Registered No 2539870

Watkin Jones & Son Limited

Report and Financial Statements

30 September 2013

Registered No 2539870

Directors
G Watkin Jones
M Watkin Jones
G Morgan
N L Bingham
P M Byrom
B Evans
J M Davies
G Davies
S Scott (resigned 31 03 13)
A Pease (appointed 31 03 13)

Secretary
P M Byrom

Auditors
Ernst & Young LLP
20 Chapel Street
Liverpool
L3 9AG

Bankers
HSBC Bank Plc
274 High Street
Bangor
Gwynedd
LL57 1RU

Registered office
Units 21-22
Llandygai Industrial Estate
Bangor
Gwynedd
LL57 4YH

Directors' report

The directors present their report, strategic report and financial statements for the year ended 30 September 2013

Principal activities
The principal activities of the company during the year were those of property developer and building contractor

Results and dividends
The operating profit for the year amounted to £5,889,000 (2012 £11,981,000) The profit for the year after tax amounted to £4,032,000 (2012 £562,000)

Shareholders' funds increased by £4,032,000 to £86,820,000

No dividend has been declared during the year

Directors
The directors that served throughout the year were as follows

G Watkin Jones
M Watkin Jones
G Morgan
N L Bingham
P M Byrom
B Evans
J M Davies
G Davies
S Scott (resigned 31 03 13)
A Pease (appointed 31 03 13)

Watkin Jones Group Limited, the company's ultimate parent, has granted options to subscribe for its ordinary shares of 1p each at par, to the following directors

	At start of year No	*Granted during the year No*	*Waived during the year No*	*At end of year No*
G Morgan	12,500	-	-	12,500
M Watkin Jones	37,500	-	37,500	-
N L Bingham	37,500	-	-	37,500
P M Byrom	12,500	-	-	12,500

Employment policies
The company is a committed equal opportunities employer and in particular gives every consideration to applications for employment from disabled persons where the requirements of the job may be covered by a handicapped or disabled person

Employees are kept informed regarding the company's affairs and are consulted on a regular basis whenever feasible and appropriate

Directors' report

Director's statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

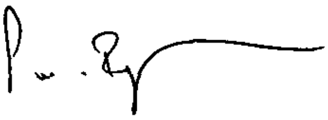
Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such a qualifying third party indemnity provision remains in force at the date of approving the directors' report

Auditors

In accordance with S485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company

By order of the board



P M Byrom
Secretary

22nd January 2014

Strategic report

For the year ended 30 September 2013

Trading Performance

Operating sales for the company were £5,491,000 higher than the previous year at £113,006,000, but the company's operating profit fell by approximately half to £5,889,000 The profit result, whilst satisfactory, was a dip in the company's performance relative to the very strong results of recent years Unfortunately, this was a consequence of the undue pressure exerted on the company in the preceding three years to repay its borrowings with Lloyds Banking Group The company was forced to de-gear very aggressively during this period, during which it repaid bank loans amounting to £88,700,000 Whilst this had the benefit for the future of significantly reducing the company's gearing, it meant that the company did not have the cash resources or funding support available to enable it to acquire the sites needed to maintain profitability This ultimately caught up with the company in depressing its profitability in the year to 30 September 2013

However the company successfully concluded new banking facilities with HSBC Bank plc on 21 November 2012 and the company now has the benefit of a positive and supportive Banking relationship

The company has now been able to secure significant student development opportunities for the future and has entered into forward sales agreements for the majority of these

Divisional Trading Review and Future Prospects

Although margins were lower than in recent years for the reasons referred to above, the Student Accommodation Division nonetheless had a positive year The division completed forward sold schemes in London, Bangor, Birmingham and Edinburgh and a stock scheme in Derby The division also commenced on forward sold developments for completion in 2013/14 in London, St Andrews, Brighton, Bristol, Edinburgh, Huddersfield and Oxford

On 19th December 2013, agreements were completed for the development of three sites, including the former Fire Station Head Quarters in Birmingham, for the Curlew Student Limited Partnership, which is a newly launched student accommodation fund This is an exciting opportunity for the company with significant potential sales in the future to meet the growth aspirations of the fund

On 20th December 2013, a forward sales agreement was also completed for a significant student accommodation development in Bournemouth

With the benefit of the recently completed sales agreements, the company currently has 16 forward sold student accommodation schemes for delivery over the next two years

The company is a leading developer of student accommodation in the UK and our institutional clients see the benefit of the complete service that the company is able to offer, from site finding and securing of planning consents, through development and the provision of letting services where required The letting services are provided by a related company, Fresh Student Living Limited, which provides a dedicated student accommodation letting and management service

