BUILT ON TRUST

Annual report and financial statements 2016

User guide

Welcome to the Watkin Jones plc annual report and financial statements 2016.

In this interactive pdf you can do many things to help you easily access the information that you want, whether that's printing, searching for a specific item or going directly to another page, section or website.

These are explained below.

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Use the document controls located in the top right corner to help you navigate through this report.

Navigating with tabs

Use the tabs to quickly go to the start of a different section.

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Throughout this report there are links to pages, other sections and web addresses for additional information.

Welcome to the Watkin Jones plc annual report and financial statements 2016

Watkin Jones is a leading UK developer and constructor of multi-occupancy residential properties, with particular expertise in student accommodation. We have strong relationships with the institutional investors who buy our developments and a reputation for high quality and on-time delivery.

Since 1999, we have delivered more than 31,000 student beds across 98 sites, making us a leader in the purpose built student accommodation market. We have begun to leverage our expertise in the private rented sector and have also completed more than 50 developments of homes for sale, ranging from apartments to executive housing.

Our competitive advantages lie in our experienced management team and our business model. This model provides a complete solution for our clients, from identifying sites to managing the finished building.

Visit us online

www.watkinjonesplc.com

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OUR HIGHLIGHTS

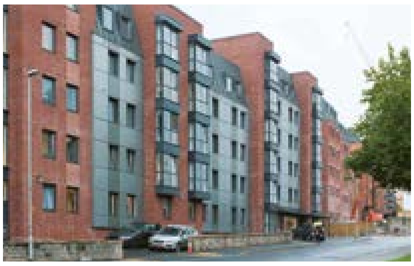
FINANCIAL HIGHLIGHTS

- Strong revenue growth and record operating profit, before exceptional IPO costs, driven by student accommodation developments
- 2.67 pence per share proposed final dividend, giving total dividend of 4.0 pence per share, in line with IPO guidance
- Robust cash performance, with a net cash inflow from operating activities before exceptional IPO costs of £41.7 million (2015: £28.4 million)
- £32.2 million of net cash at the year end (30 September 2015: £39.1 million), after exceptional IPO cash costs of £26.6 million[1], £14.5 million cash cost of acquiring Fresh Student Living ("Fresh") and £10 million dividend to existing shareholders prior to IPO
- New £40 million five-year revolving credit facility and £10 million working capital facility with HSBC, to provide development funding flexibility and working capital headroom. All these facilities were unutilised at 30 September 2016

Revenue from continuing operations

+9.3% to £267.0 million

(2015: £244.2 million)



Gross profit from continuing operations

+22.2% to £53.8 million

(2015: £44.0 million)

Operating profit before exceptional IPO costs[1]

+16.7% to £37.9 million

(2015: £32.5 million)

Adjusted EBITDA[2]

+22.1% to £41.6 million

(2015: £34.1 million)

Operating cash inflow before exceptional IPO costs[1]

+46.8% to £41.7 million

(2015: £28.4 million)

1. Exceptional IPO costs of £26.6 million comprise £6.5 million costs associated with the Company's admission to AIM and £20.1 million relating to the settlement of senior management incentive plans.
2. Adjusted EBITDA comprises operating profit from continuing operations before exceptional IPO costs, plus the Group's share of profit from joint ventures, adding back charges for depreciation and amortisation.
3. Adjusted basic EPS is calculated on a proforma basis using the profit for the period from continuing operations excluding exceptional IPO costs and based on the number of shares in issue at 30 September 2016.

Net cash

£32.2 million

(2015: £39.1 million)

Adjusted basic EPS[3]

12.4 pence

(2015: 10.4 pence)

Dividend per share

4.0 pence

BUSINESS HIGHLIGHTS

- Successful admission to AIM listing on 23 March 2016, with business delivering strong operational performance throughout the process and since admission
- Watkin Jones plc Board formally established ahead of IPO, comprising Grenville Turner (Chairman), Simon Laffin (Non-Executive Director), Mark Watkin Jones (CEO) and Philip Byrom (CFO)
- £183 million development value of eight student accommodation schemes (2,615 beds) forward sold during the year
- £164 million development value of five student accommodation schemes (1,893 beds) forward sold since the year end
- In excess of £185 million development value in legal negotiations, for forward sale of seven further student accommodation developments (2,166 beds)
- Planning permissions for ten student developments (3,500 beds) granted during the year
- Planning permission for a further four student developments (1,579 beds) granted between the year end and the date of this report
- Planning permission granted for 8,260 beds of the pipeline as at the date of this report
- Development pipeline:
  - 9,469 student beds in the pipeline across 27 sites, with 15 forward sold and seven more forward sales in legal negotiations or under offer
  - 2017 deliveries – nine student developments (2,860 beds) sold, including one operational asset (590 beds). Remaining 2017 delivery (454 beds) in legal negotiations
  - 2018 deliveries – eleven student developments (3,485 beds) scheduled for delivery, of which ten developments (3,370 beds) have planning. Five developments (1,840 beds) forward sold to date
  - 2019/20 deliveries – six sites secured and a number of additional site acquisitions progressing satisfactorily. One development (511 beds) forward sold to date
- Fresh successfully integrated, with beds under management increased from 8,310 in FY 2016 to 12,337 in FY 2017, and currently contracted to increase to 18,636 by FY 2020
- Five Nine Living Limited established to leverage Fresh's property management expertise in the private rented sector ("PRS") and focus applied to sourcing suitable PRS development opportunities
- 127 residential plot sales achieved from the ongoing development of legacy sites

OUR HISTORY

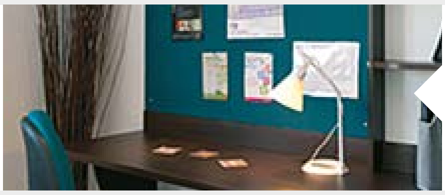
Our business was founded in 1791 by carpenter, Huw Jones. Since then, successive generations of the Watkin Jones family have developed the Group into its current position as a leading provider of multi-occupancy residential property assets, with a focus on the student accommodation sector.

Now led by Mark Watkin Jones as Chief Executive Officer, we are proud of our reputation and see exciting prospects for the future.

1791
- Huw Jones began his carpentry business. The company was still part-owned and managed by the founding family

1907
- Watkin Jones provided first stone of new Bangor University College Buildings. Mr Watkin Jones oversaw the placing of the foundation stone

2002
- The Group completed its first £35 million construction project, to provide student accommodation at Wilmslow Park, Manchester



2003
- Mark Watkin Jones became Managing Director, representing the ninth generation at the helm of the Group

2004
- Birth of the Watkin Jones Construction Scholarship Programme, investing in talented individuals in order to further their careers in construction

2013
- Business Scholarship Programme launched, aimed at students studying towards a business qualification

2015
- Strategic decision to withdraw from the general contracting market

- Began work on our first private rented sector project, a 322-apartment development in Leeds
- Restructured Group into regional divisions

Awards

The Watkin Jones Group has received many accolades over the years.

Opposite are just some of the awards that demonstrate our commitment to design, quality and the local community.

2009
LABC Building Excellence Awards, County Commercial Building, Holywell

2010
LABC Building Excellence Awards, Victoria Dock, Caernarfon

2012
BREEAM Awards Countryside Council for Wales Headquarters, Bangor

2013
NHBC Pride in the Job Award, Y Bae, Bangor

2013
Deloitte – UK Futures 100 Businesses Leading Wealth Creation in the UK

2013
Scottish Awards for Quality in Planning, Sugarhouse Close, Edinburgh

2014
Civic Trust Award, Sugarhouse Close, Edinburgh

2016
CEO Mark Watkin Jones wins Wales Insider Property Personality of the Year

1927
- Firm began building private houses, starting in Bangor. Watkin Jones ultimately became a recognised brand for quality homes

1999
- First student accommodation project completed at Daisy Bank Hall, Manchester

1993
- First million-pound contract awarded. Extension for Ysgol Mair in Rhyl led the way for other major contracts

2008
- Strategic decision to focus primarily on the student accommodation market

2010
- Fresh Student Living founded by Mark Watkin Jones, to provide management services to student accommodation owners

2009
- Watkin Jones Community Fund launched, to support projects that make a real difference to local communities

2016
- Fresh Student Living Limited acquired by the Group, completing the end-to-end solution for investors in student accommodation

- Launched Five Nine Living plc, to manage properties in the private rented sector
- Watkin Jones is admitted to AIM

Watkin Jones has grown steadily over two centuries to become one of the most successful and respected names in property development.

AT A GLANCE

Watkin Jones specialises in creating and managing places for people to live. We have four complementary businesses, with particular strength in student accommodation.

Between 1999 and 30 September 2016, we completed 98 schemes in 34 towns and cities delivering 31,852 beds.

SCOTLAND	
16 schemes	5,191 beds

NORTHERN IRELAND	
1 scheme	413 beds

NORTH AND MIDLANDS	
61 schemes	21,037 beds

SOUTH	
20 schemes	5,211 beds

FRESH STUDENT LIVING BEDS UNDER MANAGEMENT FY 2017

12,337

FRESH SCHEMES UNDER MANAGEMENT FY 2017

44

STUDENT ACCOMMODATION

We are one of the UK's leading developers of purpose built student accommodation ("PBSA"), with a reputation for high quality and on-time delivery.

FRESH STUDENT LIVING

Fresh is a leading independent manager of PBSA, with 44 schemes (12,337 beds) under management.

PRIVATE RENTED SECTOR

We entered this sector in 2015, drawing on our expertise in student accommodation to deliver rental properties for institutional investors.

PRIVATE RESIDENTIAL

Watkin Jones Homes builds properties ranging from executive and family homes to contemporary apartments, designed to reflect modern lifestyles.

INVESTMENT CASE

"End-to-end" solution for investors in student accommodation

ESTABLISHED BRAND AND REPUTATION

We are the market leader in the development and delivery of UK Purpose Built Student Accommodation ("PBSA"), having delivered 31,852 beds across 98 schemes since 1999 – more than any other specialist PBSA provider. We have a 100% record of delivering PBSA developments ahead of the academic year, giving us a strong reputation and contributing to our excellent relationships with leading institutions, including CBRE Global (Curlew Student Trust), AIG, M&G, UBS, UPP, Brookfield, Arlington, GSA and L&G.

BUSINESS MODEL REDUCES RISK

Watkin Jones is one of the few companies offering a complete solution to investors in PBSA, from identifying the site to managing the finished building. We believe that we are the only full-service provider to sell all of our developments, meaning we do not compete with our own investment clients. The forward sale model minimises our development risk.

HIGH VISIBILITY AND STRONG FINANCIAL PROFILE

We have significant visibility of our earnings and cash flow from forward-sold schemes and our development pipeline. As developers and contractors, we capture both development and construction margin and are able to control the costs of construction and fluctuation in main contractors' margins. The forward selling of developments gives us favourable working capital dynamics, as work is invoiced on a monthly basis, rather than selling completed developments at the end of the construction phase.

ATTRACTIVE MARKETS

We operate in a large and growing market. There were around 1.7 million full-time students studying in the UK in 2014/15, with a record number of applications in 2015/16. The proportion of students staying in private PBSA increased from 4.5% to 6.4% over the last five years and the PRS market is expected to grow by £30 billion over the next five years.

SIGNIFICANT GROWTH PROSPECTS

We see the potential to deliver significant growth in the coming years. The attractive PBSA market will allow us to be selective in acquiring new development sites, as we focus on high-quality earnings. We have an opportunity to grow the portfolio of properties managed by Fresh Student Living and to progressively expand our operations into PRS.

CHAIRMAN'S STATEMENT

This is our first annual report since our admission to AIM in March 2016 and I am pleased with the progress the Group has made, both commercially and with organising ourselves as a public company.

Grenville Turner
Independent Non-Executive Chairman

Performance and dividend

We had a very good first trading period and met our expectations for the year. Any uncertainty in our markets in the immediate aftermath of the EU referendum result dissipated quickly. University places remain oversubscribed and as only 7% of students in the UK come from the EU across the higher education sector, we do not believe that Brexit will be a significant issue for the Group.

One of the key attractions of the business is its strong cash generation, which results from the forward sale model. This cash generation underpins our ability to reward shareholders through dividends.

