

Registered No: 2539870

Watkin Jones & Son Limited

Report and Financial Statements

30 September 2022



Watkin Jones & Son Limited

Directors

R C Simpson
G Morgan
A Pease
S J Sergeant (appointed 12 November 2021)
G E Pritchard
R J Harris

Secretary

K A Watson

Auditors

Deloitte LLP
The Hanover Building
Corporation Street
Manchester
M4 4AH

Bankers

HSBC Bank Plc
274 High Street
Bangor
Gwynedd
LL57 1RU

Registered office

3 Llys Y Bont
Parc Menai
Bangor
Gwynedd
LL57 4BN

Strategic Report

For the year ended 30 September 2022

The Directors present their Strategic Report for the year ended 30 September 2022.

Trading Performance and KPIs

Revenue decreased from £284,059,000 last year to £190,722,000 this year, a decrease of 32.9%, and gross profit decreased from £61,787,000 to £23,313,000. Operating losses before exceptional items amounted to £2,130,000, compared to a profit of £38,544,000 last year. Market volatility experienced in September 2022 affected the completion of two forward sales, which are now forecast to complete in the year ending 30 September 2023.

Loss before tax for the year from continuing operations was £33,972,000 (2021: profit of £32,008,000), impacted by the exceptional Building Safety Act provision of £30,365,000 (2021: £Nil) made during the year, further details of which are provided in note 4.

As discussed further in note 3.18, the comparative results have been represented following correction of errors and change in methodology to align to wider group accounting treatments.

The Company had a cash balance of £84,377,000 at the year end (2021: £127,669,000), with the net outflow principally the result of the delay to the two forward sales noted above.

Trading Review and Future Prospects

Student accommodation development

The Company completed seven schemes with 1,813 beds during the year (2021: seven schemes with 3,192 beds). The Company and its subsidiaries have a strong pipeline of sites for future development, including five developments comprising 1,660 beds forward sold during the year.

The Company secured a further two development sites in the year.

Build to rent development

Build to rent is an important and growing contributor to the Company's financial performance. The Company completed one scheme with 71 apartments during the year (2021: five scheme with 1,041 apartments). The Company and its subsidiaries have secured a strong pipeline of sites for future development, including five developments comprising 2,121 apartments forward sold during the year.

Affordable-led homes

The Company continued to build out two affordable-led homes sites at Preston and Crewe (2021: two sites) where work is progressing well, despite the effects of supply chain shortages and inflation. Planning permission was also obtained during the year for a new site at Belfast, comprising 150 affordable units as part of a wider development.

Strategic Report (continued)

For the year ended 30 September 2022

Section 172(1) statement

The directors always consider the interests of all its stakeholders, including its ultimate shareholders. This is about doing the right thing, which in turn ensures we comply with Section 172(1) of the Companies Act 2006.

The Company's stakeholder engagement activities help to inform the directors' decisions, by ensuring they are aware of stakeholders' interests. In addition, every significant new project and investment must have a business case that explicitly addresses stakeholders' interests. The following table sets out the matters the directors are required to take in account:

<i>Matter</i>	<i>Response</i>
The likely consequence of any decision in the long term.	The Company works through a multi-year development cycle and operates in markets driven by long-term demographic and social trends. The directors are therefore required to consider the long-term implications of its decisions, for example when reviewing and approving the Company's strategy.
The interests of the Company's employees.	<p>The directors are closely aligned to the Watkin Jones Group's culture and has a rigorous focus on key issues affecting employees, such as health and safety.</p> <p>Unfortunately competing priorities do not always result in a positive outcome for all stakeholders and, following year end, we took the difficult decision to consult on reducing our workforce in light of weaker market outlook. The Directors recognised the negative impact this decision would have on employees, but considered that this was the right decision to ensure the long-term success of the business. The Directors requested that communication with employees was sensitively carried out. As a result of this consultation, 34 employees left the business.</p>
The need to foster the Company's business relationships with suppliers, customers and others.	The Company is reliant on its ability to deliver consistently for institutional clients and customers, supported by its supply chain partners. The directors therefore take a close interest in the Company's relationships with these groups, through reports and presentations from the Executive Directors and other members of the leadership team.
The impact of the Company's operations on the community and environment.	The Company's ESG strategy, Future Foundations, provides a solid base from which to manage our environmental impact and community relations.
The desirability of the Company maintaining a reputation for high standards of business conduct.	The Company relies heavily on its reputation and the directors therefore prioritise taking constructive action to resolve issues when they arise. The Company's actions on remediating cladding and fire safety issues continue to demonstrate this in action. The Company also has robust policies and controls in relation to protecting human rights and preventing bribery and corruption.
The need to act fairly between members of the Company.	When taking decisions, the directors look to act in the interests of shareholders as a whole and to ensure shareholders are fairly treated.

Strategic Report (continued)

Bank facilities

The Company has a revolving credit facility ("RCF") with HSBC Bank plc which expires on 15 May 2025. At 30 September 2022, the Company had undrawn borrowing facilities of £85.2 million (2021: £102.2 million) with HSBC Bank plc, comprising its RCF and a £10.0 million on-demand and undrawn overdraft facility.

Financial risk management 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.

Liquidity risk

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 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 directors have evaluated the Company's interest rate risk and do not believe it is necessary to provide hedging against borrowings at this time.

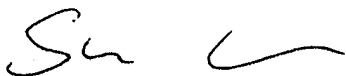
Credit risk

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 minimised.

Outlook

The directors believe the Company is well placed to achieve sustained profitable growth going forward.

Approved by the Board and signed on its behalf by:



S J Sergeant
Director

30 June 2023

Directors' Report (continued)

The directors present their report, strategic report and financial statements for the year ended 30 September 2022.

Principal activities

The principal activities of the Company during the year were those of property development in the residential for rent and residential housing sectors.

Results and dividends

The results for the year are discussed in more detail within the Strategic Report on pages 1 and 2. The loss for the year after taxation amounted to £30,045,000 (2021: profit of £30,139,000). As discussed further in note 3.18, the comparative results have been represented following correction of errors and change in methodology to align to wider group accounting treatments. The Company did not declare any dividends during the year, or post year end (2021: £Nil).

Directors

The directors that served throughout the year and up to the date of signing the financial statements were as follows:

R C Simpson
G Morgan
G Davies (resigned 30 November 2021)
A Pease
S J Sergeant (appointed 12 November 2021)
P M Byrom (resigned 1 February 2022)
G E Pritchard
R J Harris

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, and the Company is committed to giving all employees access to training and support to help them to progress. Where employees become disabled in the course of their employment, every effort is made to provide them with continuing employment.

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

Director's statement as to disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

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.

Directors' Report (continued)

Section 172(1) statement

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, and as permitted under Section 172(1), information concerning both Sch 7.11(1)(b) – Employee engagement and Sch 7.11B(1) – Business relationships has been included in the Strategic Report as a result of their strategic importance.

Streamlined Energy and Carbon Reporting (SECR)

The Company is classified as a large unquoted company due to its size. Disclosures under the Streamlined Energy and Carbon Reporting requirements for the Company are contained in the Strategic Report of the consolidated financial statements of Watkin Jones plc, the ultimate parent undertaking. This reporting covers the Company's UK operations. The consolidated financial statements of Watkin Jones plc are available from its registered office: 50 Jermyn Street, London, United Kingdom, SW1Y 6LX.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company relate to the general strength of the UK economy in so far as it affects the strength of the property development markets in which the Company operates. The inherent uncertainty in obtaining suitable planning consents on newly acquired land sites is managed through careful selection and appropriate diligence before the sites are acquired. Supply-side concerns such as build cost inflation are carefully monitored and managed through regular Inflation Committee reviews, supported by strong supply chain relationships.

