Registered No 2539870

Watkin Jones & Son Limited

Report and Financial Statements

30 September 2010

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 (Appointed 1 September 2010)
S Scott (Appointed 1 September 2010)

Secretary

P M Byrom

Auditors

Ernst & Young LLP
20 Chapel Street
Liverpool
L3 9AG

Bankers

Lloyds Banking Group
8th Floor
40 Spring Gardens
Manchester
M2 1EN

Registered office

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

Directors' report (continued)

The directors present their report and financial statements for the year ended 30 September 2010

Results and dividends

The profit for the year after tax amounted to £9,468,000 (2009 £8,406,000)

The directors do not recommend the payment of any dividends

Principal activities and review of the business

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

Profit on ordinary activities before taxation for the year was £12,275,000 (2009 £11,662,000) on turnover of £112,706,000 (2009 £143,604,000)

In arriving at the profit for the year, the directors have taken the decision to write down the cost of certain land sites by £1,800,000, reflecting the realistic view of the current achievable development potential of these sites This decision has been taken based on updated development proposals which will enable the company to develop the sites in the imminent future rather than holding them for an extended period of time until market conditions improve Accordingly, without this write down, the company would have achieved a profit before tax of £14 1m

Turnover was lower than for the previous year, due primarily to the fact that turnover in 2008/9 included the value of properties transferred to subsidiary undertakings amounting to £17 6m The company's underlying trading activity was at a broadly similar level

The development of student accommodation continues to represent the major part of the company's trading activity and accounted for nearly 75% of turnover for the year The student accommodation sector has remained relatively resilient to the general downturn in the property market and the company's expertise in this sector has enabled it to benefit from this opportunity During the year the Student Accommodation Division successfully completed schemes in Newcastle, Ipswich, Kingston-Upon-Thames and three separate schemes in Edinburgh. In total the Division delivered nearly 2000 beds The quality of the schemes has been proven in the high degree of success in securing first year student lettings Nearly all the schemes achieved 100% lettings prior to the start of their first year of operation

The Residential Division also had a successful year Market conditions have stabilised to some degree and as a consequence, the Division has managed to achieve regular sales of homes from both existing stock and from a selected small number of new development sites The Division has also successfully negotiated and completed several Housing Association contracts in the year, which has provided the Division with a secure level of profitable income and cashflow

The trading conditions facing the Construction Division have undoubtedly been more difficult in the last year There have been relatively few construction opportunities in the company's traditional markets as the lack of available credit and low demand for finished stock has eliminated any real development activity in the commercial and retail sectors Tender opportunities which do arise are unsustainably competitive As a consequence, the Division has focussed its efforts in securing negotiated opportunities where it has a competitive advantage This has resulted in several profitable contracts being completed by the Division in the healthcare and hotel sectors Work has also recently commenced on the build of a new large food retail store at Farnworth, Bolton which is to be completed by summer 2011

The company continues to receive positive support from its existing Banks and has also been successful in securing funding from new lenders to the company, reflecting both the strength of the company and the relative attraction of the student accommodation sector However, the limited availability of credit remains a key issue for the property sector in general and a reduction in net debt remains a key focus for the company During the year the company reduced its net debt by £7 1m to £86 2m

Directors' report (continued)

The company has entered into discussions with Lloyds Banking Group regarding the terms of renewal of its Revolving Credit Facility, which is currently due to expire in June 2011. Based on discussions to date with the Bank the directors are confident that the Revolving Credit Facility will be renewed on acceptable terms

The balance sheet shows a reduction in land of £5 1m to £22 4m, including the write down in the net realisable value of sites referred to above, whilst work in progress was reduced by £2 6m to £3 7m

Shareholders' funds increased by £9 6m to £67 2m No dividend is proposed as profits earned will be used to invest in the future development of the company

Future Prospects

The prospects for the company, particularly in the student accommodation sector are excellent A number of new sites have been secured in locations where there is a healthy demand for new schemes, notably in London, Oxford, Edinburgh, Glasgow and Birmingham The company has established partnerships with several key investors in the sector and regularly consults with them to understand and meet their requirements for new schemes.