Having paid an interim dividend of 1.33 pence per share in June, the Board has recommended a final dividend of 2.67 pence per share, giving a total dividend of 4.0 pence per share. With admission having taken place towards the end of the first half of the financial year, this total dividend represents two thirds of the full year equivalent, giving an initial yield of 6% based on the placing price of £1 per ordinary share. This is in line with our stated intention at the time of the IPO. The dividend will be paid on 28 February 2017 to shareholders on the register at close of business on 27 January 2017. The shares will go ex-dividend on 26 January 2017.

Looking forward, our intention is to adopt a progressive dividend policy, which will allow shareholders to benefit from the Group's growth in earnings and cash flow.

Board in focus 2016

Board of Directors' site visit to Sketch House, Finsbury Park, London

Board of Directors' site visit to Blackhorse Lane, Walthamstow, London

For more information on the Board, see page 39.

Board and management

I joined the Board as Non-Executive Chairman ahead of the IPO, along with Simon Laffin, who was appointed as a Non-Executive Director and as chairman of the Audit Committee. The Board has four Directors in total, including Mark Watkin Jones (CEO) and Philip Byrom (CFO). Since the Board was formed, we have focused on defining our activities, agreeing roles and responsibilities, and setting out the processes and authorities that will govern our work.

Simon and I have also spent considerable time getting to know the business and the team. Watkin Jones has excellent people, with real depth of talent. One of the business's key strengths is the commitment of its employees, many of whom have worked for the Group for their entire careers. Retaining their experience and bringing them through the business has been an important factor in Watkin Jones' growth. Having the right culture is critical for sustainable success. The Board recognises its role in setting the Group's culture and for making sure that it is appropriate for the business and what it wants to achieve. That includes ensuring we challenge appropriately and encourage the business to look for opportunities to improve and do things differently.

Looking forward

Watkin Jones has made a positive start to life as a public company and has demonstrated its ability to grow. Our prospects are encouraging and our aspiration is to continue to expand in both Student Accommodation and PRS, while adding to earnings by managing the completed developments.

Grenville Turner
Independent Non-Executive Chairman

17 January 2017

Q&A: MARK WATKIN JONES

Chief Executive Officer Mark Watkin Jones gives his view of the Group's performance, strengths, markets and prospects.

Q

Why did you float the Group?

A

The main reason was to drive the Group forwards. When you have a successful business, you need to maintain a sense of purpose. As a public company, we know we have to deliver and we are determined to succeed. I also think it gives us even greater credibility with the institutions who invest in our developments and it opens up opportunities for our employees. That will help us to attract the high calibre people we need as we grow.

Q

What pleased you most about this year's performance?

A

We continued to deliver our developments on time, ahead of the academic year. We have maintained our forward sold pipeline for 2017 and 2018 is looking good. That underpins our commitment to our forward sale model. It was also very satisfying to see our people step up to the challenge of going through the IPO process, whilst achieving a record year for profits.

Q

What can the Company do better?

A

There are always ways to improve. We need to continue to reduce risk in the business, making sure we start projects as early as possible so we can maintain our 100% record of finishing on time. Missing that deadline can damage your reputation, so it is important not to take on more than we can manage and to work with our supply chain so they understand the importance of timely delivery.

We also need to continuously drive quality, which includes keeping on top of market trends, so our developments meet changing expectations. That will ensure we continue to deliver for our institutional clients.

Q
What is the biggest challenge you face?

A

Maintaining the pipeline. We are always looking two to three years out. Our 2017 projects are on site, 2018 is coming through quickly and we are filling the hopper for 2019. We focus on 20 to 30 sites at a time, to make sure ten or so come through each year. The timescales involved mean that if one site does not happen, we have time to replace it. Having a reputation as a sector specialist also means that people bring us opportunities and are confident we can deliver them.

Q
What is your biggest competitive advantage?

A

Our business model is our key advantage. We are specialists, we are focused and we have in-house resource that others do not. Our planning team are experts at obtaining consents for student accommodation. Having that expertise in-house costs less than using external consultants and allows us to start work on time, so we finish on time. We are constructors as well as developers, so we do not have a third-party contractor taking margin and charging us a premium for the risk of missing their deadline. And having Fresh Student Living means we offer a complete solution for clients. It is our responsibility to maximise returns for our shareholders whilst delivering target returns for our clients. If they make money, they will keep coming back to us.

Q
Does your growth depend on rising student numbers?

A

No. There are already approximately 1.7 million full-time students in the UK and demand for university places is outstripping supply. Students are investing a lot more in their education and want better places to live, but three-quarters of the university-controlled stock is outdated and no longer fit for purpose. That old stock is dropping away and the number of beds being brought to market is not keeping up with demand. We believe the proportion of students living in private PBSA can at least double just by replacing existing stock. At the same time, legislation and higher stamp duty are limiting the supply of houses of multiple occupancy ("HMO"), which makes PBSA more attractive.

International students are important but Brexit should not stop them coming to the UK. They want an English language education. The US will cost them significantly more and Australia does not work logistically for many international students. So the market dynamics are in our favour.

Q
How important could PRS become for you?

A

Ultimately, we want to replicate our student accommodation earnings in PRS and be known as the number one developer in that sector as well. It would really add value to the business and there is no reason why we cannot do it. I want us to grow sustainably.

We have a competitive advantage, because we can use our existing supply chain. PRS developments do not have specific completion dates, so we can stagger completions around our student accommodation developments. At the moment, we only need some sub-contractor trades six months a year. If we use them on PRS too, we can be more efficient and drive out cost, while giving our supply chain more work so everyone benefits.

Q
What excites you the most about the future?

A

The sustainability of our model. Our pipeline gives us great visibility 24 to 36 months out, so we have time to move with market trends. We lock in our sales and our supply chain very early, so we are insulated from any sudden domestic or global turmoil. There is a huge opportunity in the number of student beds required and an even greater opportunity in PRS, because everybody has to live somewhere. And there are opportunities to add to the model, with different revenue streams.

CHIEF EXECUTIVE OFFICER'S REVIEW

We delivered a strong performance across the Group this year.

Mark Watkin Jones
Chief Executive Officer

Business highlights

- Revenue from continuing operations rose from £244.2 million in FY 2015 to £267.0 million in FY 2016
- Operating profit before exceptional IPO costs was 16.7% higher at £37.9 million
- We completed ten schemes with 3,819 beds during FY 2016
- We maintained our 100% record of finishing ahead of the academic year
- The Group acquired the student accommodation management business Fresh Student Living in February 2016
- Fresh Student Living contracted to manage 16,431 beds for FY 2018
- Private residential sales were strong during the year, with 127 sales completed

Performance

We delivered a strong performance across the Group this year. Revenue from continuing operations rose from £244.2 million in FY 2015 to £267.0 million in FY 2016, an increase of 9.3%, whilst gross profit rose from £44.0 million in FY 2015 to £53.8 million in FY 2016, an increase of 22.2%. Operating profit before exceptional IPO costs was 16.7% higher at £37.9 million (FY 2015: £32.5 million), representing a margin of 14.2% (FY 2015: 13.3%). One of the key features of our model is its strong cash generation and we achieved an operating cash inflow, before exceptional IPO costs, of £41.7 million (FY 2015: £28.4 million).

Developing student accommodation is our largest business and we continued to perform well. We completed ten schemes with 3,819 beds during FY 2016 and maintained our 100% record of finishing ahead of the academic year. The Group acquired the student accommodation management business, Fresh Student Living, in February 2016. Fresh has continued to grow strongly and now has 12,337 beds under management for FY 2017, compared to 8,310 beds in FY 2016, and is currently contracted to manage 16,431 for FY 2018.

A key event in the financial year was the start of our first PRS scheme, a 322-apartment development in Leeds, which we have forward sold to a leading institutional investor. Construction is proceeding to plan, with completion scheduled in the first half of FY 2017. We also launched Five Nine Living to manage PRS schemes, drawing on Fresh's expertise.

Private residential sales were strong during the year, with 127 sales completed against 69 in FY 2015. We made good progress with releasing cash from low-margin legacy sites.

Strategy

We have set clear strategic objectives for each part of our business, as described in more detail on page 18. By exploiting positive market conditions and choosing only the best opportunities, we will grow our student accommodation business and take further market share with Fresh Student Living.

Our student accommodation expertise is directly transferable to the PRS market. We are looking to build on our experience and our institutional relationships to develop real momentum in this area, while always being mindful of the need to expand in a sustainable way. In private residential development, our approach is to utilise our existing land bank and to acquire further sites if suitable opportunities arise.

People

I want to thank everyone in the Group for their contributions this year, in particular in stepping up to ensure we continued to deliver for clients during the IPO process. We are fortunate to have an extremely loyal and hardworking group of colleagues, and it is important to me that we look after them and maximise their potential. A key benefit of the IPO is the greater sense of ownership it has given to our people, who all received shares through an employee Share Incentive Plan ("SIP") on flotation. Coupled with our culture of empowering people to take decisions, this means our people truly want to see the business develop and succeed.

Sustainability

Watkin Jones is naturally focused on the long term. Economic, social and environmental sustainability is therefore integral to the way we work. The Group has robust policies embedded in every area of our activities, which offer support and guidance on how we expect our team to conduct themselves. We look to understand and address the needs of all our stakeholders, which include our people, clients, supply chain, communities and our shareholders. We also work hard to minimise our impact on both the local and global environment.

More information about our approach to sustainability can be found on pages 34 to 37.

Outlook

The outlook for FY 2017 is positive and we expect to make further progress. Nine of the ten schemes scheduled to complete in the year have been forward sold and are progressing well on site with the tenth scheme in legal negotiations.

Our forward sale model means that FY 2017 will also benefit from our progress on schemes delivering in later years. We are looking to complete eleven schemes in FY 2018. Ten have planning consents and planning has been submitted on the remaining scheme. Some of our larger 2019 schemes will also contribute to FY 2017 performance, in particular the 511-bed scheme in Stratford for the University of London, which in terms of its development value is our largest ever project.

Mark Watkin Jones
Chief Executive Officer

17 January 2017

BUSINESS MODEL

Our development projects have four principal phases. Since we completed our first PBSA scheme in 1999, we have developed substantial expertise and real competitive advantages in each of these areas.

1 Site procurement and planning

Identify site

- Negotiation of option/acquisition
- Obtain planning permission
- Discussions with university/ key stakeholders

2 Transaction and funding

- Forward sale to institutional investors
- Value added opportunities

Land sale and development agreement

Typically 2.5 years

We use our market knowledge and understanding of investor demand to target key towns and cities with the potential for new developments. We then identify sites through our own staff, our network of agents and other consultants, who are aware of our requirements. This enables us to buy most sites off-market. Our track record helps us to buy at attractive prices, since we can offer vendors more certainty of completion.

We reduce risk by acquiring sites subject to planning. Our expert team then liaises with the planning authority to obtain consent. This in-house resource is unusual in our sector and gives us a significant advantage, allowing us to obtain planning permission on a timely basis, at a lower cost than using external consultants. This helps us to start on site sooner and deliver on time.

Our reputation and track record of delivery make us a partner of choice for key investors in PBSA and for the emerging PRS market. Institutions' desire to work with "tier 1" developers such as us, is an important barrier to entry.

Our forward sale model reduces our risk, as we aim to sell each scheme to an investor before we start construction. This provides excellent visibility to our earnings and cash flow. The model has attractive cash flow characteristics, as we bill the purchaser for the land and each month during the construction phase, rather than simply receiving a lump sum on completion. Selling all our developments means we do not compete with our institutional clients, encouraging them to share their strategic plans with us. We also look for ways to add value for clients, such as negotiating direct arrangements with universities.

The diagram above shows a typical example of our end-to-end development cycle.

Our teams are highly experienced in delivering large developments on time and to budget, ensuring we meet the needs of our institutional investors time after time.

3

Construction and delivery

Construction and delivery

Unlike many developers we are also experienced constructors, employing expert construction directors and project managers to deliver our schemes. This means we do not rely on third-party contractors, increasing our margin and our ability to deliver on time. We currently have the capacity to deliver at least ten student developments each year.

