and fees of £1,500 by Muse Developments Limited (2009 £3,000) and Muse Developments Limited earned interest of £15,000 on loans made to North Shore Development Partnership Limited (2009 £16,000).

During the year ECF General Partner Limited was recharged £1,670,000 in respect of development management fees by Muse Developments Limited (2009 £1,450,000)

During the year Muse Developments Limited received dividends of £700,000 from Ician Developments Limited (2009 £nil) and £751,500 from Chatham Place (Building 1) Limited (2009 £nil).

Directors' transactions

In the course of the year, Eurocentral Partnership Limited (a wholly owned subsidiary of the Group) sold some land and buildings to a syndicate of investors on arm's length terms The Group initially retained a small minority investment in this syndicate Two directors of Muse Developments Limited, John Morgan (£269,000) and Nigel Franklin (£85,000) and three senior employees of the Group (£72,000) subsequently purchased part of the investment in the syndicate from the Group in cash

In addition, Paul Smith, a director of Morgan Sindall Group plc (the ultimate controlling party) purchased £163,000 of the investment from the Group in cash

All transactions were carried out on an arm's length basis and on the same commercial terms as those offered to the other investors in the syndicate There are no amounts outstanding

26. Subsequent events

On 24 January 2011 the company acquired the 50% shareholding in North Shore Development Partnership Limited held by Urban Splash Yorkshire Limited and related shareholder loans for consideration of £405,000 North Shore Development Partnership Limited became a wholly owned subsidiary of Muse Developments Limited from that date