For the year ahead the Residential Division will continue with a modest level of new development and Housing Association activity, whilst focussing technical resource on the re-design of those schemes where existing consents are unlikely to give the best return in the current market This should enable the Division to commence the development of several such schemes in the coming months, including the Droylsden Marina development in partnership with Tameside Borough Council The company continues to hold a number of attractive residential sites which will realise significant value in the years ahead

The activities of the Construction Division for the coming year will be underpinned by the food retail development in Farnworth, but the Division will also focus on securing further development led opportunities These will include carrying out several relocation contracts in readiness for another food retail development in Bangor

Going concern

The financial statements have been prepared under the principle of going concern 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 positive support of its Banks

Directors

The directors during 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 (Appointed 1 September 2010)
S Scott (Appointed 1 September 2010)

Directors' report (continued)

Watkin Jones Group Limited 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*	*Exercised 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

With the exception of P M Byrom, whose options are exercisable at any time up to 2013 the other directors' options are exercisable up to 2011

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

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 will also, from time to time, enter into derivative transactions in the form of interest rate hedging instruments The purpose is to manage the interest rate risks arising from the company's operations The company does not trade in financial instruments and has no other form of derivatives

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 2010 hedging instruments were in existence providing effective hedging against borrowings with a notional value of £125m (30 September 2009 £125m)

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

Directors' report (continued)

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
7 January 2011

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 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 2010 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 29 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 Sections 495 and 496 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 5, 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). These 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

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 2010 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 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

12 January 2011

Profit and loss account
for the year ended 30 September 2010

	Notes	*2010* *£'000*	*2009* *£'000*
Turnover	2	112,706	143,604
Cost of sales		(90,072)	(123,501)
Gross profit		22,634	20,103
Distribution costs		(948)	(840)
Administrative expenses		(7,466)	(7,867)
Operating profit before land impairment provision	3	14,220	11,396
Land impairment provision	12	(1,800)	-
Operating profit		12,420	11,396
Inome from shares in group and associated undertakings	6	625	300
Bank interest receivable	7	23	360
Interest payable	8	(793)	(394)
Profit on ordinary activities before taxation		12,275	11,662
Tax on profit on ordinary activities	9	(2,807)	(3,256)
Profit retained for the financial year		9,468	8,406

Statement of total recognised gains and losses
for the year ended 30 September 2010

	2010 *£'000*	*2009* *£'000*
Profit for the financial year	9,468	8,406
Total recognised gains and losses relating to the year	9,468	8,406

Balance sheet
at 30 September 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	10	2,243	2,450
Investments	11	-	-
		2,243	2,450
Current assets			
Development land	12	22,358	27,442
Stocks and work in progress	13	3,703	6,308
Debtors	14	170,874	164,741
Cash at bank		9,951	2,530
		206,886	201,021
Creditors amounts falling due within one year	15	(141,793)	(50,701)
Net current assets		65,093	150,320
Total assets less current liabilities		67,336	152,770
Creditors amounts falling due after more than one year	16	(16)	(95,083)
Provisions for liabilities and charges	19	(143)	(100)
		67,177	57,587
Capital and reserves			
Called up share capital	20	250	250
Profit and loss account	21	65,959	56,491
Share-based payment reserve	21	968	846
Equity shareholders' funds	21	67,177	57,587

The financial statements were approved for issue by the Board of Directors on 7 January 2011.

M Watkin Jones
Director

7 January 2011

Notes to the financial statements
at 30 September 2010

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 under the principle of going concern 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 positive support of its Banks

Revenue recognition
Revenue is recognised to the extent that the company obtains the right 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

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

Notes to the financial statements
at 30 September 2010

1. Accounting policies (continued)

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 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 cots 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

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

Notes to the financial statements
at 30 September 2010

1. Accounting policies (continued)

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/(crediting)

	2010	*2009*
	£'000	*£'000*
Auditors' remuneration - audit services	70	60
Depreciation of owned fixed assets	101	108
Depreciation of assets held under finance leases	237	276
	338	384
Loss/ (Profit) on disposal of fixed assets	2	(7)
Operating lease rentals - plant and machinery	689	877