Although COVID-19 caused some short-term disruption to property development markets, the demand for residential for rent developments recovered relatively quickly, as evidenced by the sales achieved by other companies in the Watkin Jones Group and in the wider market. Following the relaxation of most COVID-19 restrictions in the UK, the directors believe that the economic risks posed by the pandemic are receding and continue to think that the long-term fundamentals of the markets in which it operates are strong.

The Russian invasion of Ukraine in February 2022 exacerbated the inflationary pressures that were already being felt across the UK economy due to the disruption to global supply chains caused by the COVID-19 pandemic. The directors continue to monitor the impact of inflation on its core markets and supply chains carefully.

Directors' Report (continued)

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue to trade for the period to 30 June 2024 (the 'forecast period'). For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company's ultimate parent company, Watkin Jones plc, has provided written confirmation of its willingness to provide such financial support through its Group-wide resources as is required by the Company in order to meet its liabilities as they fall due for that period.

The Directors have evaluated the Group's cash flow for the period to 30 June 2024, and are satisfied that it maintains sufficient resources to support the Company. Further details of this analysis are included within note 2 to these financial statements. At 30 September 2022, Watkin Jones plc had a total cash and available debt facility of £196.0m, which included a cash balance of £110.8m.

Subsequent events

On 9 January 2023, the main contractor on one of the Company's live third party-developed BtR sites entered liquidation proceedings. The Company intends to take on the remaining obligations under the build contract as main contractor. The replacement of this main contractor will result in certain additional costs to the Company.

Auditor

Following a tender exercise for the external audit in 2021, Deloitte was appointed immediately following the signing of the Company's financial statements for the year ended 30 September 2021. The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf:



S J Sergeant
Director

30 June 2023

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 "Reduced Disclosure Framework"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report

to the members of Watkin Jones & Son Limited

Opinion

In our opinion the financial statements of Watkin Jones & Son Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Independent auditor's report

to the members of Watkin Jones & Son Limited

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

Independent auditor's report

to the members of Watkin Jones & Son Limited

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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

Revenue recognition

- We identified a fraud risk to the key judgements inherent within open development contracts within the Build To Rent ('BTR') and Student Accommodation ('PBSA') segments. As part of our procedures, we obtained signed contracts and variations, validated key inputs to the contract judgements including accuracy of costs incurred, assumptions for costs to complete, assessment of penalties or liquidated damages and made inquiries of commercial directors to understand the status of each development.

Valuation of provisions relating to the Building Safety Act

- We identified a fraud risk relating to the valuation of provisions relating to the Building Safety Act. To challenge the valuation of the provision, we performed a number of procedures including the benchmarking of cost estimates against external market evidence, comparing internally generated estimates to comparable 3rd party quotations, assessing the appropriateness of 3rd party quotations and legal advice and challenging the discount rate calculated by management.

Independent auditor's report

to the members of Watkin Jones & Son Limited

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Watkin Jones & Son Limited

Use of our report

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



Scott Bayne FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
30 June 2023

Statement of comprehensive income

for the year ended 30 September 2022

		Year ended 30 September 2022	Year ended 30 September 2021 <i>Restated¹</i>
	Notes	£'000	£'000
Revenue	5	190,722	284,059
Cost of sales		(167,409)	(222,272)
Gross profit		23,313	61,787
Administrative expenses		(25,443)	(23,243)
Operating (loss)/profit before exceptional items		(2,130)	38,544
Exceptional items	4	(33,872)	(5,713)
Operating (loss)/profit		(36,002)	32,831
Share of loss in joint ventures	14	(16)	(87)
Investment income	9	3,429	201
Finance income		72	76
Finance costs	10	(1,455)	(1,013)
(Loss)/profit before tax		(33,972)	32,008
Income tax credit/(charge)	11	420	(7,582)
(Loss)/profit for the year		(33,552)	24,426
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Net gain on equity instruments designated at fair value through other comprehensive income, net of tax		31	—
Total comprehensive (loss)/income for the year		(33,521)	24,426

The notes on pages 17 to 48 are an integral part of these financial statements.

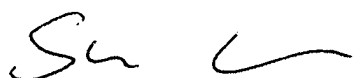
Statement of financial position

for the year ended 30 September 2022

		30 September 2022	30 September 2021 <i>Restated¹</i>
	Notes	£'000	£'000
Fixed Assets			
Right of use assets	12	1,917	1,487
Property, plant and equipment	13	1,231	3,603
Amounts owed by group companies	16	147,110	121,916
Deferred tax asset	22	128	-
Investments	14	921	811
		151,307	127,817
Current assets			
Inventory and work in progress	15	63,826	48,326
Trade and other receivables	16	146,221	107,240
Contract assets	17	2,862	205
Current tax assets		2,703	809
Cash and cash equivalents	18	84,377	127,669
		299,989	284,249
Total assets		451,296	412,066
Current liabilities			
Trade and other payables	19	(185,870)	(153,605)
Contract liabilities	17	(2,288)	(336)
Interest-bearing loans and borrowings	20	-	(5)
Lease liabilities	12	(766)	(887)
Provisions	21	(4,643)	(4,667)
		(193,567)	(159,500)
Net current assets		106,422	124,749
Non-current liabilities			
Interest-bearing loans and borrowings	20	(24,297)	(7,304)
Lease liabilities	12	(1,399)	(791)
Deferred tax liabilities	22	-	(280)
Provisions	21	(25,735)	(4,732)
		(51,431)	(13,107)
Total liabilities		(244,998)	(172,607)
Net assets		206,298	239,459
Equity			
Share capital	25	390	390
Share premium		379	379
Retained earnings		200,483	231,346
Share-based payment capital contribution reserve		526	2,824
Other reserve		4,520	4,520
Total equity		206,298	239,459

The notes on pages 17 to 48 are an integral part of these financial statements.

Approved by the Board of Directors on 30 June 2023 and signed on its behalf by:



S J Sergeant
Director

¹ Restated as disclosed in note 3

Statement of changes in equity

for the year ended 30 September 2022

	Share capital	Share premium	Retained Earnings <i>Restated¹</i>	Share-based payment capital contribution reserve	Merger reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2020 (as reported)	390	379	223,137	2,348	4,520	230,774
Effect of restatement ¹	—	—	(16,217)	—	—	(16,217)
At 1 October 2020 (as restated)	390	379	206,920	2,348	4,520	214,557
Total comprehensive income for the year	—	—	24,426	—	—	24,426
Capital contributions in relation to share-based payments	—	—	—	476	—	476
At 30 September 2021¹	390	379	231,346	2,824	4,520	239,459
Total comprehensive loss for the year	—	—	(33,521)	—	—	(33,521)
Capital contributions in relation to share-based payments	—	—	—	209	—	209
Deferred tax debited directly to equity (note 22)	—	—	151	—	—	151
Recycled reserve for fully vested share-based payment schemes	—	—	2,507	(2,507)	—	—
At 30 September 2022	390	379	200,483	526	4,520	206,298

The notes on pages 17 to 48 are an integral part of these consolidated financial statements.

¹ Restated as disclosed in note 3

Notes to the financial statements

at 30 September 2022

1. General information

The financial statements of Watkin Jones & Son Limited for the year ended 30 September 2022 were authorised for issue by the board of directors on 30 June 2023. The Company is incorporated in the United Kingdom, and registered in England and Wales under the Companies Act 2006.

2. Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards. FRS101 sets out a reduced disclosure framework for a qualifying entity as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of the adopted IFRS ("IFRS").

The Company is a qualifying entity for the purposes of FRS101. Note 31 gives details of the Company's parent from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue to trade for the period to 30 June 2024 (the 'forecast period'). For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company's ultimate parent company, Watkin Jones plc, has provided written confirmation of its willingness to provide such financial support through its Group-wide resources as is required by the Company in order to meet its liabilities as they fall due for that period.