The residential market has shown some signs of recovery in the last year and the Homes Division has been active in developing several sites in North Wales and the Manchester area The Division achieved a sustained level of sales at acceptable prices and this looks set to continue In the last year the company invested significantly in the residential sites in build and this is expected to result in significant cash generation from sales in the coming year The company is a party to the Help to Buy Schemes for England and Wales and the directors see these schemes as a welcome support to the regional housing market

Strategic report

For the year ended 30 September 2013

Divisional Trading Review and Future Prospects (continued)

The Construction Division had a successful year, despite continuing to face difficult trading conditions The division continues to target those opportunities where we have a competitive advantage and to work with its established clients During the year the Division undertook a number of contracts, completing a high specification office development in London and food retail store on the former football ground site in Bangor, which were commenced in the previous year The division also undertook a highly successful mixed office and residential development in London, several contracts in North Wales and a food retail store in Aylesbury

Bank Facilities

The new facilities in place with HSBC Bank plc, comprise a committed five year £25 0m rolling credit facility and a £5 0m working capital facility At the year end, borrowings under the revolving credit facility amounted to only £10 0m, leaving the company with adequate headroom for its anticipated development funding needs

Going concern

The financial statements have been prepared on a going concern basis The directors consider that it is appropriate for the financial statements to be prepared on this basis having considered all relevant information, including the company's trading and cashflow forecasts, the trading opportunities available to the company and the ongoing support of its Banks

Treasury policies

The objectives of the company are to manage the company's financial risk, secure cost effective funding for the company's development operations, and to minimise the adverse effects of fluctuations in the financial markets on the company's financial assets and liabilities, on reported profitability and on the cash flows of the company

The company finances its activities with a combination of bank loans, hire purchase contracts and cash deposits Overdrafts are used to satisfy short-term cash flow requirements Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities The company does not trade outside the United Kingdom and is not exposed to any foreign currency risk

The main risks associated with the company's financial assets and liabilities are set out below, as are the policies agreed by the board for their management

Interest Rate Risk

The company pays floating rates of interest on its borrowings The company's policy is to reduce its exposure to cash flow interest rate risk using an appropriate level of interest rate hedging instruments As at 30 September 2013, hedging instruments were in existence providing effective hedging against borrowings with a notional value of £5,735,500 (30 September 2012 £60,000,000), which expire in November 2017

Credit Risk

The company's objective is to reduce the risk of financial loss due to a counterparty's failure to honour its obligations Standard payment terms for construction contracts provide for regular monthly payments against the full contract value The creditworthiness of new customers is assessed by the company prior to entering into a contract with them The company actively manages the collection of payments to ensure that they are received promptly and in accordance with agreed terms, thereby ensuring that the company's exposure to bad debts is not significant

Strategic report

For the year ended 30 September 2013

By order of the board

P M Byrom
Secretary

22nd January 2014

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report, the Strategic 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 year In preparing those 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,
- 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 proper 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 auditors' report
to the members of Watkin Jones & Son Limited

We have audited the financial statements of Watkin Jones & Son Limited for the year ended 30 September 2013 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 31 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report and the Strategic Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Watkin Jones & Son 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 company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company's 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

Barry Flynn (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool

23 January 2014

Profit and loss account
for the year ended 30 September 2013

	Notes	*2013* *£'000*	*2012* *£'000*
Turnover	2	113,006	107,515
Cost of sales		(97,336)	(84,644)
Gross profit		15,670	22,871
Distribution costs		(968)	(796)
Administrative expenses		(7,899)	(8,728)
Operating profit before refinancing costs	3	6,803	13,336
Refinancing costs	3	(914)	(1,355)
Operating profit		5,889	11,981
Income from shares in group and associated undertakings	6	4,372	10,173
Provision against amounts owed by subsidiary companies	7	(3,002)	(15,461)
Interest receivable and similar income	8	1	51
Interest payable and similar charges	9	(2,765)	(3,977)
Profit on ordinary activities before taxation		4,495	2,767
Tax on profit on ordinary activities	10	(463)	(2,205)
Profit retained for the financial year		4,032	562

All activities derive from continuing operations

Statement of total recognised gains and losses
for the year ended 30 September 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £4,032,000 in the year ended 30 September 2013 (2012–£562,000)