Notes to the financial statements
at 30 September 2010

3. Operating profit (continued)

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

	2010	*2009*
	£'000	*£'000*
Wages and salaries	9,153	10,376
Social security costs	986	1,129
Staff pension contributions (note 19)	197	185
	10,336	11,690

Included in wages and salaries is a total expense of cash settled share based payment transactions of £122,000 (2009 £139,000)

Monthly average number of employees

	2010	*2009*
	No	*No*
Involved in construction	184	192
Administration	59	69
	243	261

5. Directors' emoluments

	2010	*2009*
	£'000	*£'000*
Emoluments	1,916	1,989

The number of directors who exercised share options during the year was nil (2009 nil)

Company pension contributions paid	101	96

	2010	*2009*
	No	*No*
Members of money purchase pension schemes	6	5

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

	2010	*2008*
	£'000	*£'000*
Emoluments	555	594
Company pension contributions paid	50	50

The highest paid director did not exercise any share options during the year (2009 nil)

Notes to the financial statements
at 30 September 2010

6. Income from shares in group and associated undertakings

	2010 £'000	2009 £'000
Dividends receivable from group undertakings	-	300
Dividends receivable from associated undertakings	625	-
	625	300

7. Interest receivable

	2010 £'000	2009 £'000
Bank interest receivable	23	360

8. Interest payable

	2010 £'000	2009 £'000
Bank interest payable	714	195
Finance charges payable under finance leases	76	88
Other interest	3	111
	793	394

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2010 £'000	2009 £'000
Current tax		
UK corporation tax	2,677	3,117
Tax overprovided in previous years	(13)	(184)
Total current tax (note 9(b))	2,664	2,933
Deferred tax		
Origination and reversal of timing differences	130	184
Adjustments in respect of prior period	13	139
Total deferred tax	143	323
Tax on profit on ordinary activities	2,807	3,256

Notes to the financial statements
at 30 September 2010

9. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than (2009· lower than) the standard rate of corporation tax in the UK of 28% The differences are reconciled below

	2010 *£'000*	*2009* *£'000*
Profit on ordinary activities before taxation	12,275	11,662
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	3,437	3,265
Disallowed expenses and non-taxable income	(177)	(149)
Capital allowances in excess of depreciation	(18)	(35)
Other timing differences	(126)	89
Group relief claimed	(439)	(53)
Adjustments in respect of previous periods	(13)	(184)
Total current tax (note 9(a))	2,664	2,933

10. Tangible fixed assets

	Plant & Machinery *£'000*	*Motor Vehicles* *£'000*	*Total* *£'000*
Cost			
At 1 October 2009	4,094	710	4,804
Additions	86	48	134
Disposals	-	(47)	(47)
At 30 September 2010	4,180	711	4,891
Depreciation			
At 1 October 2009	1,897	457	2,354
Provided during the year	263	75	338
Disposals	-	(44)	(44)
At 30 September 2010	2,160	488	2,648
Net book value			
At 30 September 2010	2,020	223	2,243
At 1 October 2009	2,196	254	2,450

The net book value of assets above includes an amount of £1,411,000 (2009 £2,277,000) in respect of assets held under finance leases

11. Investments

	Joint ventures *£'000*	*Group companies* *£'000*	*Total* *£'000*
Cost			
At 1 October 2009 and 30 September 2010	-	-	-

Notes to the financial statements
at 30 September 2010

11. Investments (continued)

At 30 September 2010 the company held the entire share capital of the following subsidiary undertakings