We have long-term relationships and agreed national rates with key suppliers. By staggering our PBSA and PRS developments, we can make use of the same supply chain for both. Our supply chain regularly follows us from scheme to scheme, making them experts in our developments. This helps us to deliver to a high standard and reduces our costs of managing them. We monitor progress and costs against timelines and budgets each month, to ensure successful delivery.

4

Asset management

Asset management

3-7 years (renewable)

Fresh Student Living enables us to offer a complete solution to investors for the asset's entire life, giving us an income stream beyond completion. We also draw on Fresh's expertise in city selection, engagement with universities, scheme design and marketing. This insight keeps us up to date with the latest trends, so we can adapt our schemes accordingly. Fresh has a scalable platform, having invested significantly in systems and processes. The required investment means barriers to entry are high, with a minimum of 5,000 beds under management required to break even. Five Nine Living, our new asset management business in PRS, will allow us to replicate Fresh's services in this market.

MARKET OPPORTUNITY

The sector is set to post another strong year of investment activity, with c.£3.5 billion of stock being traded. This makes 2016 the second highest year of activity on record, sitting well above the five-year average.

1.7 million full-time students studying in the UK in 2014/15[1]

568,000 purpose built bed spaces across the UK in 2016/17, including 78,000+ purpose built bed spaces in London[2]

29,000 new purpose built beds came forward in 2016/17, with 21,400 from the private sector[2]

Reported average student rental growth of **2.7%** in 2016[2]

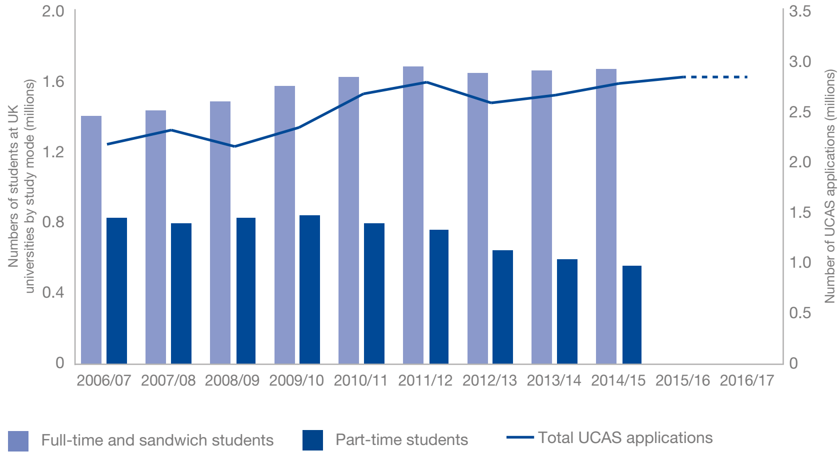
1 in 5 students in the UK are from outside the EU. There were **284,000** students in 2014/15 within this cohort, an increase of 73% since 2004/05[2]

UK has the most universities in **QS Top 200** world rankings in Europe and an increasing global market share in the order of **15%**[3]

1. Universities UK/GUA research.
2. Cushman & Wakefield research.
3. JLL research.

FULL-TIME STUDENT POPULATION

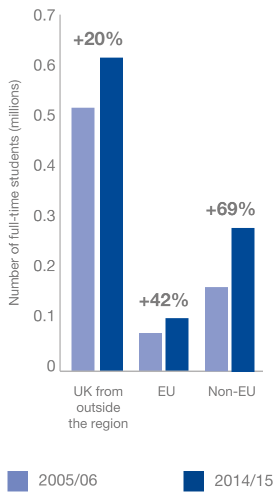
Trends in student numbers and applications 2006 – 2015



Source: HESA/UCAS

TRENDS IN PBSA NUMBERS 2005/06 – 2014/15

Trends in student domiciles 2005 – 2015



Source: HESA 2005/06-2014/15

Student Accommodation

Of the 1.7 million full-time students in the UK, around 7% live in private PBSA and 17% in university-controlled PBSA. This means there is significant scope for increased penetration of private PBSA, particularly as universities increasingly turn to the private sector for provision. Since 2013, growth has predominantly come from the private sector, where bed numbers up to 2016 have increased 43% compared to an increase of 5% in university accommodation across the same period.

Full-time student numbers have also increased, with average growth of 2% per annum since 2004. Despite higher tuition fees, university applications reached an all-time high of 718,000 in 2015/16, of which 532,000 were accepted. This shows strong latent demand for university places. International students are more likely to choose PBSA than UK students. Non-EU international student numbers increased by nearly one quarter from 2008/09 to 2014/15, making up 18% of the total full-time student population.

Student numbers remain positive and whilst EU numbers will need to be monitored in the wake of Brexit, they do still make up a relatively small proportion of the market at c.7%. Meanwhile, the international student market continues to grow and the domestic population demographics suggest an upturn in 17-21 year olds in the UK from 2021.

PBSA investment

Institutional investors increasingly see UK PBSA as a core real-estate holding. Research from Jones Lang LaSalle in 2016 showed that 79% of institutional investors wanted to increase allocations to alternative assets, with PBSA receiving the second highest allocation at 19% of investment capital. There was record investment in the sector in 2015 at £5 billion, up 67% over 2012, with important new investors entering the market. In 2016, investor interest in the sector from overseas remained solid and the sector is set to post another strong year of activity, with c.£3.5 billion of stock being traded. This makes 2016 the second highest year of activity on record, sitting well above the five-year average. Fundamentally the student investment market remains robust, with positive supply/demand dynamics, growing student numbers in many markets and a maturing investor base demanding further scale and driving record levels of investment activity.

Private Rented Sector

PRS has significant momentum as an asset class, driven by the UK housing shortage, the lack of affordability and institutional investor demand.

There is well known structural supply and demand imbalance in the UK property market. The UK has not in its recent history built enough homes over all tenures, with fewer than 180,000 new homes constructed per annum, against a requirement that is closer to 250,000.

In addition, the population has become more transitionary, moving from a “job for life” attitude to the expectation that young people will now have at least ten jobs during their lifetime. Young adults between the ages of 20 to 30, accustomed to the benefits of all-inclusive PBSA, make up a significant share of the PRS market, with a proportion enjoying the flexibility of renting but many simply being held back from buying on the grounds of affordability.

Ten years ago, a typical first time buyer required £7,500 to meet a 5% deposit on a £150,000 home. Now the same buyer needs to find a 20% deposit on a £200,000 house, or £40,000. As a result, there are around half as many first time buyers in the market as there were 20 years ago, which provides the basis of the investment case for build-to-rent housing.

In recent times, there has been significant growth in the volume of private renters but nevertheless the current market remains fragmented and dominated by small buy-to-let landlords, with only 3% being owned and operated by institutions. This is expected to change, with a reported £30 billion+ of capital heading towards the UK residential investment market, attracted by an income stream that correlates strongly with RPI and is considered highly sustainable through the peaks and troughs of economic cycles.

Competition

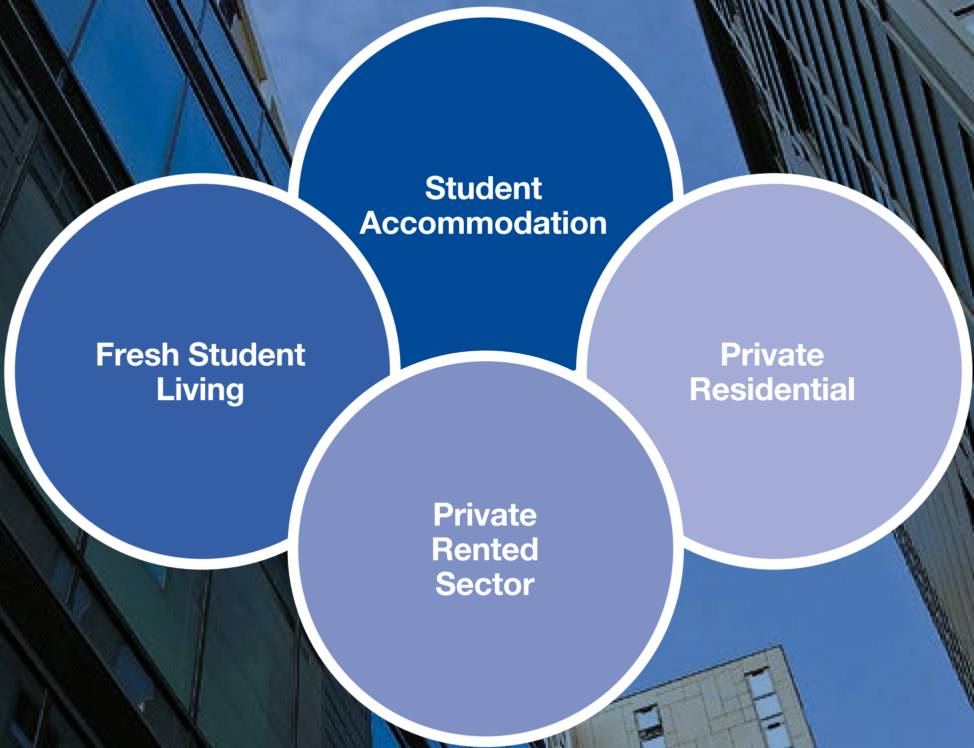
We are one of only a small number of businesses that operates across the entire PBSA development lifecycle. There are other specialist PBSA developers in the UK, but most do not construct their own developments, few provide asset management services, and their scale and geographical focus vary considerably. Some are owner/operators, who invest in assets and manage developments themselves.

Some non-specialist developers have exposure to PBSA, offering procurement, planning and construction services. Typically, these firms are either housebuilders or commercial property developers with student accommodation divisions.

We believe our focus, market knowledge, geographical coverage and ability to work across the entire development cycle give us a competitive advantage. We also believe that we are the only developer that forward sells all our schemes to investors, making us an attractive conduit for institutions looking to increase exposure to PBSA. These factors make us well placed to compete effectively.

OUR STRATEGY

We see opportunities to grow across the Group and have set clear strategic objectives for each part of our business.



Student Accommodation

Our core strategic objective is to leverage our position as one of the UK's leading developers of student accommodation and take advantage of the attractive market to sustainably increase earnings.
This means:

- developing 3,000 to 4,000 PBSA beds per year, focusing on quality of earnings;
- using our forward sale model to minimise risk; and
- continuing to build strategic partnerships with institutional investors, so they become repeat clients.

Fresh Student Living

We will continue to grow Fresh Student Living by:

- offering end-to-end solutions for institutional investors;
- focusing on winning the management of existing developments from our competitors; and
- developing new student accommodation assets for clients who will engage Fresh to manage the property.

Private Rented Sector

We intend to progressively enter the PRS market by:

- leveraging our expertise in PBSA to capitalise on the similarities with PRS, and using the expertise of our residential development teams;
- engaging with our existing institutional investors to obtain forward funding for these projects; and
- rolling out Five Nine Living, to offer PRS management to new and existing clients.

Private Residential

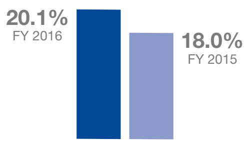
Our objectives in Private Residential are to:

- continue to develop sites from our current residential land bank; and
- strategically acquire new sites for residential development, if and when they become available.

KEY PERFORMANCE INDICATORS

We have established a range of key performance indicators ("KPIs") for the Group, to measure our progress towards achieving long term, sustainable growth for shareholders.

Gross margin (%)

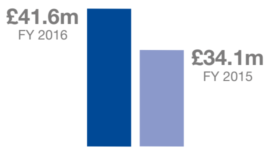


Objective
To maintain quality of earnings over time

Performance
Increase of 2.1%

Comments
Improving margin from student accommodation development activity through quality of sites selected and cessation of lower-margin student accommodation contracting work. Contribution of initial higher margin revenues from Fresh.

EBITDA (adjusted) (£m)

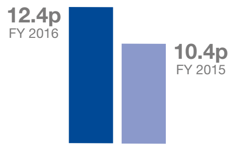


Objective
To increase earnings over time

Performance
Increase of 22.1%

Comments
Strong growth in earnings during the year, driven by the growth in revenues and improving margin performance of the Student Accommodation division.