Balance sheet
at 30 September 2013

	Notes	*2013* *£'000*	*2012* *£'000*
Fixed assets			
Tangible assets	11	1,842	1,884
Investments	12	6,044	6,044
		7,886	7,928
Current assets			
Development land	13	17,024	23,732
Stocks and work in progress	14	16,535	4,504
Debtors	15	140,744	124,325
Cash at bank		6,218	5,947
		180,521	158,508
Creditors amounts falling due within one year	16	(90,490)	(83,477)
Net current assets		90,031	75,031
Total assets less current liabilities		97,917	82,959
Creditors. amounts falling due after more than one year	17	(10,983)	(44)
Provisions for liabilities and charges	19	(114)	(127)
		86,820	82,788
Capital and reserves			
Called up share capital	21	250	250
Profit and loss account	22	84,983	80,951
Share-based payment reserve	22	1,587	1,587
Equity shareholders' funds	21	86,820	82,788

The financial statements were approved for issue by the Board of Directors on 22nd January 2014

M Watkin Jones
Director

Notes to the financial statements
at 30 September 2013

1. Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention, and in accordance with applicable UK accounting standards

These financial statements are prepared in respect of the company only, as Watkin Jones & Son Limited is exempt from preparing group accounts by virtue of being included in the consolidated financial statements of the ultimate parent company

Going Concern
The financial statements have been prepared on a going concern basis The directors consider that it is appropriate for the financial statements to be prepared on this basis having considered all relevant information, including the company's trading and cashflow forecasts, the trading opportunities available to the company and the ongoing support of its Banks

Revenue recognition
Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration received excluding discounts, rebates, VAT and other sales taxes or duty The following criteria must also be met before revenue is recognised

Contract accounting
Profit is accounted for once the outcome of a contract can be assessed with reasonable certainty and is based on the appropriate stage of completion of the contract

Costs incurred to carry out work on long-term contracts are matched with long-term contract work included in turnover Where costs cannot be matched with contract work accounted for as turnover, such amounts are included in stock

Full provision is made for losses on all contracts in the year in which they are first foreseen, irrespective of the amount of work carried out at the balance sheet date
Amounts recoverable on contracts, which are included in debtors, are stated at cost less progress payments receivable plus an appropriate amount of profit in the case of long term contracts For contracts where contract payments exceed the book value of work done, the excess is included in creditors as payments on account

Sales of houses and apartments
Revenue is recognised upon legal completion

Dividends
Revenue is recognised when the company's right to receive payment is established

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Fixed assets
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life, as follows

Plant & Machinery	- Cranes	-	5% reducing balance
	- Other	-	20% reducing balance
Motor Vehicles		-	25% reducing balance

Notes to the financial statements
at 30 September 2013

1. Accounting policies (continued)

Investments
Investments are held at the lower of cost or net realisable value

Development land
Land purchased for development is stated at the lower of cost and net realisable value Cost comprises all costs directly attributable to the acquisition and holding of the land purchased for development, including the purchase cost of the land, legal costs, attributable finance costs and the cost of bringing the land to its present condition at the balance sheet date Finance costs cease to be capitalised against land which is not actively being prepared for development Rental income arising on land purchased and held for development is capitalised into its carrying value Net realisable value is based on the estimated selling price of the completed development less further costs expected to be incurred to completion and disposal

Stocks and work in progress
Stock and work in progress are stated at the lower of cost and net realisable value Cost comprises all costs directly attributable to the purchasing and development of the property, including the acquisition of land and buildings, legal costs, attributable overheads, attributable finance costs and the cost of bringing developments to their present condition at the balance sheet date Rental income arising during the development of the property is capitalised into its carrying value Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal

Government Grants
Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate Grants already received will be released to the profit and loss account over the next five years

Deferred taxation
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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Finance lease agreements
Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies Future instalments under such leases, net of finance charges, are included within creditors Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for future instalments

Notes to the financial statements
at 30 September 2013

1. Accounting policies (continued)

Operating lease agreements
Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Pension costs
The pension costs charged against profit represent the amount of the contributions payable to the scheme in respect of the accounting period

Retentions
Debtors include monies withheld by the principal in accordance with the terms of the contract

Share-based payments- cash-settled transactions
The cost of cash settled transactions is measured at fair value using an appropriate option pricing model Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date Changes in the carrying amount for the liability are recognised in profit or loss for the period

At each balance sheet date a capital contribution from the ultimate parent company equal to the fair value of the cash-settled transactions is recorded in the Balance Sheet as a Share Based Payment Reserve Changes in the fair value between each balance sheet date are recognised in the profit for the period.