Name	*Class of shares*	*Nature of business*
Amber 9 Limited *	Ordinary	Property development
Anderson Wharf (Student) Limited	Ordinary	Property development
Baybreeze Limited	Ordinary	Property development
Broadsale Limited	Ordinary	Property development
Coralblend Limited	Ordinary	Property development
Dizzy 9 Limited *	Ordinary	Property development
DR (Student) Limited	Ordinary	Property development
Earlyscoop Limited *	Ordinary	Property development
Extralap Limited (**)	Ordinary	Property development
Extraneat Limited	Ordinary	Property development
Fairleague Limited	Ordinary	Property development
Fineflair Limited	Ordinary	Property development
Goldcharm Limited	Ordinary	Property development
Gorse Stacks Development Limited (**)	Ordinary	Property development
Ipswich Student Limited	Ordinary	Property development
LNE (Kingston) Limited	Ordinary	Property development
Manana Manana Limited *	Ordinary	Property development
Marblelodge Limited	Ordinary	Property development
Megaleague Limited	Ordinary	Property development
Megascheme Limited *	Ordinary	Property development
Newcastle Student Limited	Ordinary	Property development
Newmark Developments Limited	Ordinary	Property development
Oxford Student Limited *	Ordinary	Property development
Ruby 99 Limited *	Ordinary	Property development
Scarlet P Limited *	Ordinary	Property development
Smoothsale Limited * (***)	Ordinary	Property development
Stylegood Limited	Ordinary	Property development
Sugarhouse Close Student Limited	Ordinary	Property development
Superscheme Limited	Ordinary	Property development
Supertry Limited *	Ordinary	Property development
Tableward Limited	Ordinary	Property development
Tilesign Limited *	Ordinary	Property development
Vitalshift Limited *	Ordinary	Property development
Warmshade Limited *	Ordinary	Property development
Watkin Jones (Sheffield 1) Limited	Ordinary	Property development
Whitechapel Student Limited *	Ordinary	Property development
Wisedeed Limited	Ordinary	Property development
W J Developments (Residential) Limited (**)	Ordinary	Property development
Saxonhenge Limited	Ordinary	Aeroplane management
Finefashion Limited	Ordinary	Residential letting
Polarpeak Limited	Ordinary	Residential letting
Qualityoffer Limited	Ordinary	Residential letting
Nicelook Limited *	Ordinary	Student accommodation letting
Swiftmatch Limited *	Ordinary	Student accommodation letting
Urbancloud Limited *	Ordinary	Student accommodation letting

Notes to the financial statements
at 30 September 2010

11. Investments (continued)

Brabco 723 Limited	Ordinary	Dormant
Chooseplain Limited	Ordinary	Dormant
Fresh Management (Portsmouth) Limited *	Ordinary	Dormant
Heol Santes Helen Limited	Ordinary	Dormant
Oatengrove Limited	Ordinary	Dormant
Pureluck Limited	Ordinary	Dormant
Watkin Jones AM Limited *	Ordinary	Dormant
Watkin Jones (Bradford 1) Limited	Ordinary	Dormant
Watkin Jones Ground Rents Limited	Ordinary	Dormant
Watkin Jones (Leicester 1) Limited	Ordinary	Dormant
Watkin Jones (Salford 1) Limited	Ordinary	Dormant

* Acquired 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 Ipswich Student Limited.

At 30 September 2010 the company held joint venture interests in the following companies, all of which are engaged in property development

Name	*Class of shares*	*Percentage of share capital held*
Deiniol Developments Limited	Ordinary	50%
Central Retail Limited	Ordinary	50%
Gorse Stacks Rufus Limited	Ordinary	50%
Lacuna Edinburgh Limited	Ordinary	50%
Spiritbond Finsbury Park Limited	Ordinary	40%
Spiritbond Stockwell Green Limited	Ordinary	50%

The company's share of the aggregate capital and reserves of the joint ventures is £707,000 (2009 £231,000)

12. Development land

	2010 *£'000*	*2009* *£'000*
Development land	22,358	27,442

Development land includes attributable finance costs amounting to £50,000 (2009 £403,000) A provision of £1,800,000 (2009 £Nil) has been made against development land to reflect the net realisable value of certain sites, taking into account the development plans for the sites and the estimated achievable sales values for the developed properties given current market conditions