Basic EPS (adjusted) (pence)

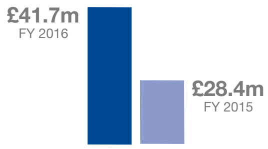


Objective
To increase earnings per share over time

Performance
Increase of 18.9%

Comments
The adjusted basic EPS reflects the increase in underlying earnings during the year and has been calculated on a proforma basis using the number of shares in issue at 30 September 2016.

Cash inflow from operating activities (adjusted) (£m)

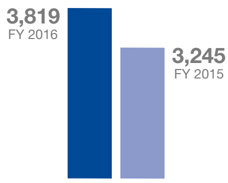


Objective
To generate enough cash to deliver a progressive dividend policy

Performance
Increase of 46.8%

Comments
Strong cash flow in the year reflects the benefit of the forward sale model for student accommodation developments and the release of cash from legacy residential sites.

Number of student beds delivered

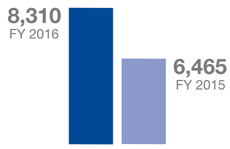


Objective
To maintain the development programme with a focus on earnings

Performance
Increase of 17.7%

Comments
The Group aims to achieve a gradual and sustainable growth in the number of beds delivered over time, whilst ensuring that the quality of earnings is maintained.

Number of student beds under management



Objective
To increase the number of beds under management by Fresh

Performance
Increase of 28.5%

Comments
Growth in beds under management is a key target for Fresh, as management agreements are generally on a three to seven year term and renewable thereafter. New contracts originate from both the Group's own development pipeline and third party developed assets.

Fresh was acquired by the Group in February 2016 and the number of beds under management for FY 2015 is stated for Fresh on a standalone basis.

Note: EBITDA, Basic EPS and cash inflow from operating activities for FY 2016 have been stated on an adjusted basis to exclude the exceptional IPO costs.

PRINCIPAL RISKS AND UNCERTAINTIES

This section sets out some of the risks relating to the Watkin Jones business. If any of the following risks were borne out in reality, there could be an impact on the Watkin Jones business, its financial condition or results. The Group's mitigations against these risks and an assessment of their potential net impact and likelihood are also set out below.

Market and economic conditions

Risk	Impact	Link to business model	Mitigation	Net risk assessment
A change in the student market or in economic conditions could lead to result in reduced demand for PBSA or in investors seeking increased yields.	Reduced demand could restrict the number of schemes we can forward-sell each year. An increase in client yield expectations would result in compression of development values.	• Transaction and funding	• The forward sale model provides the Group with a degree of resilience. A two to three year pipeline of committed contracts provides the Group with time to respond to market changes. • The student market is buoyant, with student numbers continuing to grow and university places consistently oversubscribed. • Private PBSA accounts for only 6% of the student accommodation market. • 75% of university PBSA was built pre-1999 and needs replacing. • Legislative changes relating to student housing/multiple occupancy properties are helping to stimulate the requirement for PBSA.	Impact: Moderate Likelihood: Remote
The PBSA and PRS markets are attractive, which could encourage new entrants and result in increased competition.	Increased competition could make it harder to secure attractive sites or increase land prices. More developments would be brought to market, with a potential reduction in demand for Watkin Jones schemes.	• Site procurement and planning • Transaction and funding	• The Group has a competitive advantage in that it provides the full end-to-end service for clients, which provides a barrier to entry. • Watkin Jones holds "tier 1" developer status which is a requirement for institutional funds to engage on a forward sale basis. • The Group benefits from economies of scale, has established subcontractor supply chains and delivery expertise, which makes it hard for new entrants to compete.	Impact: Minor Likelihood: Possible

Development costs

Risk	Impact	Link to business model	Mitigation	Net risk assessment
Under the forward sale model the development price is agreed at the outset, which means the Group then carries the cost risk.	Incorrect cost estimates or increases in material or labour costs could result in the Group not achieving its expected development returns.	• Construction and delivery	• The Group's specialism and experience in building PBSA helps the accurate estimation of development costs. • Subcontractor orders are placed as early as possible in the construction phase, ensuring prices are locked in and taking the risk out of cost inflation as the build progresses. • The Group has economies of scale and buying power, which has enabled it to secure national supply agreements. • Designs have been standardised to enable conformity of material supply and build processes.	Impact: Minor Likelihood: Possible

Delivery risk

Risk	Impact	Link to business model	Mitigation	Net risk assessment
A failure to complete student accommodation developments on time ahead of the start of the academic year.	If a development is not completed on time, this would result in financial penalties and would damage the Group's reputation for on-time delivery, which could make it more difficult to sell future developments.	• Transaction and funding • Construction and delivery	• The Group's specialism and experience in building PBSA means that construction programming and techniques are well established to ensure on-time delivery. The Group has an outstanding record of on-time delivery, achieved across 98 schemes. • The senior construction management team has many years of experience with the Group in building PBSA. • As a complete developer of PBSA, the Group is in control of the overall timescale for delivery of a scheme and can therefore ensure that projects are started on site sufficiently early. The Group can take the decision to defer a project for a year if there are planning delays.	Impact: Moderate Likelihood: Unlikely

Business continuity and disaster recovery

Risk	Impact	Link to business model	Mitigation	Net risk assessment
Business continuity is not maintained in response to either a disaster or other business continuity event.	A failure to maintain business continuity could lead to financial loss, a delay to the delivery of schemes, or loss of personnel.	• Site procurement and planning • Transaction and funding • Construction and delivery • Asset management	• The Group's activities are geographically dispersed and there is not a dependence on one location. • A business disaster recovery plan is in place for the Group's key information systems. • System data backup routines are in place.	Impact: Minor Likelihood: Remote

PRINCIPAL RISKS AND UNCERTAINTIES continued

Cash flow risk

Risk	Impact	Link to business model	Mitigation	Net risk assessment
Cash flow constraints resulting in the inability to meet financial commitments or source new land opportunities.	Cash flow constraints could lead to an over dependence on banking facilities, leading to an increase in borrowing costs, and could limit the Group's ability to source new sites, with a resultant impact on future profitability.	• Site procurement and planning • Transaction and funding	• The forward sale model significantly helps to reduce the Group's cash requirements, as developments should be cash positive once they have been forward sold. • The cost of site acquisitions is generally known several months in advance as the purchase commitment is usually subject to receipt of a satisfactory planning permission. This provides good visibility of future commitments and enables the Group's cash flow requirements to be managed. • Regular cash flow forecasts are prepared and are subject to review by the Executive Directors. • The Group has available to it a £40 million five year revolving credit facility, which is currently unutilised, and had net cash of £32.2 million at 30 September 2016.	Impact: Moderate Likelihood: Unlikely

Human resources

Risk	Impact	Link to business model	Mitigation	Net risk assessment
Over reliance on senior management to drive the Group's performance and success.	A loss of senior management personnel would result in a significant knowledge loss and would have an impact on the Group's ability to deliver its targets and meet its strategic objectives in the short to medium term.	• Site procurement and planning • Transaction and funding • Construction and delivery • Asset management	• Senior directors are significant shareholders in the Company and have a vested interest in ensuring its continued success. • Senior management are incentivised through an annual bonus scheme. • Succession planning is starting to be put in place for senior positions. • Holding the status a listed company will make it easier to attract the right quality of applicants for senior positions.	Impact: Moderate Likelihood: Possible
Difficulty in recruiting and retaining professional site, design and support services personnel	A failure to attract, recruit and retain the right personnel for the business could restrict its ability to grow and could result in development margins being eroded through the use of personnel without the requisite skills, experience and knowledge. Excessive use of senior management time and expense in recruiting personnel.	• Site procurement and planning • Construction and delivery	• An established HR function is in place, which covers all main areas including recruitment, training and performance review. • The Group seeks to remain competitive in its remuneration levels and employment terms. • An open culture continues to be developed within the Group to ensure best practice, experience and ideas are shared. • Senior management support and encourage personal development and attendance on training courses. • The Group's status as a listed company will help the retention and recruitment of personnel.	Impact: Minor Likelihood: Probable

Health and safety

Risk	Impact	Link to business model	Mitigation	Net risk assessment
By their nature, construction sites are inherently high risk environments. There is a risk that a failure to follow established health and safety procedures could result in serious incident or fatality.	A major on site health and safety incident could result in a significant fine or financial cost, increased insurance renewal premiums, damage to reputation and potential project delay.	• Construction and delivery	• The Group has rigorous health and safety policies and procedures in place, which are managed by an established health and safety department who regularly conduct health and safety audits across all the Group's sites. • Weekly health and safety meetings are held. • Health and safety is taken seriously at Board level with findings and recommendations regularly reported on. • The Group engages with its insurers to help ensure best practice is maintained. • Insurance covers are reviewed annually and maintained at appropriate levels.	Impact: Minor Likelihood: Unlikely

Financial crime

Risk	Impact	Link to business model	Mitigation	Net risk assessment
The inability to prevent or detect financial crime.	Financial crime could lead to financial loss, breach of regulations, regulatory censure/ fine and loss of reputation.	• None	• Several layers of authorisation checks operate within the current business processes, which are subject to segregation of duties. • There is little opportunity for price fixing as development prices are determined on a negotiated basis. • Senior management take an active role in reviewing transactions and ensuring that procedures are followed.	Impact: Insignificant Likelihood: Remote

Historic PBSA lease commitments

Risk	Impact	Link to business model	Mitigation	Net risk assessment
Historically the Group has entered into operating lease back arrangements in respect of several of its PBSA developments in order to enhance their sales price by providing a secure level of income return to the purchaser of the asset. There is the risk that future net rental returns from the operation of the property may be less than the lease rental commitments.	If future net rental returns from the operation of the property are less than the lease rental commitments, there would be a financial cost to the Group which could impact its earnings performance and cash position.	• None	• The properties concerned are managed by Fresh, which means the Group is in a position to ensure future net rental returns are maximised. • Provision has historically been made in the financial statements to cover the discounted cost to the Group of lease commitments where the expected future net rental returns are less than the lease rental commitments. • Several of the leases are expected to generate significant positive net returns for the Group, so that on a blended basis the Group's risk is mitigated.	Impact: Minor Likelihood: Unlikely

OPERATING REVIEW

STUDENT ACCOMMODATION

MERLIN HEIGHTS
LEICESTER

Key statistics

601
beds

2016
completed

Leicester
location

Revenues from developing student accommodation increased by 4.0% to £237.2 million (FY 2015: £228.2 million).

"Watkin Jones are very 'can do'. They don't bring me problems, they bring me solutions. As a client that is very helpful.

R J Crompton
CEO
Knightsbridge Student Housing Ltd

The gross margin for the year on student accommodation developments was 20.5%, compared to 18.2% for FY 2015. The improvement reflects our move to solely developing our own projects and away from lower margin contracting work for other developers.

The student accommodation pipeline remains robust. All developments for completion in FY 2017 have planning consent and nine of the ten schemes scheduled to complete in the year have been forward sold with the tenth scheme in legal negotiation. We have secured all our development sites for FY 2018. Ten of these have planning consent and the remaining one is progressing satisfactorily through the planning process. We have secured six developments for FY 2019. Two of these have planning consent with the remainder progressing satisfactorily. A number of other sites are under offer, with a view to further building up the secured pipeline for FY 2019.

In total, we currently have 27 development sites under offer and in the pipeline, representing 9,469 beds with an appraised development value of approximately £800 million. Of these, 3,314 are for delivery in FY 2017, 3,485 are for delivery by FY 2018 and 2,670 are for delivery in FY 2019 and beyond.

During the year, we forward sold eight development sites with 2,615 beds. At the date of this report, seven developments were in legal negotiations (2,166 beds), with a total development value in excess of £185 million.

We remained successful in securing planning consents, achieving ten during FY 2016 (3,500 beds), and, up to the date of this report, achieving twelve since we were admitted to AIM (4,139 beds).

Our development sites are spread across the UK and we organise the operating divisions responsible for building the schemes on this basis. Negotiating national procurement terms with key subcontractors and standardising development layouts is continuing to help us control build costs.

OPERATING REVIEW continued

FRESH STUDENT LIVING

NEW BRIDEWELL
BRISTOL

Key statistics

12,337
beds under management

4,094
beds under mobilisation for 2017/18

374
total staff

61
central services staff

44
number of sites

11
sites under contract for 2017/18

25
operational towns and cities

£60m
cash under management

We acquired Fresh Student Living Limited on 25 February 2016 and have successfully integrated it into the Group.