At 30 September 2022, Watkin Jones plc had a total cash and available debt facility of £196.0m, which included a cash balance of £110.8m. The Directors have evaluated the Group's cash flow for the period to 30 June 2024, and are satisfied that it maintains sufficient resources to support the Company.

Group forecasts have been prepared that have considered the Group's current financial position and market circumstances. This includes a base case cash flow for the period to 30 June 2024 which is aligned to the Group's business plan and trading assumptions for that period. The Group's currently secured cash flow, derived from its forward sold developments and other contracted income, net of overheads and tax, results in cash utilisation over the forecast period such that its liquidity position is maintained.

In addition to the secured cash flow, the base case forecast assumes a number of new forward sales will result in a further strengthening of the current liquidity position, after allowing for dividend payments.

In addition to the base case forecast, the Directors have considered a severe downside scenario of a continued slow recovery of the forward sale market, such that no further land acquisitions are made, and no forward sales are achieved apart from the sale of one of the Group's PBSA assets where the construction is already well progressed. The cash forecast under this scenario illustrates that adequate liquidity is maintained through the forecast period. The minimum total cash and available facilities balance under this scenario was £78 million (excluding a £10.0 million overdraft).

The Directors consider the likelihood of events occurring which would exhaust the total cash and available facilities of the Group to be remote. However, should such events occur, the Group would be able to implement reductions in staff costs, discretionary expenditure and investments in unsold developments to ensure that the Group's liquidity is enhanced.

Notes to the financial statements

at 30 September 2022

3. Accounting policies

3.1 *Disclosure of exemptions*

The Company has taken advantage of the following disclosure exemptions under FRS 101: -

- a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS Presentation of Financial Statements;
- d) the requirements of IAS 7 Statement of Cash Flows;
- e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

There are no amendments to existing standards, or interpretations that became effective on 1 October 2021 and have a material impact on the Company.

3.2 *Investments in subsidiaries*

The Company's investments in subsidiaries are accounted for at cost less accumulated impairment losses.

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.3 *Investments in joint ventures*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Company's share of the results of operations of the joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share of profit or loss of a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and OCI of the joint venture.

When necessary, adjustments are made to bring the accounting policies of joint ventures in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in joint ventures. At each reporting date, the Company determines whether there is objective evidence that the investment in joint ventures is impaired. If there is such evidence, the Company undertakes an impairment test and calculates the amount of any impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of joint ventures' in the statement of comprehensive income.

Upon loss of joint control over a joint venture, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of comprehensive income.

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.4 Revenue from contracts with customers

The Company's primary sources of revenue from contracts with customers are from developing residential and commercial properties. When developing purpose built student accommodation ("PBSA"), build to rent ("BtR") and commercial properties, the Company often acquires the land on which the development will be constructed in a subsidiary Company before it is sold to a customer alongside a construction contract or development agreement for the delivery of the relevant scheme.

Sale of land or completed property

The Company derives a proportion of its revenue from the sale of land, and the sale of completed residential and commercial properties. Most of the Company's land sale agreements relate to PBSA and BtR developments where the Company has obtained planning permission and they are sold to customers in conjunction with a construction contract or development agreement for the Company to deliver the property.

Contracts for the sale of land and completed residential and commercial developments are typically satisfied at a point in time. This is usually deemed to be the legal completion as this is the point at which the Company has an enforceable right to payment. Revenue from the sale of land, residential and commercial properties is measured at the transaction price agreed in the contract with the customer.

Construction contracts and development agreements

Construction contracts and development agreements mainly relate to the development of PBSA and BtR properties along with any commercial elements of these projects. The duration of the contracts varies but are typically 18 to 30 months in duration. Most contracts are considered to contain only one performance obligation for the purposes of recognising revenue, being the development of the scheme to the agreed specification.

While the scope of works may include a number of different components, in the context of construction service activities these are usually highly interrelated and produce a combined output for the customer.

Contracts are typically recognised over time as the development works are undertaken on land owned and therefore controlled by the customer, with the services being provided by the Company enhancing that land through the construction of a building and associated landscaping and enabling works. In addition, the construction contracts or development agreements provide an enforceable right to payment for the value of construction works performed. Progress is typically measured through valuation of the works undertaken by a professional quantity surveyor, including an assessment of any elements for which a price has not yet been agreed, such as changes in scope.

In order to recognise the profit over time it is necessary to estimate the total contract revenue and costs. Once the outcome of a performance obligation of a construction contract or development agreement can be reasonably measured, margin is recognised in the income statement in line with the corresponding stage of completion.

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.4 Revenue from contracts with customers (continued)

Contract revenue

Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured.

Contract costs

The estimates for total contract costs take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured, the expected cost of any changes in the scope of works and the expected cost of any rectification works during the defects liability period.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of material used in construction; depreciation of equipment used on the contract; costs of design; and technical assistance that is related directly to the contract.

Significant financing component

The Company often enters into construction contracts or development agreements which entail a final payment upon the practical completion of the property, typically linked to its timely completion. These amounts are included in the estimate for total contract revenue for a scheme such that the period between the recognition of revenue by the Company and when the customer pays can be greater than a year. This difference arises for reasons other than the provision of finance to the customer as it is intended to provide protection to the customer that the Company fulfils its obligations under the contract. Accordingly, these contracts are not deemed to contain a significant financing component.

3.5 Foreign currency

The Company's presentational currency, which is pounds sterling, is also the functional currency of the ultimate parent and its subsidiaries.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of those transactions.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

3.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost represents expenditure that is directly attributable to the purchase of the asset.

Depreciation is charged so as to write off the costs of assets less their residual values over their estimated useful lives, on the following basis:

Plant and machinery: cranes	– 6.7% reducing balance
other	– 20% reducing balance
Motor vehicles:	– 25% reducing balance

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.6 *Property, plant and equipment (continued)*

The assets' estimated useful lives, depreciation rates and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

3.7 *Impairment of non-financial assets*

At each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks to the asset.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with any impairment recognised immediately through the statement of comprehensive income.

If indication exists that previously recognised impairment losses no longer exist or have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is recognised as a movement in the revaluation reserve.

3.8 *Inventory and work in progress*

Inventory and work in progress is 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. Net realisable value is based on estimated selling price less the estimated cost of disposal. Provision is made for any obsolete or slow moving inventory and work in progress where appropriate.

3.9 *Financial assets*

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost or fair value through other comprehensive income ("OCI"). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus transaction costs. Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method with an appropriate allowance for estimated irrecoverable amounts recognised in the income statement where there is objective evidence that the asset is impaired.

The Company's investments in unit trusts and equity interests held under shared ownership schemes are classified as equity instruments designated at fair value through OCI. Gains and losses on these assets are never recycled to profit or loss.

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.9 Financial assets (continued)

Dividends are recognised as other income in the statement of comprehensive income when the right to payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Impairment of financial assets

The Group recognises lifetime expected credit losses for trade receivables, contract assets and loans to joint ventures. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current as well as forecast direction of economic conditions at the reporting date, including the time value of money where appropriate.

3.10 Financial liabilities

All financial liabilities are classified, at initial recognition, as loans and borrowings or payables. They are initially recognised at fair value net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and loans and borrowings, including bank overdrafts. The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Borrowing costs

All borrowing costs are recognised in the Company's profit for the year on an EIR basis except for interest costs that are directly attributable to the construction of qualifying assets, being the Company's inventory. These are capitalised and included within the cost of the asset. Capitalisation commences when both expenditure on the asset and borrowing costs are being incurred, and necessary activities to prepare the asset for use are in progress. In the case of new developments, this is generally once planning permission has been obtained. Capitalisation ceases when the asset is ready for use or sale. Interest capitalised relates to borrowings specific to a development.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

3.11 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.11 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3.12 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at bank and in hand.