13. Stocks and Work in progress

	2010 *£'000*	*2009* *£'000*
Work in progress	3,703	6,308

Notes to the financial statements
at 30 September 2010

14. Debtors

	2010 £'000	2009 £'000
Amounts recoverable on contracts	726	-
Trade debtors	3,918	4,032
Amounts owed by group undertakings	163,511	159,263
Amounts owed by joint ventures	165	550
Other debtors	2,087	351
Prepayments and accrued income	110	88
Deferred tax	357	457
	170,874	164,741

15. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Current instalment due on bank loans (note 17)	95,604	-
Obligations under finance leases (note 18)	531	709
Amounts owed on contracts	2,685	8,733
Trade creditors	22,794	25,859
Amounts owed to group undertakings	4,374	1,809
Amounts owed to related undertakings	3,928	3,415
Amounts owed to joint ventures	636	62
Corporation tax	4,630	3,092
Other taxation and social security	390	340
Other creditors	1,885	1,794
Accruals and deferred income	4,336	4,888
	141,793	50,701

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

	2010 £'000	2009 £'000
Loans (note 17)	-	94,567
Obligations under finance leases (note 18)	16	516
	16	95,083

17. Loans

	2010 £'000	2009 £'000
Amounts falling due		
In one year or less or on demand	95,604	-
In one to two years	-	94,567
	95,604	94,567

Notes to the financial statements
at 30 September 2010

17. Loans (continued)

Wholly repayable within five years		
Bank loans	95,604	94,567
	95,604	94,567
Less Included in creditors due within one year	(95,604)	-
Included in creditors due after one year	-	94,567

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

18. Obligations under finance leases

The maturity of these amounts is as follows

	2010 *£'000*	*2009* *£'000*
Amounts payable		
Current obligations (note 15)	531	709
Non-current obligations (note 16)	16	516
	547	1,225

19. Provisions for liabilities and charges

	Deferred taxation *£'000*
At 1 October 2009	100
Profit and loss account	43
At 30 September 2010	143

The deferred tax consists of

	2010 *£'000*	*2009* *£'000*
Accelerated capital allowances	143	100

Notes to the financial statements
at 30 September 2010

20. Share capital

				Authorised
			2010	2009
			£'000	£'000
Ordinary shares of £1 each			500	500

			Allotted, called up and fully paid	
		2010		2009
	No	£'000	No	£'000
Ordinary shares of £1 each	250,000	250	250,000	250

21. 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 2008	250	48,085	1,914	50,249
Profit for the year	-	8,406	-	8,406
Share-based payment –			(1,207)	(1,207)
capital contribution from ultimate parent	-	-	139	139
At 30 September 2009	250	56,491	846	57,587
Profit for the year	-	9,468	-	9,468
Share-based payment –				
capital contribution from ultimate parent	-	-	122	122
At 30 September 2010	250	65,959	968	67,177

22. Commitments under operating leases

At 30 September 2010 the company had annual commitments under non-cancellable operating leases as set out below

		2010		2009
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within one year	12	324	73	-
In one to two years	129	-	-	324
In two to five years	104	-	129	-
In over five years	176	-	176	-
	421	-	378	324

Notes to the financial statements
at 30 September 2010

23. Contingent liabilities

The company has contingent liabilities of £1,907,029 (2009 £1,931,000) in respect of performance bonds entered into by HCC International Plc, the Electrical Contractors' Insurance Company Limited and Euler Hermes UK Plc

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 Bank of Scotland Plc, which at the balance sheet date amounted to £97,328,000 (2009 £96,492,000), including the amounts in the company's accounts

The company has entered into a corporate guarantee of £2,000,000 (2009 £2,000,000) in respect of the borrowings of its subsidiary undertaking Gorse Stacks Development Limited from The Royal Bank of Scotland Plc

The company has also entered into a corporate guarantee in respect of the borrowings of one of its joint ventures, Deiniol Developments Limited, from The Royal Bank of Scotland Plc, which at the balance sheet date amounted to £4,900,000 (2009 £4,650,000) The guarantee is limited to £2,750,000 (2009 £2,750,000)