> The scale and quality of the infrastructure at Fresh ensures consistently high levels of service delivery to our student customers, thereby ensuring a high level of satisfaction and thus better returns from our assets.
>
> **Ian Scott**
> Fund Manager
> Curlew Student Trust

We acquired Fresh Student Living Limited on 25 February 2016 and have successfully integrated it into the Group. Fresh requires little working capital and the consideration of £15.0 million was largely attributable to the value of intangible assets.

Fresh provides student letting and operational management services for a variety of clients. Contracts typically run for between three and seven years and our expectation is for these contracts to be renewed. Fresh also provides consultancy and mobilisation services to clients for new schemes in development. This is a key part of the complete solution we offer to clients.

At 30 September 2016, Fresh was contracted to manage 12,337 beds across 44 schemes, with an annual management fee income of £3.6 million. By FY 2020, Fresh is currently contracted to manage 18,636 beds across 61 schemes. The majority of the increase to FY 2020 is through contracts with third parties. We do not include our own development schemes in Fresh's pipeline until the exit strategy for a particular site is determined and we are certain that Fresh will manage it.

For the period post-acquisition, Fresh contributed revenue of £2.8 million and gross profit of £1.7 million. On a like-for-like basis, Fresh's revenues for the year to 30 September 2016 amounted to £5.1 million, compared to £2.6 million for FY 2015. The gross margin achieved is approximately 60%.

OPERATING REVIEW continued

PRIVATE RESIDENTIAL AND PRIVATE RENTED SECTOR

CLARENDON QUARTER
LEEDS

Key statistics

322
apartments

2017
completion

Leeds
location

PRS is a key part of our growth strategy. We are currently undertaking our first purpose-built PRS development in Leeds.

Private Residential

The residential development business achieved 127 sale completions during the year, compared to 69 for FY 2015. This resulted in a 65.3% increase in revenues to £26.3 million (FY 2015: £15.9 million).

The gross margin for the business was 11.5% (FY 2015: 16.6%) but was held back by sales at two legacy development sites at nil margin. Achieving these sales was a key objective for the business, as it released cash from brought-forward inventory. Sales at the two sites (Gorse Stacks in Chester and the canal marina development at Droylsden, Manchester) totalled £11 million in the year.

We completed the sale of all but two of the apartments at Gorse Stacks by the year end, with sales at Droylsden ongoing. The gross margin for the residential business will continue to strengthen as more profitable developments come on stream.

At the year end, the private residential business had a land bank of 573 plots (FY 2015: 595 plots).

Private Rented Sector

PRS is a key part of our growth strategy. We are currently undertaking our first purpose-built PRS development in Leeds.

The 322-apartment scheme is scheduled for completion in FY 2017 and has been forward sold to a leading institutional investor.

We aim to grow our PRS business sustainably and are reviewing further opportunities. During the year, we also established Five Nine Living, our management platform for PRS schemes. Five Nine Living will manage the Leeds scheme on completion and we expect to start taking market share going forwards.

PROPERTY CASE STUDIES

We bring forward accommodation in some of the UK's most historic cities and have extensive experience of working within sensitive planning environments, where careful consultation is necessary to ensure schemes respond to specific local policies.

NEW BRIDEWELL, BRISTOL

This scheme includes the redevelopment of the former New Bridewell police headquarters to provide 499 beds of purpose built student accommodation and approximately 650 sq m of commercial floor space at ground floor level.

The works also include the removal of an existing concrete overhead walkway, the creation of a new public square, as well as a variety of other public realm enhancements.

DUNASKIN MILL, GLASGOW

This scheme includes the construction of a 504-bedroom student accommodation development, split over five separate blocks.

The scheme also includes a management suite, social lounges and a laundry, as well as public realm external works which have created a pedestrian link through the site to the river.

BYROM POINT, LIVERPOOL

This project includes the redevelopment of a cleared/derelict site for a new mixed use scheme, comprising 398 bed spaces of student accommodation set out within 69 clusters and 53 studios.

There is also 361 sq m of retail space to the ground floor.

SHARMAN COURT, SHEFFIELD

This scheme includes the construction of a 397 bed student accommodation development, together with a 436 sq m ground floor retail unit and 30 car park spaces.

MERLIN HEIGHTS, LEICESTER

The project includes the construction of a 601-bedroom student accommodation development, including ancillary management and communal facilities and ground floor commercial units.

The project includes provision of associated parking, highway improvement work, amenity space and landscaping.

BRIGGS HOUSE, LEEDS

This development comprises 320 student beds and a number of commercial units to the ground floor.

FINANCIAL REVIEW

The Group delivered a strong financial performance in FY 2016, with growth in revenue, gross margin and earnings, as well as a robust cash inflow.

Philip Byrom
Chief Financial Officer

Revenue by division

Gross profit by division

Highlights

Continuing operations	FY 2016 £m	FY 2015 £m	Change
Revenue	**267.0**	244.2	+9.3%
Gross profit	**53.8**	44.0	+22.2%
Overheads	**(15.9)**	(11.6)	+37.4%
Operating profit before exceptional IPO costs	**37.9**	32.5	+16.7%
Exceptional IPO costs	**(26.6)**	–	
Operating profit	**11.3**	32.5	
Share of profit in joint ventures	**3.0**	1.2	
Net finance costs	**(1.0)**	(0.7)	
Profit before tax	**13.3**	32.9	
Tax	**(8.2)**	(6.3)	
Profit for the year	**5.1**	26.6	
Basic earnings per share from continuing operations	**3.8p**	£26.61	
Adjusted basic earnings per share	**12.4p**	10.4p	+18.9%
Dividend per share	**4.0p**	–	

The adjusted basic earnings per share figures are shown for comparative purposes on a proforma basis using the number of shares in issue in the Company at 30 September 2016.

Revenue

Revenue from continuing operations increased by 9.3% to £267.0 million, as a result of good growth in our student accommodation development business, an initial contribution from Fresh Student Living and an increase in the number of sales completions in our private residential business. More information on revenue growth in each business can be found in the operating review on pages 24 to 29.

Gross profit

Gross profit rose from £44.0 million in FY 2015 to £53.8 million this year, resulting in a gross margin of 20.1% (FY 2015: 18.0%). The higher gross margin reflects the increasing outturns from our student accommodation projects, driven in part by the quality of sites selected, the cessation of lower margin student accommodation contracting work and the high gross margin on the initial revenues contributed by Fresh. However, the gross margin for the year was held back by the sale of legacy private residential developments at nil margin, as described on page 29.

Overheads

Overheads comprise administrative expenses and distribution costs, and include key functions such as our in-house procurement, quantity surveyors and commercial teams. Overheads increased by 37.4% to £15.9 million. This reflects expansion of the Group's operations, the overheads attributable to Fresh and some additional costs related to our new status as a public company.

Operating profit before exceptional IPO costs

Operating profit before the impact of exceptional IPO costs increased by 16.7% to £37.9 million, representing a margin of 14.2% (FY 2015: 13.3%).

Exceptional IPO costs

The Group incurred a number of exceptional costs in relation to the IPO in March 2016. These totalled £26.6 million and comprised £6.5 million of transaction-related fees and commissions, and £20.1 million for settling share-based management incentive arrangements that triggered on completion of the IPO.

Share of profit in joint ventures

We have a number of project-specific joint ventures with Lacuna Developments Limited, based in Northern Ireland, enabling us to develop student accommodation schemes in Belfast. We completed one such scheme in FY 2016 and forward sold a second. We also have a joint venture interest in a student accommodation asset which we had previously developed in Ipswich (Athena Hall). Our share of profit in joint ventures for the year totalled £3.0 million, up from £1.2 million in FY 2015.

Finance costs

Our net finance costs totalled £1.0 million, as compared to the £0.7 million incurred in FY 2015. During the year, we put in place new debt and working capital facilities (see statement of financial position and cash flows below). Net finance costs includes the costs of arranging these facilities, as well as non-utilisation fees.

Taxation

The tax charge for the year was £8.2 million, representing an effective tax rate of 65.6%. This is significantly higher than the statutory rate of corporation tax of 20%, as a result of most of the operating exceptional costs incurred not being deductible for tax. The underlying rate of tax for the year was approximately 20%.

Earnings per share

Basic earnings per share from continuing operations were 3.8 pence, after the impact of exceptional items. On a proforma basis, using the number of shares in issue in Watkin Jones plc at 30 September 2016, adjusted earnings per share from continuing operations, which is calculated before exceptional items, increased by 18.9% to 12.4 pence (FY 2015: 10.4 pence).

Dividends

As discussed in the Chairman's statement on page 8, the Board has recommended a final dividend of 2.67 pence per share, giving a total dividend for the year of 4.0 pence per share. This is in line with our guidance at the time of the IPO.

The cash cost of the total dividend will be £10.2 million, of which £3.4 million was paid in the year.

Adjusted EBITDA

Adjusted EBITDA is an important measure of underlying performance for the Group. It is calculated as operating profit plus profit from joint ventures, before interest, tax, depreciation, amortisation and exceptional items.

Adjusted EBITDA increased by 22.1% to £41.6 million (FY 2015: £34.1 million), representing an adjusted EBITDA margin of 15.6% (FY 2015: 14.0%).

Statement of financial position and cash flows

The Group had net cash at the year end of £32.2 million, comprising cash of £47.2 million less borrowings of £15.0 million. In comparison, net cash at 30 September 2015 stood at £39.1 million, made up of £59.3 million of cash less borrowings of £20.2 million. Excluding the impact of the exceptional IPO costs of £26.6 million, the Group generated a net cash inflow from operating activities of £41.7 million (FY 2015: £28.4 million).

During the year the Group acquired Fresh for a price of £15.0 million, the net cash cost of which was £14.5 million after taking into account cash of £0.5 million in the balance sheet of Fresh. The Group also paid £13.4 million in dividends, comprising a pre-IPO dividend of £10.0 million and the interim dividend of £3.4 million.

Our strong cash generation results from our forward sale model and our progress in releasing cash from inventory and work in progress, particularly associated with legacy residential and commercial developments.

Inventory and work in progress stood at £128.2 million at 30 September 2016, compared to £119.7 million at the end of the previous year. This balance will reduce as a result of the forward sales announced between the year end and the date of this report.

Prior to the IPO, we agreed a new £40 million, five-year revolving credit facility ("RCF") and a £10 million working capital facility, both with HSBC. The RCF is available to support our land procurement and development opportunities and will be used for strategic land acquisitions or to fund discrete development activities where required, alongside the forward sale model. At the year end, both the RCF and working capital facility were unutilised.

Philip Byrom
Chief Financial Officer

17 January 2017

SUSTAINABILITY

We recognise that we are accountable for our impact on society, as well as for delivering financial performance for shareholders. As the Group continues to grow, we therefore aim to ensure that our actions and policies reflect our commitment to economic, social and environmental sustainability.

Our stakeholders include our people, clients, supply chain and communities, all of which are fundamental to our business model and may be positively or negatively affected by our activities. In addition, we look to minimise our impact on both the local and global environment.

People

Watkin Jones' success relies on having a highly skilled and motivated workforce. We therefore invest in individually tailored personal and professional development programmes. These include award-winning initiatives such as our graduate placement schemes, scholarships, apprenticeships, management development programmes and construction skills certification schemes. To attract the next generation of talent into the industry, we spend considerable time engaging with schools and careers advisers, to explain the broad range of careers and trades available to young people.

We regularly monitor our people's training needs and have a continuous learning process, from on-boarding and induction to a culture of managing performance. Development reviews take place regularly with line managers and our Training & Development Manager. To continually improve and promote our learning culture, we have introduced a competency framework linked to our values. Learning and development is a fundamental factor.

We encourage learning, with the courses available to our people ranging from the Construction Apprenticeship, HNC and BScs in Construction to professional qualifications and health and safety training.

Training methods are varied and include e-learning, seminars, external training and focus groups. Focus groups share professional knowledge and we continue to inspire a culture of shared successes.