3.13 Employee benefits

The Company operates a defined contribution plan, for which it pays contributions to privately administered pension plans on a contractual basis. The contributions are recognised as an employee benefit expense as they fall due.

3.14 Employee benefits – long term incentive plans

The Company operates a long-term incentive plan for certain members of the senior management team under which those employees render services as consideration for equity instruments issued by the Company's ultimate parent, Watkin Jones plc ("equity-settled transactions"). The cost of the equity-settled transactions is determined by the fair value at the date the grant is made using an appropriate valuation model. Further details of which are given in note 28.

The cost is recognised in staff costs (note 9), together with a corresponding increase in equity in the form of a capital contribution over the period to which the service and performance conditions are fulfilled ("the vesting period"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments which will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in the cumulative expenses recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of conditions being met is assessed as part of the Company's best estimate of the number of equity instruments which will ultimately vest. Market performance conditions are reflected within the grant date fair value.

Where awards are linked to non-market performance conditions, no expense is recognised if the performance conditions are not met and/or service conditions are not met. Where awards include a market condition the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.15 Leases

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office properties: 5 to 15 years
- Motor vehicles: 3 years

The right-of-use assets are also subject to impairment in accordance with accounting policy 3.7.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in lease payments resulting from a change in an index or rate used to determine such lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment for a term of twelve months or less. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in OCI or those recognised directly in equity, in which case it is recognised in accordance with the underlying item.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

3.17 Exceptional items

Exceptional items are disclosed separately in the statements of financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

The following exceptional items have been incurred during the year:

	Year ended 30 September 2022	Year ended 30 September 2021 <i>Restated¹</i>
	£'000	£'000
Increase in Building Safety Act provision (see note 4)	30,365	-
Impairment of amounts owed by group companies to their recoverable value	3,507	5,713
	33,872	5,713

Notes to the financial statements

at 30 September 2022

3. Accounting policies (continued)

3.18 Restatement due to prior period adjustments and changes in methodology

The following restatements have been prepared in these financial statements:

- A restatement of the comparative Statement of changes in equity as at 1 October 2020 and the Statement of financial position as at 30 September 2021 has been prepared to reflect an impairment of amounts owed by group companies to their recoverable value at those dates. A restated exceptional impairment charge have been recognised for the year ended 30 September 2021.
- A restatement of the comparative Statement of financial position as at 30 September 2021 has been prepared as during the year management reviewed their revenue recognition across all subsidiaries, and as a consequence of this, management have changed their methodology to align to the wider group.
- A restatement of the comparative Statement of financial position as at 30 September 2021 has been prepared to to reclassify the amounts owed by other group companies from current assets to fixed assets to better reflect the underlying nature of the balance.

The impact on the Statement of comprehensive income for the year ended 30 September 2021 and the Statement of financial position as at 30 September 2021 and as at 1 October 2020 is shown as follows.

Statement of comprehensive income

<i>Year ended 30 September 2021</i>	As reported £'000	Adjustment a) £'000	Adjustment b) £'000	Adjustment c) £'000	Restated £'000
Exceptional items	-	(5,713)	-	-	(5,713)

Statements of financial position

<i>As at 30 September 2021</i>	As reported £'000	Adjustment a) £'000	Adjustment b) £'000	Adjustment c) £'000	Restated £'000
Amounts owed by group companies	-	-	-	121,916	121,916
Trade and other receivables	242,431	(21,930)	8,655	(121,916)	107,240
Contract assets	10,965	-	(10,760)	-	205
Contract liabilities	(2,441)	-	2,105	-	(336)
Retained earnings	253,276	(21,930)	-	-	231,346

Statements of changes in equity

<i>As at 1 October 2020</i>	As reported £'000	Adjustment a) £'000	Adjustment b) £'000	Adjustment c) £'000	Restated £'000
Retained earnings	223,137	(16,217)	-	-	206,920

Notes to the financial statements

at 30 September 2022

4. Key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Judgements

Revenue recognition

Revenue recognition is a critical judgement for the Company. When the Company recognises revenue under a construction contract or development agreement, revenue is recognised using the percentage of completion method as construction progresses with the estimated total revenue and cost to complete forming key estimates in determining the amount of revenue recognised.

The estimates for total contract costs take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured, the expected cost of any changes in the scope of works and the expected cost of any rectification works during the defects liability period.

Estimates and assumptions

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Building Safety Act Provision

In response to the revised government guidance, issued in January 2020, on the suitability of certain cladding solutions used on high-rise residential buildings, the Company has been working with the owners of certain of its previously developed properties to remediate or replace cladding and to share the costs. In April 2022 the Building Safety Act 2022 (the 'BSA') was enacted, with the government announcing its intention to approach developers to fund the remediation of life-critical fire safety issues on buildings over 11 metres and up to 30 years old. While noting the requirement for secondary legislation to clarify the impact of the government's plans, the Company expects that, in due course, it will incur costs in relation to remediation works on developments over 11 metres tall and up to 30 years old.

Whilst it is unclear exactly what remedial works will be needed, the Company has performed a review of buildings above 11 metres developed by the Company over the last 30 years, which concluded that an exceptional charge of £30,365,000 should be made for these potential costs. This amount covers the following areas set out in the BSA: i) the extension of scope for developers' responsibility to 30 years; ii) the increased scope by including buildings above 11 metres; and iii) the expanded scope to incorporate critical life safety defects. We expect this money will be spent over the next five years, and the provision has been discounted accordingly. This is a highly complex area with judgements and estimates in respect of the cost of remedial works, the quantum of any legal expenditure associated with the defence of the Company's position in this regard, and the extent of those properties within the scope of the applicable government guidance and legislation, which continue to evolve.

The amount provided for these works has been estimated by reference to recent industry experience, external quotes for similar work identified, and legal advice on the defence of the Company's position on certain developments. In advance of remedial works commencing, the provision represents the Company's best estimate of its share of contributions, recognising that in certain instances current owners are contributing to remediation of the developments. Should the costs associated with these remedial works increase by 5%, the provision required would increase by £1,700,000. Should the discount rate applied to the calculation reduce by 1%, the provision required would increase by £600,000. Further details of the provision are set out in note 21.

Notes to the financial statements

at 30 September 2022

5. Revenue

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Sale of completed properties	13,788	15,235
Sales from development and construction contracts	176,934	268,824
	190,722	284,059

6. Operating profit

This is stated after charging/(crediting):

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Audit services	100	136
Depreciation:		
Property, plant and equipment	582	756
Right-of-use assets	789	836
(Profit)/loss on disposal of fixed assets	(2,006)	85
(Profit)/loss on disposal of right-of-use assets	(6)	6

Notes to the financial statements

at 30 September 2022

7. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 30 September 2022	Year ended 30 September 2021
Construction	229	233
Management and administration	134	132
	363	365

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Wages and salaries	26,243	22,284
Employee incentive – long term incentive plans (note 28)	199	476
Social security costs	3,245	2,599
Defined contribution pension costs	745	653
	30,432	26,012

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 £745,000 (2021: £653,000). There were £60,000 unpaid contributions at the end of the year (2021: £56,000).

The Company also operates a small defined contribution scheme for the benefit of certain 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 £Nil (2021: £Nil).