Interest rate swaps
The company's criteria for interest rate swaps are
- the instrument must be related to an asset or liability, and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Interest differentials are recognised by accruing with net interest payable Interest rate swaps are not revalued to fair value or shown on the company's balance sheet at the year end If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument

2. Turnover
Turnover is the total amount receivable by the company in the ordinary course of business for goods supplied as a principal and for services provided, excluding VAT and trade discounts In the case of long term contracts, turnover reflects the contract activity of the year

Turnover is wholly attributable to the company's continuing activity in the United Kingdom

3. Operating profit
This is stated after charging

	2013 *£'000*	*2012* *£'000*
Auditors' remuneration - audit services	99	99
Depreciation of owned fixed assets	193	238
Depreciation of assets held under finance leases	73	47
	266	285
(Profit)/Loss on disposal of fixed assets	(32)	7
Operating lease rentals - motor vehicles	471	304

Notes to the financial statements
at 30 September 2013

3. Operating profit (continued)

Refinancing costs relate to professional fees incurred as a result of the company exiting its facilities with Lloyds Banking Group and entering into new facilities with HSBC Group

Statutory disclosures in respect of auditors
Remuneration for non-audit services is included in the consolidated financial statements of the ultimate parent company

4. Staff costs

	2013 *£'000*	*2012* *£'000*
Wages and salaries	10,001	8,972
Social security costs	1,092	985
Staff pension contributions (note 19)	239	222
	11,332	10,179

Included in wages and salaries is a total expense of cash settled share based payment transactions of £nil (2012 £428,000)

Monthly average number of employees

	2013 *No*	*2012* *No*
Involved in construction	218	186
Administration	55	53
	273	239

5. Directors' emoluments

	2013 *£'000*	*2012* *£'000*
Emoluments	2,042	2,234

The number of directors who exercised share options during the year was nil (2012 nil)

Company pension contributions paid	112	112

	2013 *No*	*2012* *No*
Members of money purchase pension schemes	9	9

The amounts in respect of the highest paid director are as follows

	2013 *£'000*	*2012* *£'000*
Emoluments	475	524
Company pension contributions paid	50	50

The highest paid director did not exercise any share options during the year (2012 nil)

Notes to the financial statements
at 30 September 2013

6. Income from shares in group and associated undertakings

	2013 £'000	2012 £'000
Dividends receivable from group undertakings	4,372	10.173
Dividends receivable from associated undertakings	-	-
	4,372	10,173

7. Provision against amounts owed by group companies

The directors have considered the recoverability of amounts owed by group companies and have made a decision to provide in full against balances owing by group companies where the repayment of these balances is not foreseeable.

8. Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest receivable	1	51

9. Interest payable and similar charges

	2013 £'000	2012 £'000
Bank interest payable	2,410	3,863
Finance charges payable under finance leases	8	5
Other interest	360	109
	2,778	3,977

10. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2013 £'000	2012 £'000
Current tax		
UK corporation tax	387	2,282
Adjustment in respect of previous periods	48	9
Total current tax (note 10 (b))	435	2,291
Deferred tax		
Origination and reversal of timing differences	5	(102)
Adjustments in respect of prior period	33	3
Impact of change in tax rate	(10)	13
Total deferred tax	28	(86)
Tax on profit on ordinary activities	463	2,205

Notes to the financial statements
at 30 September 2013

10. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than (2012 higher than) the standard rate of corporation tax in the UK The differences are reconciled below

	2013 *£'000*	*2012* *£'000*
Profit on ordinary activities before taxation	4,495	2,767
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23 5% (2012 25%)	1,056	692
Capital allowances in excess of depreciation	(6)	1
Other timing differences	705	111
Permanent differences	16	129
Group relief claimed	(462)	-
Group income less provisions made	(1,027)	1,254
Transfer pricing adjustment	105	112
Adjustments in respect of previous periods	48	10
Land remediation expenditure	-	(18)
Total current tax (note 10(a))	435	2,291

11. Tangible fixed assets

	Plant & Machinery £'000	*Motor Vehicles £'000*	*Total £'000*
Cost			
At 1 October 2012	4,244	752	4,996
Additions	94	179	273
Disposals	(91)	(158)	(249)
At 30 September 2013	4,247	773	5,020
Depreciation			
At 1 October 2012	2,533	579	3,112
Provided during the year	200	66	266
Disposals	(76)	(124)	(200)
At 30 September 2013	2,657	521	3,178
Net book value			
At 30 September 2013	1,711	173	1,884
At 1 October 2013	1,590	252	1,842