How sustainability supports our business model

	Site procurement and planning	Transaction and funding	Construction and delivery	Asset management
People	✔	✔	✔	✔
Clients		✔		✔
Supply chain			✔	
Communities	✔			
Environment			✔	

We monitor and review learning outcomes and successes to produce an annual human resources strategy, thus ensuring we meet the Group's future needs for skilled and talented people.

We pride ourselves on providing good terms of employment, promoting health and wellbeing and ensuring a vibrant, happy and safe working environment. Our human resources department seeks to ensure we treat staff fairly and with respect, in accordance with our equality and diversity policy. We maintain open lines of communication, including employee communication forums and focus groups, to ensure our employees have a voice and we actively listen to their ideas.

Health and safety

Protecting the health and safety of our people and subcontractors is vital. We strive for excellence and continual improvement in health and safety and aim to further reduce the number of accidents and incidents.

We take a positive approach to health and safety through our British Safety Council accredited H&S management system. This involves training programmes for all employees, enforcing rigorous and mandatory procedures, comprehensive risk assessments, regular systems audits and ongoing review of procedures.

Clients

Our clients are leading institutional investors, who acquire the PBSA and PRS developments we produce, and employ us to manage them on their behalf.

We maintain close relationships with our clients, so we can understand the types of development and locations that are attractive to them. We foster these relationships both formally and informally, and at a variety of levels. While we work on a repeat basis with existing clients, we also aim to add new clients each year. In FY 2016, we worked with five institutions for the first time.

When we look for an investor for a particular site, we typically approach a select group of institutions whose investment needs are met by that site. From time to time, however, we will make a development available on the open market, allowing us to assess investor appetite and ensure we are achieving robust prices.

Supply chain

Our supply chain is crucial to successfully delivering our schemes. We look for opportunities to work closely with our supply chain partners, for mutual benefit. This includes negotiating national rates with key subcontractors, while they benefit from a highly visible and growing workload with us.

By carefully managing our supply chain, we simplify our construction process, reduce risk, and generate cost, maintenance and environmental benefits. Our process for working with our supply chain includes:

- a detailed evaluation of potential suppliers, looking at their quality, safety, environmental and financial performance;
- defining and tracking the key procurement activities and dates for each project;
- selecting suppliers and subcontractors for each project, taking into account location, current workload, type and size of project, and cost;
- on-site quality control, including daily records of progress and performance;
- performance review on completion, to ensure our supply chain partners are delivering to the required standard; and
- continuous improvement, by identifying issues and acting on them.

Communities

The biggest benefit we deliver to our communities is often through our day-to-day business activities. As a condition of obtaining planning consent for our developments, we often undertake improvement work in the local area, which can range from providing affordable homes, to contributions towards new schools, landscaping and enhancing roads and public realm areas.

Councils also often see PBSA developments as a way of addressing housing shortages. A large PBSA development can free up more than 100 homes that were previously occupied by students, making them available to local families.

Watkin Jones also aims to be a valued neighbour. The Watkin Jones Community Fund supports projects that make a real difference to the communities in which we work. We also support and actively encourage our employees to help local community organisations and activities.

Environment

Sustainable construction and the need to protect the environment are more than just ethical concerns for us. Many of our activities affect the environment and we are committed to minimising our impact.

As an ISO 14001 accredited company, our environmental policy and waste monitoring procedures are well established throughout the Group.

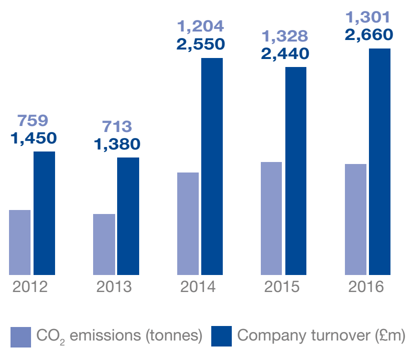
They include:

- establishing detailed waste management plans before work begins at all of our sites;
- reclaiming and recycling materials in an environmentally friendly manner wherever possible;
- maintaining site boundaries to minimise windblown contamination;
- using water spray during dry conditions to minimise dust pollution; and
- regularly monitoring noise levels to keep unavoidable disturbances to a minimum.

These procedures are designed to ensure that we comply with relevant legislation. We will continue to adopt best practice wherever possible, to promote the principles of sustainable construction.

Carbon footprint

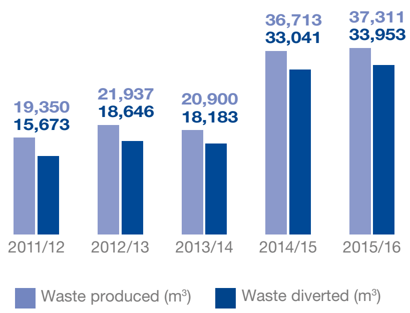
We are always looking to reduce our carbon footprint and keep carbon emissions as low as possible. We achieve this through selection of materials, selecting low emission, fuel efficient vehicles, sourcing from local suppliers where possible and using energy efficient heating and lighting systems within our buildings. Even though our activity levels have increased over the past years we have managed to reduce our carbon emissions proportionally. Reducing our carbon footprint is a high priority for the Company and we continue to look to improve and make use of new technologies in order to continue to reduce our carbon emissions.



We have carried out a comprehensive sustainability audit and intend to build upon our strengths and make further improvements in this area. For example, we are looking to reduce our carbon footprint as we renew our fleet.

Waste diverted from landfill

We continue to perform well with regard to diverting waste from landfill and our performance in this area is comparable with the best in our industry. We achieve this by ensuring wherever possible that waste is segregated on site and that we select waste management companies who have the ability to divert the majority of waste from landfill sites. This is again an area we continue to monitor and look to ways to improve our performance.



The strategic report has been approved by the Board and signed on its behalf:

Mark Watkin Jones
Chief Executive Officer

17 January 2017

CHAIRMAN'S INTRODUCTION

Strong corporate governance has a key role in promoting the Group's success.

Grenville Turner
Independent Non-Executive Chairman

Strong corporate governance has a key role in promoting the Group's success. Watkin Jones provides an important product and we often have to deliver against tight timeframes. The way the business is run therefore plays a significant part in meeting the Group's commitments, both to the clients who buy our developments and the tenants who will occupy them. The Group has a long history of successful delivery and the Board wants this to continue.

As Chairman, my role includes ensuring that the Board has open and transparent discussions, allowing each member to contribute effectively. The Board should be commercial and collaborative, but also appropriately challenging. This requires us to have a good understanding of the business and its markets, and since joining the Board, both Simon Laffin and I have spent considerable time learning about the Group.

The Board should also operate in a way that sets an example, in terms of our commitment to the principles of governance, risk, leadership and diversity. This means the Directors should be visible within the business and it is important that we continue to get out on site, meet people and ask their views.

The Group has appropriate governance structures in place and we will continue to develop them as the business settles down as a public company. We have not complied with the UK Corporate Governance Code, which is allowable for AIM-listed companies, however we have sought to apply the principles that are appropriate for a company of this size and nature. Importantly, the Non-Executive Directors are independent and the Board Committees comprise only the two Non-Executives.

During the coming year, our intention is to recruit a third Non-Executive Director, to give us a majority of independent directors on the Board. The new Non-Executive Director will chair the Remuneration Committee, bringing us further into line with the Code's requirements.

Grenville Turner
Independent Non-Executive Chairman
17 January 2017

Structure of the Board

Board of Directors

Grenville Turner Non-Executive Chairman	Simon Laffin Non-Executive Director
Mark Watkin Jones Chief Executive Officer	Philip Byrom Chief Financial Officer

BOARD OF DIRECTORS

The Board recognises the importance of maintaining an open dialogue with shareholders, keeping them informed of the Group's strategy, progress and prospects.

Grenville Turner
Independent Non-Executive Chairman

Grenville has almost 40 years' experience in retail banking and the property sector. His past directorships include Rightmove.co.uk, St James's Place Plc, Sainsbury's Bank Plc, Countrywide plc and Realogy, the largest realtor in the US.

Grenville was Chairman of ThreeSixty Developments (formerly Knightsbridge Student Housing) and is Chairman of Bellpenny Limited and Titlestone Limited. He is also a Non-Executive Director of the Zoopla Property Group Plc, The Department for Communities and Local Government and the English National Ballet. He is a qualified Chartered Banker and holds an MBA from Cranfield School of Management.

Mark Watkin Jones
Chief Executive Officer

Mark has been involved in the business full time since 1990, when he graduated from Portsmouth Polytechnic with a degree in Construction Management. He was appointed Managing Director in 2003 and has been instrumental in the Group's growth, introducing the structures and procedures that allow the business to operate as it does today.

Mark has been recognised for his strong leadership and people development skills by Construction Excellence. He has also received an Ernst & Young Real Estate Entrepreneur of the Year award and in 2016 won the Wales Insider Property Personality of the Year.

Philip Byrom
Chief Financial Officer

Philip has been Chief Financial Officer since joining the Group in 2002. In addition to his role as CFO, he has led a number of complex financing arrangements and material property and corporate transactions.

Philip qualified as a chartered accountant with Price Waterhouse in 1990 and progressed rapidly to senior manager, giving him responsibility for several public company clients. He moved into industry in 1995 and gained broad experience through group and divisional finance roles, including as divisional finance director for pharmaceutical technologies at BWI plc. Philip holds an honours degree in civil engineering from Manchester University.

Simon Laffin
Independent Non-Executive Director

Simon is Chairman of Flybe Group plc and Assura plc. Previously he has been a Non-Executive Director of Quintain Estates and Development, Aegis Group, Mitchells & Butlers and Northern Rock (as part of the rescue team). He has also served as Chairman of Hozelock Group and as an adviser to CVC Capital Partners. Prior to this, he was Group Finance & Property Director of Safeway plc.

CORPORATE GOVERNANCE

The Board's primary focus during the year has been putting in place the procedures and authorities that govern its work.

The Board

The Board comprises two Executive Directors and two independent Non-Executive Directors, including the Chairman. Biographies of the Directors can be found on page 39.

Watkin Jones plc was incorporated on 23 September 2015 as a shelf company and was renamed Watkin Jones Limited on 19 February 2016 in preparation for it becoming the ultimate holding company for the Group. The Company subsequently re-registered as a public company with the name Watkin Jones plc on 15 March 2016, immediately prior to admission to AIM.

Mark Watkin Jones and Philip Byrom were appointed Directors under service agreements dated 16 March 2016. These contracts may be terminated by twelve months' notice by either party.

Grenville Turner and Simon Laffin were appointed to the Board by letters of appointment dated 26 February 2016. These appointments run for three years from the date of admission (23 March 2016) and are terminable on three months' notice by either side.

The Chairman and Chief Executive Officer have separate, clearly defined roles. The Chairman is responsible for overseeing the Board and the Chief Executive Officer is responsible for implementing the Group's strategy and its operational performance.

The Board meets regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information, including briefing papers distributed in advance of Board meetings. There is a schedule of matters reserved to the Board for its decision. This includes:

- approving the Group's strategic aims and objectives;
- reviewing performance against the Group's strategic aims, objectives and business plans;
- providing oversight of the Group's operations;
- approving changes to the Group's capital, corporate, management or control structures;
- approving results announcements and the annual report and financial statements;
- approving the dividend policy;
- declaration of the interim dividend and recommendation of the final dividend and any special dividend;
- approving any significant changes in accounting policies and approval of the treasury policy;
- approval of the Group's risk appetite and principal risk statements;
- reviewing the effectiveness of the Group's risk and control processes;
- approval of major capital projects and material contracts or arrangements;
- approval of all circulars, prospectuses and admission documents;
- ensuring a satisfactory dialogue with shareholders;
- establishing the Board committees and approving their terms of reference;
- approving delegated levels of authority;
- approving changes to the Board and its committees;
- determining the remuneration policy for the Directors and other senior executives;
- providing a robust review of the Group's corporate governance arrangements; and
- approving all Board mandated policies.

All Directors have access to the advice and services of the Chief Financial Officer, who ensures that the Board's procedures are followed and that applicable rules and regulations are complied with. In addition, the Company has procedures to enable the Directors to obtain independent professional advice at the Company's expense, if necessary to further the Directors' duties.

All of the Directors will stand for election at the forthcoming AGM.