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

24. Related party transactions

The company provided construction services to Carlton (North Wales) Limited and its subsidiary companies amounting to £Nil (2009 £10,636,000) The amount due from Carlton (North Wales) Limited and its subsidiary companies at the balance sheet date in respect of these transactions was £Nil (2009 £Nil) Carlton (North Wales) Limited is controlled by the shareholders in Watkin Jones Group Limited, the company's parent undertaking

The company paid rent and service charges to Planehouse Limited and its subsidiary companies amounting to £325,000 (2009· £325,000) and provided construction services to those companies amounting to £1,814,000 (2009 £2,013,000) All of these transactions were carried out on an arm's length basis The amount due from Planehouse Limited and its subsidiary companies at the balance sheet date in respect of these transactions was £Nil (2009 £46,000) During the year the company received an amount of £Nil (2009 £260,000) from W J Developments (Gwynedd) Limited, a subsidiary company of Planehouse Limited

The company had a loan outstanding of £3,415,485 (2009 £3,415,485) from the G Watkin Jones 1999 Hybrid Settlement Trust, on which interest at the rate of 6 75% per annum compound was payable The loan was repaid on 15th October 2010

The company provided services to Watkin Jones & Son Limited Directors' Pension Scheme amounting to £41,000 (2009 £41,000) in transactions carried out on an arm's length basis. No amount was due from Watkin Jones & Son Limited Directors' Pension Scheme at the balance sheet date in respect of these transactions (2009 £Nil)

Under a joint venture agreement the company was owed £165,000 by Deiniol Developments Limited (2009 £162,000) at the balance sheet date The company owns 50% of the share capital in Deiniol Developments Limited.

During the year the company provided construction and management services to Central Retail Limited amounting to £Nil (2009 £732,000) and received a dividend payment of £125,000 (2009 £Nil) No amount was due to or from Central retail Limited at the balance sheet date (2009· £Nil) The company owns 50% of the share capital in Central Retail Limited

Notes to the financial statements
at 30 September 2010

24. Related party transactions (continued)

Under a joint venture agreement the company made payments of £193,000 (2009· £387,000) to Gorse Stacks Rufus Limited to assist with the progression of a property development. At the balance sheet date £206,000 was owed to Gorse Stacks Rufus Limited by the company (2009 Gorse Stacks Rufus Limited owed £387,000 to the company) The company owns 50% of the share capital in Gorse Stacks Rufus Limited

Under a joint venture agreement the company made payments of £387,500 (2009 £238,000) to Lacuna Edinburgh Limited to assist with the progression of a student accommodation development At the balance sheet date £430,000 was owed to Lacuna Edinburgh Limited by the company (2009 Lacuna Edinburgh Limited owed £238,000 to the company) The company charged a management fee of £200,000 to Lacuna Edinburgh Limited during the year (2009 £Nil) The company owns 50% of the share capital in Lacuna Edinburgh Limited

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

25. 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 £197,000 (2009 £185,000) There are no unpaid contributions at 30 September 2010 (2009 £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 (2009 £35,000) Unpaid contributions at the end of the year amounted to £35,000 (2009 £35,000)

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 (2009 £50,000)

26. 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 The options have a contractual life of 10 years Options exercised will be settled in cash by the ultimate parent company on the date the director reaches his 60th birthday

At 30 September 2010 100,000 options were in issue (2009 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 £122,000 (2009 £139,000)

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

Notes to the financial statements
at 30 September 2010

26. Share based payments (continued)

The following table lists the inputs to the model used for the years ended 30 September 2010 and 30 September 2009

	2010	*2009*
Dividend yield (%)	-	-
Expected share price volatility (%)	20 00	20 00
Risk free interest rate (%)	5 00	5 00
Expected years to cash-settlement date	8-19	9-20
Current share price based on net asset value per Share (£)	48 00	42 32

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 21) Changes in the fair value of the options between each balance sheet date are recognised in the profit and loss account

27. Capital commitments
Amounts contracted for but not provided in the financial statements amounted to £Nil (2009 £Nil)

28. Derivatives
The company purchased 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 a liability of £8,381,000 (2009 liability of £8,854,000)

29. 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