8. Directors' emoluments

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Directors' emoluments	2,962	4,012
Compensation for loss of office	-	235
Employee incentive – long term incentive plans	155	269
Contributions to money purchase pension schemes	172	227
Highest paid Director:		
Emoluments	718	708
Employee incentive – long term incentive plans	134	202
Contributions to money purchase pension schemes	79	77

Notes to the financial statements

at 30 September 2022

9. Investment income

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Dividends receivable from group undertakings	3,429	201
	3,429	201

10. Finance costs

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Finance charges	1,388	959
Interest on lease liabilities	67	54
	1,455	1,013

Notes to the financial statements

at 30 September 2022

11. Income taxes

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Current income tax		
UK corporation tax on the profits for the year	(1,003)	7,261
Adjustments in respect of previous periods	809	401
Total current tax (credit)/charge	(194)	7,662
Deferred tax		
Origination and reversal of temporary differences	(186)	(196)
Adjustments in respect of prior year	(40)	2
Effect of tax rate change on opening balance	-	114
Total deferred tax credit	(226)	(80)
Total tax (credit)/charge	(420)	7,582

Reconciliation of total tax (credit)/charge

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Accounting (loss)/profit before income tax	(33,972)	32,008
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(6,455)	6,082
Effects of:		
Fixed asset differences	(5)	-
Expenses not deductible	688	1,195
Non-taxable income	(663)	(52)
Group relief surrendered free of charge	5,215	-
Other differences	(49)	(46)
Prior period adjustment	769	403
At the effective rate of tax of 1.2% (2021: 23.7%)	(420)	7,582
Income tax (credit)/charge reported in the statement of comprehensive income	(420)	7,582
	(420)	7,582

Factors that may affect future tax charges:

As a result of the Finance Act 2021, the rate of UK corporation tax has increased to 25% from 6 April 2023. The deferred tax assets and liabilities held by the Company were revalued to reflect this increase in the prior year.

Notes to the financial statements

at 30 September 2022

12. Leases

<i>Right of use assets</i>	Office property £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 October 2020	5,465	1,368	6,833
Additions	721	13	734
Disposals	-	(471)	(471)
At 30 September 2021	6,186	910	7,096
Additions	132	1,160	1,292
Disposals	-	(591)	(591)
At 30 September 2022	6,318	1,479	7,797
Depreciation			
At 1 October 2020	4,127	1,085	5,212
Charge for the year	630	206	836
Disposals	-	(439)	(439)
At 30 September 2021	4,757	852	5,609
Charge for the year	531	258	789
Disposals	-	(518)	(518)
At 30 September 2021	5,288	592	5,880
Net book value			
At 30 September 2022	1,030	887	1,917
At 30 September 2021	1,429	58	1,487
At 30 September 2020	1,338	283	1,621

Lease liabilities

	2022 £'000	2021 £'000
At the start of the period	1,678	1,707
Additions	1,544	734
Disposals	(73)	(493)
Accretion of interest	51	54
Payments	(1,035)	(324)
At the end of the period	2,165	1,678
Current	766	887
Non-current	1,399	791

Lease liability maturity analysis

	2022 £'000	2021 £'000
Year one	766	887
Year two	712	569
Year three	117	222
Year four	120	-
Year five	110	-
Onwards	282	-
	2,165	1,678

Notes to the financial statements

at 30 September 2022

13. Property, plant and equipment

	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 October 2020	8,835	246	9,081
Additions	161	—	161
Disposals	(43)	—	(43)
At 30 September 2021	8,953	246	9,199
Additions	682	—	682
Disposals	(6,836)	(246)	(7,082)
At 30 September 2022	2,799	—	2,799
Depreciation			
At 1 October 2020	4,632	246	4,878
Charge for the year	756	—	756
Disposals	(38)	—	(38)
At 30 September 2021	5,350	246	5,596
Charge for the year	582	—	582
Disposals	(4,364)	(246)	(4,364)
At 30 September 2022	1,568	—	1,814
Net book value			
At 30 September 2022	1,231	—	1,231
At 30 September 2021	3,603	—	3,603

The carrying value of plant and machinery and motor vehicles subject to security under other interest bearing loans at 30 September 2022 was £Nil (2021: £599,000). Additions during the year include £Nil (2021: £Nil) of plant and machinery under other interest bearing loans.

14. Investments – non-current

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Investments in subsidiaries (a)	—	—
Investments in joint ventures (b)	1	17
Investments at cost	1	17
Other financial assets (note 23)	920	794
Total investments	921	811

Notes to the financial statements

at 30 September 2022

14. Investments – non-current (continued)

(a) Investments in subsidiaries

The Company holds 100% of the share capital of the following, unless otherwise stated:

Name	Class of shares	Nature of business
Anderson Wharf (Student) Limited ¹	Ordinary	Property developer
Battersea Park Road London Limited ¹	Ordinary	Property developer
Bridge Road Bath Limited ¹	Ordinary	Property developer
Bridle Path Watford Limited ^{1#}	Ordinary	Property developer
Conington Road Lewisham Limited ¹	Ordinary	Property developer
Crown Place Woking Limited ¹	Ordinary	Property developer
Customhouse Student Limited ¹	Ordinary	Property developer
Dalby Avenue Bedminster Limited ¹	Ordinary	Property developer
Duncan House Developments Limited ¹	Ordinary	Property developer
Ellen Street Hove Limited ¹	Ordinary	Property developer
Elliott Road Selly Oak Limited ¹	Ordinary	Property developer
Gas Lane Bristol Limited ¹	Ordinary	Property developer
Gladstone Road Exeter Limited ¹	Ordinary	Property developer
Goldcharm Residential Limited ¹	Ordinary	Property developer
Gorgie Road Edinburgh Limited ¹	Ordinary	Property developer
Grove Crescent Stratford Limited ¹	Ordinary	Property developer
Gorse Stacks Development Limited ²	Ordinary	Property developer
Headrow House Leeds Limited ^{1#}	Ordinary	Property developer
Heol Santes Helen Limited ¹	Ordinary	Property developer
High Street Swansea Limited ¹	Ordinary	Property developer
India Street Edinburgh Limited ¹	Ordinary	Property developer
Iona Street Edinburgh Limited ¹	Ordinary	Property developer
LPS Nottingham Limited ¹	Ordinary	Property developer
Malago Road Bristol Limited ^{1#}	Ordinary	Property developer
New Mart Road Limited ¹	Ordinary	Property developer
Northop Road Flint Limited ^{1#}	Ordinary	Property developer
Onega Centre Bath Limited ¹	Ordinary	Property developer
Pirrie Belfast Limited ¹	Ordinary	Property developer
Randalls Road Leatherhead Limited ¹	Ordinary	Property developer
Sherlock Street Birmingham Limited ¹	Ordinary	Property developer
Stylegood Limited ¹	Ordinary	Property developer
Superscheme Limited ¹	Ordinary	Property developer
Walnut Tree Close Guildford Limited ¹	Ordinary	Property developer
Wilmslow Road Manchester Limited ¹	Ordinary	Property developer
Fresh Property Group Ltd ⁵	Ordinary	Accommodation Management
Fresh Property Group Ireland Limited ⁶	Ordinary	Accommodation Management
DR (Student) Limited ¹	Ordinary	Holding company
Fresh Property Group Holdings Ltd ¹	Ordinary	Holding company
Newmark Developments Limited ¹	Ordinary	Holding company and property development services
Watkin Jones AM Limited ¹	Ordinary	Property fund asset manager
Dunaskin Student Limited ¹	Ordinary	Property letting
Finefashion Limited ¹	Ordinary	Property letting
New Bridewell Limited ¹	Ordinary	Property letting
New Bridewell 1 Limited ⁴	Ordinary	Property letting
Nicelook Limited ¹	Ordinary	Property letting
Polarpeak Limited ¹	Ordinary	Property letting

Notes to the financial statements

at 30 September 2022

14. Investments – non-current (continued)

(a) Investments in subsidiaries (continued)