The net book value of assets above includes an amount of £342,000 (2012 £142,000) in respect of assets held under finance leases

Notes to the financial statements
at 30 September 2013

12. Investments

	Joint ventures £'000	*Group companies £'000*	*Total £'000*
Cost			
At 1 October 2012	6,044	-	6,044
Additions	-	-	-
At 30 September 2013	6,044	-	6,044

At 30 September 2013, the company held the entire share capital of the following subsidiary undertakings

Name	*Class of shares*	*Nature of business*
Anderson Wharf (Student) Limited	Ordinary	Property development
Broadsale Limited	Ordinary	Property development
Coralblend Limited	Ordinary	Property development
DR (Student) Limited	Ordinary	Property development
Extralap Limited (*)	Ordinary	Property development
Extraneat Limited	Ordinary	Property development
Goldcharm Limited	Ordinary	Property development
Gorse Stacks Development Limited (*)	Ordinary	Property development
Heol Santes Helen Limited	Ordinary	Property development
Logie Green Developments Limited	Ordinary	Property development
Marblelodge Limited	Ordinary	Property development
Megaleague Limited	Ordinary	Property development
Newmark Developments Limited	Ordinary	Property development
Old Dumbarton Road Limited (^)	Ordinary	Property development
Oxford Student Limited	Ordinary	Property development
Ruby 99 Limited	Ordinary	Property development
Stylegood Limited	Ordinary	Property development
Superscheme Limited	Ordinary	Property development
Supertry Limited	Ordinary	Property development
Tableward Limited	Ordinary	Property development
Watkin Jones (Sheffield 1) Limited	Ordinary	Property development
Watkin Jones Bournemouth Student Limited (^)	Ordinary	Property development
W J Developments (Residential) Limited (*)	Ordinary	Property development
Watkin Jones AM Limited	Ordinary	Property Fund Asset Manager
Saxonhenge Limited	Ordinary	Aeroplane management
Darley Student Accommodation Limited # (**)	Ordinary	Property letting
Finefashion Limited	Ordinary	Property letting
Polarpeak Limited	Ordinary	Property letting
Qualityoffer Limited	Ordinary	Property letting
Nicelook Limited	Ordinary	Property letting
Scarlet P Limited	Ordinary	Property letting
Swiftmatch Limited	Ordinary	Property letting
Urbancloud Limited	Ordinary	Property letting
Wisedeed Limited	Ordinary	Property letting
Amber 9 Limited	Ordinary	Dormant
Baybreeze Limited	Ordinary	Dormant
Dizzy 9 Limited	Ordinary	Dormant
Fairleague Limited	Ordinary	Dormant
LNE (Kingston) Limited	Ordinary	Dormant

Notes to the financial statements
at 30 September 2013

12. Investments (continued)

Manana Manana Limited	Ordinary	Dormant
Megascheme Limited	Ordinary	Dormant
Newcastle Student Limited	Ordinary	Dormant
Sugarhouse Close Student Limited	Ordinary	Dormant
Top Laser Limited (*)	Ordinary	Dormant
Vitalshift Limited (*)	Ordinary	Dormant
Watkin Jones (Leicester 1) Limited	Ordinary	Dormant
Whitechapel Student Limited	Ordinary	Dormant

Acquired during the year
^ Name changed during the year

All subsidiary companies are directly owned by the company, except (*) which are owned by Newmark Developments Limited and (**) which is owned by DR (Student) Limited

On 10th July 2013, the company sold its interest in W J Hafod Elfyn Limited to Planehouse Limited, a related company (note 25), for a consideration of £1 and settlement of inter-company indebtedness owed by W J Hafod Elfyn Limited amounting to £550,000 No profit or loss arose on the sale

At 30 September 2013 the company held joint venture interests in the following companies

Name	*Class of shares*	*Percentage share capital held*	*Financial Year End*	*Activity*
Athena Hall (Jersey) Limited	Ordinary	100%	30 September	Property letting
Central Retail Limited	Ordinary	50%	31 March	Property development
Deiniol Developments Limited	Ordinary	50%	30 September	Property development
Gorse Stacks Rufus Limited	Ordinary	50%	30 June	Property development
Rufus Estates Limited #	Ordinary	50%	30 June	Property development
Lacuna Edinburgh Limited	Ordinary	50%	31 March	Property development
Lacuna Hanwell Limited *	Ordinary	50%	30 June	Dormant
Spiritbond Finsbury Park Limited	Ordinary	50%	30 September	Property development
Spiritbond Stockwell Green Limited	Ordinary	50%	30 September	Property development
Spiritbond Elephant & Castle Limited	Ordinary	50%	31 January	Property development
Freshers PBSH Chester(General Partner) Limited	Ordinary	50%	30 September	Property Fund General Partner
Freshers PBSH (General Partner) Limited	Ordinary	50%	30 September	Dormant