Board committees

The Board has Audit, Nomination and Remuneration Committees, which operate under written terms of reference. The reports of these Committees can be found on pages 42 to 45.

Attendance at meetings

The table below sets out the number of Board and Committee meetings attended by each Director during the period:

	Board	Audit Committee	Remuneration Committee
Grenville Turner	3/3	1/1	1/1
Mark Watkin Jones	3/3	1/1	1/1
Philip Byrom	3/3	1/1	1/1
Simon Laffin	3/3	1/1	1/1

The Nomination Committee did not meet during the year.

As Executive Directors, Mark Watkin Jones and Philip Byrom are not members of the Audit Committee or Remuneration Committee, but were invited to attend the meetings of those committees in order to assist with the matters for discussion.

Board effectiveness

As the Board was formed only during the year, its primary focus has been on putting in place the procedures and authorities that govern its work. The Chairman intends to conduct a review of Board performance during FY 2017, to assess how well the Board has functioned during its first year and to determine areas for development.

Internal controls

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the Group's size, complexity and risk profile.

The key features of the Group's internal control system include:

- the preparation of monthly management accounts and comparison to budget;
- clearly defined roles and responsibilities, with appropriate segregation of duties;
- clear authorisation and approval processes;
- regular preparation and review of cash forecasts;
- senior management review of material contracts and agreements; and
- approval by senior management of all land purchases and development sales agreements.

Relations with shareholders

The Board recognises the importance of maintaining an open dialogue with shareholders, keeping them informed of the Group's strategy, progress and prospects. As part of this, the Board is committed to a high standard of corporate reporting.

The Executive Directors conducted a wide-ranging investor roadshow ahead of the IPO, meeting key institutions in London and Edinburgh. They also met leading shareholders after the release of the interim results in June 2016.

In September 2016, the Executive Directors hosted a site visit for analysts, which included tours of a completed student accommodation development and a development under construction in London.

Annual General Meeting ("AGM")

The Company's AGM will be held at 10.30 am on 16 February 2017 at the offices of DLA Piper UK LLP, 1 St Peter's Square, Manchester, M2 3DE. The Notice of Meeting, setting out the resolutions proposed, is contained in a separate document and is available on the Group's website, www.watkinjonesplc.com.

AUDIT COMMITTEE REPORT

Much time has been spent adjusting to the transition from a private company to a public one and setting up policies and procedures to ensure high standards of financial control.

Dear Shareholder

Since the Company has only recently become publicly listed, and the Audit Committee is new, much time has been spent adjusting to the transition from a private company to a public one and setting up policies and procedures to ensure high standards of financial control.

Committee members

Simon Laffin (chairman)

Grenville Turner

Additional attendees, as invited

Ernst & Young LLP

Mark Watkin Jones

Philip Byrom

Committee responsibilities

The Committee is primarily responsible for:

- monitoring the quality of internal controls;
- ensuring that the Group's financial performance is properly measured and reported; and
- reviewing reports from the Group's auditor relating to the Group's accounting and internal controls.

The Committee meets at least twice in a full year.

We have reviewed a number of items since the Committee was founded in April 2016.

These included:

Auditor rotation: Ernst & Young has been our auditor since 2000. The current statutory and Corporate Governance rules on auditor rotation do not apply to AIM companies, so there is no requirement to tender the audit. The Committee discussed the performance of the auditor and concluded that it was satisfactory. The Committee agreed to keep this under review, but did not feel that it was in shareholders' interests to disrupt the audit process so early in the Company's life as a listed entity.

Interim results: The Committee reviewed the interim results, the preliminary results announcement and the presentation slides.

Full year results: We reviewed Ernst & Young's plan for the full year audit. The auditor informed us that it would report unadjusted audit differences and significant judgemental items in excess of £100,000. The audit materiality level was expected to be c.£2.0 million.

Audit fee: The audit fee for FY 2016 was agreed by management and the auditor. In future years, this will be agreed between the Audit Committee and the auditor.

Internal controls: The Board reviewed a number of new documents and processes that were identified to bring the Company up to the standard of controls required of a listed company on AIM. These included: schedules of responsibilities; codes of conduct; and the Group's financial policies and procedures manual.

Internal audit: The Audit Committee reviewed the need for an internal audit function and decided that it would keep the need under review, but that it was not necessary at present.

Risk management: The Committee reviewed a draft risk management framework and risk register. These, together with the Group's risk appetite statement, will be developed further and recommended for the Board to approve in 2017.

Significant financial reporting matters

The Committee considered the following significant matters relating to financial reporting:

The Audit Committee's risk assessment:

Revenue recognition: This is a presumed significant risk in all audit work, but the specific issue for us is recognition of long-term contract revenue.

Management override: Again, this is a presumed risk. The issue for the Audit Committee is ensuring that there are sufficient management controls to offset this risk.

Land and work-in-progress valuation: This is an important part of long term contract accounting. The Company has clear accounting policies for these valuations, with the forward sale model reducing the risk around the selling price.

Acquisition of Fresh Student Living: The Committee received a report from KPMG on the fair value of this subsidiary, and agreed with its conclusion and the accounting treatment to amortise the intangible assets over their estimated useful lives as follows:

- customer relationships – eleven years; and
- brand – ten years.

The goodwill arising will be subject to annual impairment review.

Performance reporting: The Committee worked with executive management to enhance internal performance reporting, to ensure that the Board was fully appraised of current performance. Significant progress has been made, but more will also be needed.

Simon Laffin
Chairman of the Audit Committee

17 January 2017

NOMINATION COMMITTEE REPORT

This report explains the skills and experience the Company was looking for in appointing the Non-Executive Directors.

Dear Shareholder

The Nomination Committee was not required to meet during the year, as both Simon Laffin and I were appointed before the Committee was created. This report therefore explains the skills and experience the Company was looking for in appointing us as Non-Executive Directors, and outlines the Committee's priorities for the year ahead.

Committee members

Grenville Turner (chairman)

Simon Laffin

Committee responsibilities

The Committee identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Committee meets as required.

Appointment of the Non-Executive Directors

Simon and I formally joined the Board on 26 February 2016. During our discussions with the Company ahead of our appointments, it was clear that it was seeking Non-Executive Directors who were both independent and had relevant experience. I had previously chaired a student accommodation business and knew Watkin Jones' product and how it was regarded in the market. My past human resources experience, including talent and succession planning and chairing remuneration committees, was also seen as valuable.

The key committee role is chairman of the Audit Committee and Simon's experience as chairman of Assura plc, and previously as chair of the Audit Committee for Quintain Estates and Development plc and Aegis Group plc, together with his executive experience as Finance and Property Director for Safeway plc, made him an outstanding candidate. He also has broad experience as a non-executive director of a range of major companies, including in the property sector.

Both Simon and I received formal inductions on joining the Board.

Priorities for FY 2017

In the coming year, the Committee has a number of priorities. These include:

- recruiting an additional Non-Executive Director, who will take over as chairman of the Remuneration Committee;
- completing succession planning for the Executive Directors and overseeing succession planning for the key executives below Board level; and
- introducing formal recruitment processes for senior positions.

In considering candidates for the role of Non-Executive Director, the Committee would like to take the opportunity to increase diversity on the Board. However, our overriding objective will be to recommend the person we believe is best for the role.

Grenville Turner
Chairman of the Nomination Committee

17 January 2017

REMUNERATION COMMITTEE REPORT

The Company operates a simple remuneration policy, which the Committee believes is appropriate for Watkin Jones' size and position as a newly quoted company.

Dear Shareholder

This report sets out the Group's remuneration policy for the Directors and explains how this policy was applied during the year.

Committee members

Grenville Turner (chairman)

Simon Laffin

Additional attendees, as invited

Mark Watkin Jones

Philip Byrom

Committee responsibilities

The Committee is primarily responsible for:

- reviewing the performance of the Executive Directors; and
- determining their terms and conditions of service, including their remuneration.

The Remuneration Committee meets at least once a year.

Remuneration policy

The Company operates a simple remuneration policy, which the Committee believes is appropriate for Watkin Jones' size and position as a newly quoted company.

Executive Directors may receive:

- basic salary;
- annual bonus;
- pension contributions; and
- other benefits, including a car allowance and health insurance.

Basic salaries

The current annual salaries of the Executive Directors are as follows:

- Mark Watkin Jones: £300,000; and
- Philip Byrom: £180,000.

The Committee will review the Executive Directors' salaries annually but is not obliged to increase them. In reviewing salaries, the Committee will seek to ensure that salaries remain competitive with external market practices and are competitive when measured against other comparably sized AIM-listed peers.

The Committee will also consider:

- the performance, role and responsibility of each Director;
- the economic climate, market conditions and the Company's performance; and
- the level of pay across the Group as a whole.

Annual bonus

During the year, the Committee reviewed the operation of the annual bonus, and has put in place corporate performance and personal performance measures for the Executive Directors for FY 2017 onwards. This will incentivise delivery of the plan for the year, as well as ensuring future performance through measures related, for example, to the development pipeline.

The maximum bonus opportunity is 100% of basic salary for both Mark Watkin Jones and Philip Byrom. 75% of the annual bonus will relate to corporate performance and 25% to achieving personal targets.

Pensions

For FY 2017 onwards, the Company will contribute to pension plans for the Executive Directors at a rate of 7% of basic salary.

Non-Executive Directors' fees

The current fees for the Non-Executive Directors are as follows:

- Grenville Turner: £125,000; and
- Simon Laffin: £52,000.

These fees are subject to annual review.

Remuneration in the year

During the year, the Directors received the following emoluments:

	Basic salary/fee	Annual bonus	Pension contribution	Benefits in kind	**Total FY 2016**
Mark Watkin Jones	225,000	243,750	50,000	72,910	**591,660**
Philip Byrom	155,000	146,250	10,850	15,033	**327,133**
Grenville Turner	62,500	—	—	—	**62,500**
Simon Laffin	26,000	—	—	—	**26,000**
Total	468,500	390,000	60,850	87,943	**1,007,293**

The above figures comprise the emoluments for Mark Watkin Jones and Philip Byrom as directors of Watkin Jones Group Limited for the six months to 31 March 2016 and as Directors of Watkin Jones plc for the six months to 30 September 2016. The emoluments for Grenville Turner and Simon Laffin are for the six-month period from the date of their appointment to 30 September 2016.

Settlement of long term incentive plan arrangements

As a consequence of the Company's admission to AIM, various long term incentive plan arrangements that had been put in place in Watkin Jones Group Limited, Watkin Jones & Son Limited and Fresh Student Living Limited, vested. The total cash settled value of these arrangements was £24.6 million, before deductions for tax and national insurance, of which £15.3 million was re-invested, by the senior management concerned, in shares in Watkin Jones plc. After taking account of amounts previously accrued by the Group and on the acquisition of Fresh Student Living Limited, the cash settlement of the arrangements resulted in a charge to the Group's statement of comprehensive income of £20.1 million. This charge has been included in the exceptional IPO costs of £26.6 million.

In respect of these arrangements Philip Byrom received a cash settled value of £6,483,000, before deductions for tax and national insurance, of which £4,167,891 was re-invested in shares in the Company.

Directors' interests in the Company's shares

At 30 September 2016, the Directors had the following interests in the Company's shares:

	Number of shares
Mark Watkin Jones	7,650,000
Philip Byrom	4,167,891
Grenville Turner	340,900
Simon Laffin	100,000
Total	**12,258,791**

Mark Watkin Jones also has a potential beneficial interest in the G&J Watkin Jones 1992 Settlement Trust and in the Watkin Jones Will Trust, which between them held 116,009,407 shares in the Company at 30 September 2016.

Grenville Turner
Chairman of the Remuneration Committee

17 January 2017

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the year ended 30 September 2016.

The corporate governance disclosures on pages 40 and 41 form part of this report.

Principal activity

The Company was incorporated and registered in England and Wales, with registered number 9791105 on 23 September 2015, as a private company limited by shares with the name HDCO3 Limited. The name of the Company was changed to Watkin Jones Limited on 19 February 2016. The Company was re-registered as a public limited company with the name Watkin Jones plc on 15 March 2016. The Company's shares are traded on the Alternative Investment Market of the London Stock Exchange.