Name	Class of shares	Nature of business
Qualityoffer Limited ¹	Ordinary	Property letting
Scarlet P Limited ¹	Ordinary	Property letting
Spiritbond Stockwell Green Limited ¹	Ordinary	Property letting
Swiftmatch Limited ¹	Ordinary	Property letting
Baileylane Student Limited ¹	Ordinary	Dormant
Blackhorselane Student Limited ¹	Ordinary	Dormant
Bridge Street Student Limited ¹	Ordinary	Dormant
Christchurch Road Bournemouth Limited ¹	Ordinary	Dormant
Darley Student Accommodation Limited ¹	Ordinary	Dormant
Extralap Limited ¹	Ordinary	Dormant
Extaneat Limited ¹	Ordinary	Dormant
Fairleague Limited ¹	Ordinary	Dormant
Five Nine Living Limited ⁵	Ordinary	Dormant
Forest Road Student Limited ¹	Ordinary	Dormant
Garthdee Road Aberdeen Limited ¹	Ordinary	Dormant
Goldcharm Student Lettings Limited ¹	Ordinary	Dormant
Holdenhurst Road Bournemouth Limited ¹	Ordinary	Dormant
Hunter Street Chester Limited ¹	Ordinary	Dormant
Kelaty House Wembley Limited	Ordinary	Dormant
Kyle Street Student Limited ¹	Ordinary	Dormant
Lower Bristol Road Bath Limited ¹	Ordinary	Dormant
Liverpool Road Chester Limited ¹	Ordinary	Dormant
Lucas Student Lettings Limited ¹	Ordinary	Dormant
Military Road Canterbury Limited ¹	Ordinary	Dormant
New Bridewell 2 Limited ⁴	Ordinary	Dormant
Oxford House Bournemouth Limited ¹	Ordinary	Dormant
Quarter House Studios Limited ¹	Ordinary	Dormant
Rockingham Street Student Limited ¹	Ordinary	Dormant
Saxenhenge Limited ¹	Ordinary	Dormant
Sutton Court Road Limited ¹	Ordinary	Dormant
TG Southall Limited ¹	Ordinary	Dormant
Trafford Street Chester Limited ¹	Ordinary	Dormant
Victoria Park Bath Limited ¹	Ordinary	Dormant
Westfield Avenue Edinburgh Limited ¹	Ordinary	Dormant
Wisedeed Limited ¹	Ordinary	Dormant
WJ Developments (Residential) Limited ¹	Ordinary	Dormant

[#]Incorporated during the year.

1. Wholly owned by Watkin Jones & Son Limited
2. Wholly owned by Newmark Developments Limited
3. Wholly owned by DR (Student) Limited
4. Wholly owned by New Bridewell Limited
5. Wholly owned by Fresh Property Group Holdings Ltd
6. Wholly owned by Fresh Property Group Ltd

All of the Company's subsidiaries have the same registered office as the Company, with the exception of Fresh Property Group Holdings Ltd, Fresh Property Group Ltd and Five Nine Living Limited, whose registered office address is 7-9 Swallow Street, London, W1B 4DE, and Fresh Property Group Ireland Limited, whose registered office is One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

Notes to the financial statements

at 30 September 2022

14. Investments – non-current (continued)

(b) Investments in joint ventures

At 30 September 2022, the Company had the following joint ventures, whose principal place of business is the UK:

Name	Class of shares	Percentage share capital held	Financial year end	Activity
Deiniol Developments Limited ¹	Ordinary	50%	30 September	Property development
Lacuna Belfast Limited ¹²	Ordinary	50%	31 March	Property development
Lacuna WJ Limited ¹²	Ordinary	50%	31 March	Property development
Spiritbond Finsbury Park Limited ¹	Ordinary	50%	30 September	Dormant
Spiritbond Elephant & Castle Limited ¹	Ordinary	50%	30 September	Dormant
Freshers PBBSH Chester (General Partner) Limited ¹	Ordinary	50%	30 September	Property fund general partner

1. Held by Watkin Jones & Son Limited.

2. Liquidated during the year ended 30 September 2022

Summarised financial information of the joint ventures and reconciliation with the carrying amount of the investment in the statement of financial position is set out below:

Year ended 30 September 2022	Lacuna Belfast Limited	Lacuna WJ Limited	All other joint ventures	Total
	£'000	£'000	£'000	£'000
Revenue	—	—	—	—
Operating loss	(12)	(6)	(11)	(29)
Finance income/(expense)	—	—	—	—
Loss before tax	(12)	(6)	(11)	(29)
Income tax gain	—	—	—	—
Loss for the year	(12)	(6)	(11)	(29)
Total comprehensive loss for the year	(12)	(6)	(11)	(29)
Share of loss for the year	(6)	(3)	(7)	(16)
Current assets, including cash and cash equivalents	—	—	13	13
Non-current assets	—	—	43	43
Current liabilities, including financial liabilities	—	—	(2)	(2)
Non-current liabilities, including financial liabilities	—	—	(52)	(52)
Net assets	—	—	2	2
Equity	—	—	2	2
Remove joint venture partners share of net assets	—	—	(1)	(1)
Company's carrying amount of the investment	—	—	1	1

Notes to the financial statements

at 30 September 2022

14. Investments – non-current (continued)

(b) Investments in joint ventures (continued)

Year ended 30 September 2021	Lacuna Academy Street Limited	Lacuna Belfast Limited	Lacuna Dublin Road Limited	Lacuna WJ Limited	All other joint ventures	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	—	—	—	—	—	—
Operating loss	(16)	(30)	(142)	(10)	(2)	(200)
Finance income/(expense)	—	—	—	—	—	—
Loss before tax	(16)	(30)	(142)	(10)	(2)	(200)
Income tax gain	2	—	24	—	—	26
Profit/(loss) for the year	(14)	(30)	(118)	(10)	(2)	(174)
Total comprehensive income for the year	(14)	(30)	(118)	(10)	(2)	(174)
Share of profit/(loss) for the year	(7)	(15)	(59)	(5)	(1)	(87)
Current assets, including cash and cash equivalents	—	12	—	6	69	87
Non-current assets	—	—	—	—	—	—
Current liabilities, including financial liabilities	—	—	—	—	(56)	(56)
Non-current liabilities, including financial liabilities	—	—	—	—	—	—
Equity	—	12	—	6	13	31
Remove joint venture partners share of net assets	—	(6)	—	(3)	(5)	(14)
Company's carrying amount of the investment	—	6	—	3	8	17

15. Inventory and work in progress

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Development land	4,006	26,011
Stock and work in progress	59,820	22,315
Total inventories at the lower of cost and net realisable value	63,826	48,326

Notes to the financial statements

at 30 September 2022

16. Trade and other receivables

	Year ended 30 September 2022	Year ended 30 September 2021 <i>Restated¹</i>
	£'000	£'000
Non-current assets		
Amounts owed by group companies	147,110	121,916
Current assets		
Trade receivables	15,704	13,430
Less: provision for impairment of receivables	—	—
Trade receivables – net	15,704	13,430
Receivable from group undertakings	129,621	93,638
Other receivables	2	41
Equity instruments designated at fair value through OCI	130	130
Receivable from joint ventures	-	1
Prepayments	764	—
Total current trade and other receivables	146,221	107,240
Total trade and other receivables	293,331	229,156

¹ Restated as disclosed in note 3

The fair value of the Company's equity interest in shared ownership schemes, shown within equity instruments designated at fair value through OCI, is materially equal to historic cost.

Receivables from group undertakings are repayable on demand, but classified as non-current when repayment is not considered likely within 12 months. No interest is chargeable on these balances.