Interest held by Newmark Developments Limited
* Incorporated during the year

The company's share of the aggregate capital and reserves of the joint ventures is £8,418,000 (2012 £6,775,000)

Notes to the financial statements
at 30 September 2013

13. Development land

	2013 *£'000*	*2012* *£'000*
Development land	17,024	23,732

Development land includes attributable finance costs amounting to £Nil (2012 £Nil) At 30 September 2013, the value of provisions held against development land to reflect the net realisable value of certain sites amounted to £500,000 (2012 £1,800,000)

14. Stocks and Work in progress

	2013 *£'000*	*2012* *£'000*
Stocks and work in progress	16,535	4,504

At 30 September 2013, the value of provisions held against stocks and work in progress to reflect the net realisable value of properties held for sale by the company amounted to £1,300,000 (2012 £Nil)

15. Debtors

	2013 *£'000*	*20121* *£'000*
Amounts recoverable on contracts	9,579	6,009
Trade debtors	4,104	5,122
Amounts owed by group undertakings	123,286	109,575
Amounts owed by joint ventures	1,241	2,616
Other debtors	2,109	583
Prepayments and accrued income	94	48
Deferred tax	331	372
	140,744	124,325

16. **Creditors:** amounts falling due within one year

	2013 *£'000*	*2012* *£'000*
Bank loans (note 18)	5,136	22,189
Obligations under finance leases (note 20)	119	68
Trade creditors	31,978	25,453
Amounts owed to group undertakings	17,781	8,972
Amounts owed to related undertakings	7,448	1,531
Amounts owed to joint ventures	1,605	54
Corporation tax	2,219	5,654
Other taxation and social security	1,802	622
Other creditors	17,736	15,950
Accruals and deferred income	4,666	2,984
	90,490	83,477

Notes to the financial statements
at 30 September 2013

17. Creditors: amounts falling due after more than one year

	2013	*2012*
	£'000	*£'000*
Loans (note 18)	10,875	-
Obligations under finance leases (note 20)	108	44
	10,983	44

18. Loans

	2010	*2009*
	£'000	*£'000*
Amounts falling due		
In one year or less or on demand	5,136	22,189
In one to two years	-	-
In two to five years	10,875	-
	16,011	22,189
Wholly repayable within five years		
Bank loans	16,011	22,189
	16,011	22,189
Less Included in creditors due within one year	(5,136)	(22,189)
	10,875	-

The bank loans are secured by legal charges over development land and work in progress

19. Provisions for liabilities and charges

	Deferred taxation
	£'000
At 1 October 2012	127
Profit and loss account	(13)
At 30 September 2013	114

The deferred tax consists of

	2013	*2012*
	£'000	*£'000*
Accelerated capital allowances	114	127

Notes to the financial statements
at 30 September 2013

20. Obligations under finance leases
The maturity of these amounts is as follows

	2013 *£'000*	*2012* *£'000*
Amounts payable		
Current obligations (note 16)	119	68
Non-current obligations (note 17)	108	44
	227	112

21. Share capital

	Allotted, called up and fully paid			
		2013		*2012*
	No	*£'000*	*No*	*£'000*
Ordinary shares of £1 each	250,000	250	250,000	250

22. Reconciliation of shareholders' funds and movement on reserves

	Share capital *£'000*	*Profit and loss account* *£'000*	*Share-based payment reserve* *£'000*	*Total share-holders' funds* *£'000*
At 30 September 2011	250	80,389	1,159	81,798
Profit for the year	-	562	-	562
Share-based payment – capital contribution from ultimate parent	-	-	428	428
At 30 September 2012	250	80,951	1,587	82,788
Profit for the year	-	4,032	-	4,032
At 30 September 2013	250	84,983	1,587	86,820

23. Commitments under operating leases
At 30 September 2013 the company had annual commitments under non-cancellable operating leases as set out below

		2013		*2012*
	Land and buildings *£'000*	*Other* *£'000*	*Land and buildings* *£'000*	*Other* *£'000*
Operating leases which expire				
Within one year	16	471	6	-
In one to two years	-	-	-	384
In two to five years	45	-	159	-
In over five years	280	-	176	-
	341	471	341	384