17. Contract assets and liabilities

(a) Current contract assets

	Year ended 30 September 2022	Year ended 30 September 2021 <i>Restated¹</i>
	£'000	£'000
At 1 October	205	35,390
Transferred to receivables	(205)	(34,729)
Balance remaining in relation to contract assets at the start of the year	-	661
Increase / (decrease) relating to services provided in the year	2,862	(456)
At 30 September	2,862	205

¹ Restated as disclosed in note 3

The contract assets relate to the Company's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. Most of the Company's contracts for student accommodation and build to rent developments are structured such that there is a significant final payment which only becomes due upon the practical completion of the relevant property. Most of the Company's developments span at least two financial years which results in the recognition of a contract asset up until the practical completion of the property at which point it is transferred to trade receivables.

Notes to the financial statements

at 30 September 2022

17. Contract assets and liabilities (continued)

(b) Current contract liabilities

	Year ended 30 September 2022	Year ended 30 September 2021 <i>Restated¹</i>
	£'000	£'000
At 1 October	336	2,325
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	(336)	(2,325)
Balance remaining in relation to contract liabilities at the start of the year	—	—
Increase due to cash received or invoices raised in the year for performance obligation	2,288	336
At 30 September	2,288	336

¹ Restated as disclosed in note 3

The contract liabilities relate to costs associated with performance obligations which have not yet been fully satisfied.

18. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. The Company has not drawn on any overdraft facilities.

19. Trade and other payables: current

	Year ended 30 September 2022	Year ended 30 September 2021
	£'000	£'000
Trade payables	33,301	55,272
Amounts owed to group undertakings	111,731	72,322
Other payables	13,140	15,855
Joint ventures (note 29)	9	9
Other taxes and social security costs	7,559	3,656
Accruals and deferred income	20,130	6,491
Total trade and other payables	185,870	153,605

Amounts owed to group undertakings are repayable on demand. No interest is chargeable on these balances.

Notes to the financial statements

at 30 September 2022

20. Interest bearing loans and borrowings

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Current		
Other interest bearing loans	-	5
	-	5
	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Non-current		
HSBC Bank plc RCF	24,822	8,029
HSBC plc RCF arrangement fees	(525)	(725)
	24,297	7,304

There is no material difference between the fair value of the Company's borrowings and their book values.

The Company has a five-year revolving credit facility ("RCF") for £100.0 million. The maturity date of the facility is 15 May 2025. At 30 September 2022, the Company had undrawn borrowing facilities of £85.2 million (2021: £102.2 million) with HSBC Bank plc, comprising its RCF and a £10 million on-demand and undrawn overdraft facility.

The RCF is secured by a debenture over the Company, Watkin Jones Group Limited, Watkin Jones Holdings Limited, Gorgie Road Edinburgh Limited, Omega Centre Bath Limited, Ellen Street Hove Limited, India Street Glasgow Limited and Goldcharm Residential Limited. For the year ended 31 September 2021 and the period from 1 October 2021 to 31 December 2021 the applicable interest rate was 2.25% over one-month LIBOR. From 1 January 2022, the applicable interest rate has been changed to SONIA, with the margin remaining at 2.25%.

21. Provisions

	Building Safety Act Provision £'000
Current	
At 30 September 2021	4,667
Arising during the year	7,898
Utilised	(9,386)
Transferred from / (to) non-current	1,464
At 30 September 2022	4,643
	Building Safety Act Provision £'000
Non-current	
At 30 September 2021	4,732
Arising during the year	22,467
Transferred (to) / from current	(1,464)
At 30 September 2022	25,735

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at 30 September 2022

21. Provisions (continued)

In the financial year ended 30 September 2020, the Company made a provision in response to government guidance, issued in January 2020, on the suitability of certain cladding solutions used on high-rise residential buildings. Following the introduction of the Building Safety Act 2022 (the 'BSA') during the year ended 30 September 2022, the scope of requirements around cladding and firestopping measures on such buildings has been increased. The Company has been working with the owners of certain of its previously developed properties to remediate certain items now in scope of the BSA and to share the costs. A provision of £9,399,000 was held at 30 September 2021 for the Company's anticipated contribution towards the cost of the fire safety recladding works. A further provision of £30,365,000 has been made during the year ended 30 September 2022 to reflect the increased scope of the BSA. The judgements surrounding this provision are discussed in more detail in note 4.

The provision at 30 September 2022 amounts to £30,378,000, of which £4,643,000 is expected to be incurred in the year ending 30 September 2023 and £25,735,000 is expected to be incurred between 1 October 2023 and 30 September 2027.

22. Deferred tax

The movement on the deferred tax account is shown below:

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
As at the start of the period	(280)	(360)
Adjustment in respect of prior periods	40	—
Statement of comprehensive income credit	186	80
Deferred tax credited to other comprehensive income	31	—
Deferred tax credited directly to equity	151	—
At the end of the period	128	(280)
Comprising:		
Deferred tax asset	128	—
Deferred tax liability	—	(280)
At the end of the period	128	(280)

The movements in deferred tax assets and liabilities are shown below:

	Timing differences £'000	Accelerated capital allowances £'000	Total £'000
30 September 2022			
At 1 October 2021	40	(320)	(330)
Statement of comprehensive income charge	(24)	250	226
Deferred tax credited to other comprehensive income	31	—	31
Deferred tax credited directly to equity	151	—	151
At 30 September 2022	198	(70)	128

	Timing differences £'000	Accelerated capital allowances £'000	Total £'000
30 September 2021			
At 1 October 2020	30	(390)	(360)
Statement of comprehensive income credit	10	70	80
At 30 September 2021	40	(320)	(280)

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23. Other financial assets and liabilities

Other financial assets

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Financial instruments at fair value		
Equity instruments designated at fair value through other comprehensive income (note 14)	920	793
Other financial assets	920	793

Equity instruments designated at fair value through other comprehensive income comprise units held in the Curlew Student Trust ("CST"), a Guernsey registered unitised fund established to invest in Student Accommodation (the "Fund"). The Company originally made an investment as part of an agreement to develop three student accommodation properties for the fund.

The Company received no distributions against the carrying value of its investments in the year ending 30 September 2022 (2021: £Nil).

24. Financial risk management

The Company is exposed to a variety of risk such as market risk, credit risk and liquidity risk. The Company's principal financial instruments are:

- loans and borrowings; and
- trade and other receivables, trade and other payables and cash arising directly from operations.

This note provides further detail on financial risk management and includes quantitative information on the specific risks.

The Company recognises that movements in certain risk variables might affect the value of the amounts recorded in its equity and its comprehensive income for the period. Therefore the Company has assessed the following risks:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk; currency risk; and other prices risk, such as equity price risk.

The Company's exposure is primarily to the financial risks of changes in interest rates in relation to loans and borrowings.

Interest rate risk

Due to the levels of interest-bearing loans and borrowings, the Company has no material exposure to interest rate movements.

Foreign currency risk

Capital items that are non-sterling priced are monitored to review the requirement for appropriate hedging.

Notes to the financial statements

at 30 September 2022

24. Financial risk management (continued)

Liquidity risk

Cash flow is regularly monitored and the relevant subsidiaries are aware of their working capital commitments. The Company reviews its long term funding requirements in parallel with its long term strategy, with an objective of aligning both in a timely manner.

The table below summarises the maturity profile of the Company's gross, undiscounted financial liabilities at 30 September 2022 and 30 September 2021.

Liquidity risk – 30 September 2022	On demand £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	Total £'000
Interest-bearing loans and borrowings	—	—	24,297	—	24,297
Trade and other payables	—	185,870	—	—	185,870
	—	185,870	24,297	—	210,167

Liquidity risk – 30 September 2021	On demand £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	Total £'000
Interest-bearing loans and borrowings	—	5	7,304	—	7,309
Trade and other payables	—	153,605	—	—	153,605
	—	153,610	7,304	—	160,914

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Company is exposed to credit risk from its cash and cash equivalents and trade receivables.