Notes to the financial statements

at 30 September 2013

24. Contingent liabilities

The company has contingent liabilities of £4,341,000 (2012 £2,279,000) in respect of performance bonds entered with HCC International Plc, Euler Hermes Europe S A (N V), Aviva Insurance UK Limited and the Electrical Contractors' Insurance Company Limited

At 30 September 2012 the company had given a debenture containing a fixed and floating charge and was party to a corporate guarantee of the group's bank borrowings from Bank of Scotland plc which amounted to £22,189,000 On 21 November 2012 the company completed a refinancing of its loan facilities with HSBC bank plc and on this date the company's borrowings from Bank of Scotland Plc were fully repaid The company has given a debenture containing a fixed and floating charge and has entered into a corporate guarantee of the group's bank borrowings from HSBC Bank Plc, which at the balance sheet date amounted to £20,981,000, including the amounts in the company's accounts

The company has given a guarantee in respect of the borrowings of Tableward Limited, a subsidiary company, from Investec Bank plc, which amounted to £3,900,000 at the balance sheet date This amount was repaid subsequent to the year end on 19 December 2013

The company has given a guarantee in respect of the borrowings of Saxonhenge Limited, a subsidiary undertaking, from Lombard North Central Plc which amounted to £2,265,000 (2012 £2,467,000) at the balance sheet date The guarantee is limited to £2,500,000

The directors are of the opinion that no material financial liabilities will arise in relation to the above

25. Related party transactions

The company provided construction services to Carlton (North Wales) Limited and its subsidiary companies amounting to £1,946,000 (2012 £21,000) and processed payroll costs on behalf of the company of £381,000 (2012 £334,000) During the year the company received loans amounting to £2,000,000 (2012 £1,500,000) from Carlton (North Wales) Limited to assist with its property development activities The amount owed to Carlton (North Wales) Limited and its subsidiary companies at the balance sheet date was £2,537,000 (2012 £1,531,000) All of these transactions were carried out on an arm's length basis

The company paid rent and service charges to Planehouse Limited and its subsidiary companies amounting to £304,500 (2012. £315,500) and provided construction services to those companies amounting to £Nil (2012 £834,000) On 10th July 2013, the company sold its interest in W J Hafod Elfyn Limited to Planehouse Limited for a consideration of £1 and settlement of inter- company indebtedness owed by W J Hafod Elfyn Limited amounting to £550,000 All of these transactions were carried out on an arm's length basis No amount was due from or owed to Planehouse Limited and its subsidiary companies at the balance sheet date

The company processed payroll costs on behalf of Fresh Student Living Limited of £1,469,000 (2012 £1,420,000) and received loans of £6,030,000 (2012 £ 510,000) from the company to assist with its property development activities The amount owed to Fresh Student Living Limited at the balance sheet date was £1,263,000 (2012 £Nil) Interest is paid on the outstanding loan balance at 4 00% per annum

Carlton (North Wales) Limited, Planehouse Limited and Fresh Student Living Limited are controlled by the shareholders in the company's ultimate parent company, Watkin Jones Group Limited

The company received a loan of £2,500,000 (2012 £Nil) from the G Watkin Jones 1999 Hybrid Settlement Trust, on which interest at the rate of 6 00% per annum is payable This amount remained outstanding at the balance sheet date

The company provided services to the Watkin Jones & Son Limited Directors' Pension Scheme amounting to £53,000 (2012 £45,000) in transactions carried out on an arm's length basis

Notes to the financial statements
at 30 September 2013

25. Related party transactions (continued)

During the year the company invoiced construction services to Deiniol Developments Limited amounting to £918,000 (2012 £6,707,000) At 30 September 2013 the company was owed £778,000 by Deiniol Developments Limited (2012 £2,448,000) The company owes 50% of the share capital in Deiniol Developments Limited

During the year the company received a management fee of £Nil (2012 £30,000) from Central Retail Limited The company owns 50% of the share capital in Central Retail Limited

Under a joint venture agreement the company received a management fee of £61,500 (2012 £Nil) from Gorse Stacks Rufus Limited At the balance sheet date £40,000 was owed to Gorse Stacks Rufus Limited by the company (2012 £54,000) The company owns 50% of the share capital in Gorse Stacks Rufus Limited

Under a joint venture agreement the company received a management fee of £8,600 (2012 £Nil) from Rufus Estates Limited At the balance sheet date £11,000 was owed form Rufus Estates Limited (2012 £2,000) The company owns 50% of the shares in Rufus Estates Limited