Credit risk from balances with banks and financial institutions is managed by depositing with reputable financial institutions, from which management believes the risk of loss to be remote. The Company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts of cash at bank and in hand.

Credit evaluations are performed for all customers. Management has a policy in place and the exposure to credit risk is monitored on an ongoing basis. At the year end there were no significant concentrations of risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Capital management policy

The primary objective of the Company's capital management is to ensure that it has the capital required to operate and grow the business at a reasonable cost of capital without incurring undue financial risks. The Board periodically reviews its capital structure to ensure it meets changing business needs. The Company defines its capital as equity plus loans and borrowings. The directors consider the management of debt to be an important element in controlling the capital structure of the Company. The Company may carry significant levels of long term borrowings to fund operations and working capital requirements.

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at 30 September 2022

25. Share capital

	Year ended 30 September 2022		Year ended 30 September 2021	
Allotted, called up and fully paid:	No.	£'000	No.	£'000
Ordinary Shares of £1 each	300,000	300	300,000	300
A1 Shares of £1 each	60,000	60	60,000	60
B Shares of £1 each	30,000	30	30,000	30
C Shares of 1pence each	42,000	-	42,000	-
		<u>390</u>		<u>390</u>

The Ordinary Shares, A1 Shares and B Shares carry one vote per share on a poll. The C Shares do not carry any voting rights.

The B Shares carry a right to a dividend of 2% above the bank base rate on the nominal value of each share. The B Shares do not otherwise qualify for a dividend. Upon a distribution of capital, the holders of the B Shares are entitled to an amount equal to all unpaid arrears and accruals of the B Share dividend and the nominal value of each B Share in priority to any distribution on any other shares.

26. Employee benefits – long-term incentive plans

The Watkin Jones plc Long Term Incentive Plan (the "Plan") was approved by shareholders at the AGM held on 13 February 2018. Details of the Plan, the vesting requirements and the performance targets applicable to the awards are set out in the Remuneration Committee report included in the Annual Report and Financial Statements for Watkin Jones plc. The aggregate total awards granted under the Plan are as follows:

	Year ended 30 September 2022	Year ended 30 September 2021
Share awards granted	Number	Number
At 1 October	2,951,955	2,991,283
Granted in the year	959,808	1,230,560
Exercised in the year	(281,297)	-
Lapsed in the year	(727,975)	(1,269,888)
At 30 September	2,902,491	2,951,955

The weighted average share price for the awards exercised during 2022 was 231.5 pence. The weighted average exercise price for all awards is one pence per share.

The weighted average contractual life for the awards outstanding at 30 September 2022 was 1.1 years (2021: 1.7 years).

The fair value of the share awards granted subject to earnings per share ("EPS") performance conditions is the market price of an ordinary share of Watkin Jones plc at the date the award is granted. The fair value of the share awards granted subject to total shareholder return ("TSR") performance conditions has been estimated at the grant date using a Monte Carlo valuation model. The following table lists the inputs to the model used for the share awards granted in 2022 and 2021:

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at 30 September 2022

26. Employee benefits – long-term incentive plans (continued)

	2022 LTIP	2021 LTIP
Share price at grant	266.0 pence	195.8 pence
Exercise price	One pence	One pence
Expected term (years)	Three	Three
Expected volatility (%)	31.0	31.3
Risk-free interest rate (%)	-1.05	-0.07
Are dividend equivalents receivable for the award holder?	Yes	Yes

The fair value of the share awards granted under the Plan is charged to the statement of comprehensive income over the vesting period of the awards, provided that the service conditions attaching to the awards continue to be met. The cumulative charge to the statement of comprehensive income is recognised in the statement of financial position as a “share-based payment capital contribution reserve”. For the year ending 30 September 2022, the amount charged to the statement of comprehensive income was £209,000 (30 September 2021: £476,000).

27. Capital and other financial commitments

There were no capital or other financial commitments for the Company at 30 September 2022 or 30 September 2021.

28. Contingent liabilities

The Company has contingent liabilities of £17,249,000 (2021: £2,478,000) in respect of performance bonds entered into with HCC International Insurance Company Plc, Euler Hermes Europe S.A. (N.V.), Aviva Insurance UK Limited and the Electrical Contractors’ Insurance Company Limited.

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 £28,813,000 (2021: £7,829,000).

The directors are of the opinion that no material liabilities are expected to arise as a result of the above arrangements.

Notes to the financial statements

at 30 September 2022

29. Related party transactions

The Company paid rent and service charges to Planehouse Limited and its subsidiary companies amounting to £228,000 (2021: £316,000). No amount was owed to or from Planehouse Limited and its subsidiary companies at the balance sheet date (2021: £Nil).

Carlton (North Wales) Limited and Planehouse Limited are owned by Watkin Jones family trusts. Certain of the trusts controlled by the Watkin Jones family are shareholders in the Company.

During the year the Company paid an amount of £1,177 to Richard Simpson (2021: £Nil) to cover the costs of a corporate hospitality event which he hosted.

As referred to in note 25, the Company previously invested in units in the Curlew Student Trust ("CST"). During the year, the Company received a distribution against the carrying value of its investment in CST amounting to £Nil (2021: £Nil). The fair value of the units held in CST by the Company at 30 September 2022 amounted to £920,000 (2021: £793,000).

Under a joint venture agreement the Company owed £9,000 at 30 September 2022 to Deiniol Developments Limited (2021: £9,000 due from Deiniol Developments Limited). During the year the Company received a payment of £Nil from Deiniol Developments Limited and made a capital contribution of £Nil to Deiniol Developments Limited. The Company owns 50% of the share capital in Deiniol Developments Limited.

The Company had a 50% interest in Lacuna Belfast Limited prior to its liquidation. During the year, Lacuna Belfast Limited made a dividend contribution of £Nil (2021: £118,000) to each joint venture party, which was set off against the amounts owed to Lacuna Belfast Limited. The Company made payments of £Nil to Lacuna Belfast Limited during the year (2021: £54,000). At 30 September 2021, no amount was owed to or from Lacuna Belfast Limited (2021: £Nil). The Company has now been liquidated.

The Company had a 50% interest in Lacuna WJ Limited. During the year, Lacuna WJ Limited made a dividend distribution of £Nil (2021: £1,679,000) to each joint venture party, which was set off against the amounts owed to them by Lacuna WJ Limited. The Company received payments of £Nil from Lacuna WJ Limited during the year (2021: received payment of £7,000). At 30 September 2022, no amount was owed to or from Lacuna WJ Limited (2021: no amount owed to Lacuna WJ Limited). The Company has now been liquidated.

All transactions with related parties have been carried out on an arm's length basis.

Notes to the financial statements

at 30 September 2022

30. Subsequent events

On 9 January 2023, the main contractor on one of the Company's live third party-developed BtR sites entered liquidation proceedings. The Company intends to take on the remaining obligations under the build contract as main contractor. This is a non-adjusting event under IAS 10 "Events after the reporting period". The replacement of this main contractor will result in certain additional costs to the Company.

31. Ultimate Group undertaking

The Company's immediate parent company is Watkin Jones Holdings Limited, which at 30 September 2022, held all of the Ordinary Shares in the Company. The Company's ultimate parent is Watkin Jones plc.

The smallest and largest group of undertakings in which the Company is consolidated at 30 September 2022 was Watkin Jones plc. Copies of its group accounts, which include the Company, are available from its registered office: 50 Jermyn Street, London, United Kingdom, SW1Y 6LX.