Under a joint venture agreement the company made payments of £138,000 (2012 £1,010,000) to and received £2,523,000 (2012 £280,000) from Lacuna Edinburgh Limited, including a management fee of £200,000 (2012 £Nil) At the balance sheet date £1,564,000 was owed by Lacuna Edinburgh Limited to the company (2012 £940,000) During the year the company invoiced construction services to Lacuna Edinburgh Limited of £2,215,000 (2012 £354,000) The company owns 50% of the share capital in Lacuna Edinburgh Limited

During the year the company invoiced construction services to Spiritbond Stockwell Green Limited amounting to £11,874,000 (2012 £2,917,000) The company also received fees for management services amounting to £963,000 (2012 £975,000) The company has a 50% interest in Spiritbond Stockwell Green Limited

The company has a 50% interest in Spiritbond Finsbury Park Limited During the year the company provided construction services to Spiritbond Finsbury Park Limited amounting to £4,085,000, design fees of £101,000 and development fees of £400,000

During the year the company provided construction services amounting to £323,000 for Spiritbond Elephant & Castle Limited, a company incorporated during the year and in which the company has a 50% interest

The company has taken advantage of the exemption provided under FRS 8 3c "Related Party Transactions" such that transactions between the company and other group undertakings have not been disclosed in the accounts

26. Pensions

The company operates a defined contribution group personal pension plan scheme for the benefit of the employees and certain directors The assets of the scheme are administered in a fund independent from those of the company Contributions during the year amounted to £239,000 (2012 £222,000) There are no unpaid contributions at 30 September 2013 (2012 £Nil)

The company also operates a small defined contribution scheme for the benefit of certain directors and former employees This scheme is closed to new entrants The assets of the scheme are administered by trustees in a fund independent from those of the company Contributions during the year amounted to £35,000 (2012 £35,000) Unpaid contributions at the end of the year amounted to £105,000 (2012 £70,000)

In addition the company operates a small self-administered pension scheme for the benefit of certain directors The assets of the scheme are administered by trustees who include G Watkin Jones and M Watkin Jones, who are also directors of the company The scheme is subject to actuarial review on a triennial basis, and contributions to the scheme are determined by the actuary The benefits provided by the scheme are limited to its available assets Contributions to the scheme in the year amounted to £50,000 (2012 £50,000)

Notes to the financial statements
at 30 September 2013

27. Share based payments

Share options are granted to certain Directors of the company with more than 12 months service on a discretionary basis The exercise price of the options is £0 01 and there are no vesting conditions Options exercised will be settled in cash by the ultimate parent company on the date the director reaches his 60th birthday

At 30 September 2013, 62,500 options were in issue (2012 100,000) No options were exercised during the year

During the year, a charge was recognised for cash settled options in respect of directors' services amounting to £Nil (2012 £428,000)

The fair value of cash-settled options is measured at each balance sheet date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted

The following table lists the inputs to the model used for the years ended 30 September 2013 and 30 September 2012

	2013	*2012*
Dividend yield (%)	-	-
Expected share price volatility (%)	20 00	20 00
Risk free interest rate (%)	5 00	5 00
Expected years to cash-settlement date	5-9	6-17
Current share price based on net asset value per Share (£)	64 10	60 47

The fair value of the options is discounted by 10% for each year remaining to their expected cash-settlement date, up to a maximum discount of 80% for options with 8 years or more remaining

A capital contribution from the ultimate parent company equal to the fair value of the options is recognised at each balance sheet date as a Share Based Payment Reserve (note 22) Changes in the fair value of the options between each balance sheet date are recognised in the profit and loss account

28. Capital commitments

There were no capital commitments for the company at 30 September 2013 or 30 September 2012

29. Derivatives

The company holds interest rate swaps to manage interest rate risk volatility The fair value of the derivatives held at the balance sheet date, determined by reference to their market value, was an asset of £34,000 (2012 liability of 1,437,000)

30. Ultimate parent company and controlling party

The ultimate parent company and controlling party is Watkin Jones Group Limited Copies of its group accounts, which include the company, are available from its registered office Units 21-22, Llandygai Industrial Estate, Bangor, Gwynedd, LL57 4YH.

31. Post balance sheet events

On 19 December 2013 subsidiaries of the company completed the sale of three student development sites to the Curlew Student Limited Partnership and entered into development agreements to complete the build of the properties On completion of the sale of these sites, bank and other loans secured against the sites amounting to £11,224,000 were repaid