The Company is the ultimate holding company of the Group. The Group's principal activities are described in the strategic report on pages 2 to 37.

Review of business

The strategic report on pages 2 to 37 provides a review of the business, the Group's trading for the year ended 30 September 2016, key performance indicators and an indication of future developments and risks.

Result and dividend

The Group's profit for the year was £4.2 million (FY 2015: £22.2 million). More information about the Group's financial performance can be found in the financial review on pages 32 and 33, and in the financial statements on pages 49 to 86.

The Board has recommended a final dividend for the year of 2.67 pence per share, giving a total dividend for the year of 4.0 pence per share. More information about dividends can be found in the Chairman's statement on pages 8 and 9.

Directors

The Company's Directors during the year were:

- Grenville Turner;
- Mark Watkin Jones;
- Philip Byrom; and
- Simon Laffin.

The Directors' biographies can be found on page 39. Details of the Executive Directors' service contracts, the Non-Executive Directors' letters of appointment and the Directors' dates of appointment can be found in the corporate governance report on pages 40 and 41.

Directors' interests

The Directors' interests in the Company's shares are set out in the Remuneration Committee report on pages 44 and 45.

Directors' indemnity provisions

The Company has purchased and maintained throughout the period Directors' and officers' liability insurance in respect of the Directors.

Share capital structure

At 30 September 2016, the Company's issued share capital was £2,552,689, divided into 255,268,875 ordinary shares of one pence each.

The holders of ordinary shares are entitled to one vote per share at the Company's general meetings.

Political donations

The Company made no political donations during the year.

Substantial shareholdings

Based on the share register analysis as at 15 December 2016 and as far as the Company is aware the following represents interests in excess of 3% of its ordinary share capital:

Holder	Number of shares held	Percentage
G&J Watkin Jones 1992 Settlement Trust	88,151,422	34.57
Watkin Jones Will Trust	27,857,985	10.92
Schroder Investment Management	11,000,000	4.31
Seek Ventures Limited	10,000,000	3.92
Premier Asset Managers	9,050,000	3.55
GLG Partners	9,008,981	3.53

Auditor

Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming AGM.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approval

This Directors' report was approved on behalf of the Board on 17 January 2017.

Philip Byrom
Chief Financial Officer

17 January 2017

DIRECTORS' RESPONSIBILITIES

in relation to the annual report and financial statements

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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 UK 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 plc

We have audited the financial statements of Watkin Jones plc for the year ended 30 September 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the Company statement of financial position, the consolidated and Company statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 45. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Company Act 2006.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 47, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Victoria Venning
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Manchester

17 January 2017

Notes:

1. The maintenance and integrity of the Watkin Jones plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2016

	Notes	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Continuing operations			
Revenue	6	**266,980**	244,246
Cost of sales		**(213,169)**	(200,198)
Gross profit		**53,811**	44,048
Administrative expenses		**(14,551)**	(10,611)
Distribution costs		**(1,377)**	(981)
Operating profit before exceptional IPO costs		**37,883**	32,456
Exceptional IPO costs	8	**(26,561)**	—
Operating profit	9	**11,322**	32,456
Share of profit in joint ventures	21	**2,972**	1,165
Finance income		**252**	95
Finance costs	12	**(1,282)**	(810)
Profit before tax from continuing operations		**13,264**	32,906
Income tax expense	14	**(8,179)**	(6,296)
Profit for the year from continuing operations		**5,085**	26,610
Discontinued operations			
Loss after tax for the year from discontinued operations	13	**(878)**	(4,433)
Profit for the year attributable to ordinary equity holders of the parent		**4,207**	22,177
Other comprehensive income			
Subsequently reclassified to income statement:			
Net gain on available-for-sale financial assets		**116**	112
Total comprehensive income for the year attributable to ordinary equity holders of the parent		**4,323**	22,289
		Pence	£
Earnings per share for the year attributable to ordinary equity holders of the parent			
Basic earnings per share		**3.123**	22.177
Basic earnings per share from continuing operations	15	**3.774**	26.610
Adjusted basic earnings per share from continuing operations (excluding operating exceptional costs)	15	**23.489**	26.610

The notes on pages 53 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

	Notes	30 September 2016 £'000	30 September 2015 £'000
Non-current assets			
Intangible assets	17	**15,521**	—
Property, plant and equipment	18	**1,876**	4,807
Investment in joint ventures	21	**5,950**	7,220
Deferred tax asset	29	**262**	1,514
Other financial assets	30	**2,545**	1,169
		26,154	14,710
Current assets			
Inventory and work in progress	22	**128,157**	119,683
Trade and other receivables	24	**16,436**	20,553
Cash and cash equivalents	25	**47,221**	59,270
		191,814	199,506
Total assets		**217,968**	214,216
Current liabilities			
Trade and other payables	26	**(90,781)**	(69,696)
Provisions	28	**(253)**	(339)
Other financial liabilities	30	**(63)**	(47)
Interest-bearing loans and borrowings	27	**(14,970)**	(9,759)
Current tax liabilities		**(6,018)**	(7,077)
		(112,085)	(86,918)
Non-current liabilities			
Interest-bearing loans and borrowings	27	**(43)**	(10,424)
Deferred tax liabilities	29	**(1,151)**	(396)
Provisions	28	**(1,957)**	(2,124)
Other non-current liabilities	33	**—**	(1,304)
		(3,151)	(14,248)
Total liabilities		**(115,236)**	(101,166)
Net assets		**102,732**	113,050
Equity			
Share capital	32	**2,553**	1,000
Share premium		**84,612**	6,300
Merger reserve		**(75,383)**	—
Available-for-sale reserve		**269**	153
Retained earnings		**90,681**	105,597
Total equity		**102,732**	113,050

The notes on pages 53 to 82 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 17 January 2017 and signed on its behalf by:

Mark Watkin Jones
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Available-for-sale reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2014	1,000	6,300	—	41	83,420	90,761
Profit for the year	—	—	—	—	22,177	22,177
Other comprehensive income	—	—	—	112	—	112
Balance at 30 September 2015	1,000	6,300	—	153	105,597	113,050
Profit for the year	—	—	—	—	4,207	4,207
Other comprehensive income	—	—	—	116	—	116
Dividend paid (note 16)	—	—	—	—	(13,395)	(13,395)
Share restructuring prior to IPO	1,695	167,864	—	—	—	169,559
Capital reduction prior to IPO	—	(167,864)	—	—	167,864	—
Issue of shares on IPO	855	84,586	—	—	—	85,441
Issue of shares to employees of Fresh Student Living Limited	—	26	—	—	—	26
Issue of shares to employee SIP	3	—	—	—	—	3
Group reconstruction of Watkin Jones plc and Watkin Jones Group Limited	(1,000)	(6,300)	(75,383)	—	(173,592)	(256,275)
Balance at 30 September 2016	**2,553**	**84,612**	**(75,383)**	**269**	**90,681**	**102,732**

The notes on pages 53 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2016

	Notes	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Cash flows from operating activities			
Cash inflow from operations	34	**24,457**	32,008
Interest received		**252**	95
Interest paid		**(1,408)**	(875)
Interest element of finance lease rental payments		**(22)**	(20)
Tax paid		**(8,152)**	(2,777)
Net cash inflow from operating activities		**15,127**	28,431
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(150)**	(50)
Proceeds on disposal of property, plant and equipment		**2,750**	70
Acquisition of Fresh Student Living Limited (net of cash acquired)		**(14,496)**	—
Loan repayment from joint venture		**4,242**	1,339
Purchase of other financial assets		**(1,024)**	(378)
Net cash (outflow)/inflow from investing activities		**(8,678)**	981
Cash flows from financing activities			
Dividends paid		**(13,395)**	—
Issue of shares prior to IPO		**88,151**	—
Issue of shares on IPO		**85,441**	—
Cash outflow on group reconstruction of Watkin Jones plc and Watkin Jones Group Limited		**(173,592)**	—
Capital element of finance lease rental payments		**(278)**	(393)
New bank loans		**—**	8,940
Repayment of bank loans		**(4,825)**	(4,627)
Net cash (outflow)/inflow from financing activities		**(18,498)**	3,920
Net (decrease)/increase in cash		**(12,049)**	33,332
Cash and cash equivalents at 1 October 2015 and 1 October 2014		**59,270**	25,938
Cash and cash equivalents at 30 September 2016 and 30 September 2015		**47,221**	59,270

The notes on pages 53 to 82 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2016

1. General information

Watkin Jones plc (the "Company") is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 09791105). The Company is domiciled in the United Kingdom and its registered address is Units 21-22, Llandygai Industrial Estate, Bangor, Gwynedd, LL57 4YH.

The Company was incorporated as HDCO3 Limited on 23 September 2015.

The Company acquired all the issued shares in Watkin Jones Group Limited on 15 March 2016. This was achieved through a combination of a share-for-share exchange over 319,247 shares in Watkin Jones Group Limited, involving the issue of 81,407,985 ordinary shares in the Company at an issue price of £1 per share, and the completion of an agreement to purchase the remaining 680,753 shares for an amount of £173,592,015 in cash. This was settled on 23 March 2016. On 15 March 2016 the Company was re-registered as Watkin Jones plc.

On 23 March 2016, the Company completed an Initial Public Offering ("IPO") by way of a placing of 85,440,493 ordinary shares at 100 pence per share and a vendor placing of 45,900,100 ordinary shares at 100 pence per share. The Company's shares were admitted to trade on the Alternative Investment Market ("AIM") of the London Stock Exchange on 23 March 2016.

The principal activities of the Company and its subsidiaries (collectively "the Group") are those of property development and the management of properties for multiple residential occupation.

The consolidated financial statements for the Group for the year ended 30 September 2016 comprise the Company and the subsidiaries that were acquired by the Company before the listing of the Company's shares on AIM. The basis of preparation of the consolidated financial statements is set out in note 2 below.

2. Basis of preparation

The consolidated financial statements of the Group for the year ended 30 September 2016 and the comparatives for the year ended 30 September 2015 have been prepared on the basis that Watkin Jones plc was in existence throughout these periods. The terms of the acquisition of the shares in Watkin Jones Group Limited were such that the Group reconstruction should be accounted for as a continuation of the existing Group rather than as an acquisition, and as such merger accounting has been applied. The cash consideration paid as part of the Group reconstruction has been reflected against retained earnings as a distribution. Accordingly, the financial statements and the comparatives have been prepared on this basis.

The financial statements of the Group have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. As a result of the IPO, the Group prepared an admission document to AIM which incorporated the first time adoption of IFRS adopted by the EU and all transition adjustments.

The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events may ultimately differ from those estimates.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the historical cost basis except as disclosed in these accounting policies.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

3. Accounting policies

3.1 Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

3.2 Going concern

The financial statements have been prepared on a going concern basis. The Directors consider that it is appropriate for the financial statements to be prepared on this basis having considered all relevant information, including the Group's trading and cash flow forecasts, the trading opportunities available to the Group and the ongoing support of its banks.

3.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of any acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. There have been no non-controlling interests ("NCI") recognised in the business combinations to date. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised immediately in profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

3. Accounting policies continued

3.3 Business combinations continued

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is carried in the statement of financial position at deemed cost as at 1 October 2012, the date of transition to IFRS for the Group, less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

3.4 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 Group'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 Group'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 Group'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 Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group'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 NCI of the joint venture.

When necessary, adjustments are made to bring the accounting policies of joint ventures in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in joint ventures is impaired. If there is such evidence, the Group 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 Group 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.

3.5 Revenue recognition

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

Construction contracts

The Group principally operates fixed price contracts. If the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

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
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 materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts. Assets covered by a single contract are treated separately when:

- the separate proposals have been submitted for each asset;
- each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and
- the costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:

- the group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and
- the contracts are performed concurrently or in a continuous sequence.

Sale of completed property
Where a contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Sales of property under development
Where a contract is judged to be for the construction of a property and the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- the buyer controls the work in progress, typically when the land on which the development is taking place is owned by the final customer; and
- all significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically when the buyer cannot put the incomplete property back.

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

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

3.6 Foreign currency
The Group's presentational currency which is Great British Pounds, is also the functional currency of the parent and its subsidiaries.

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the foreign exchange rate ruling at the date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

3.7 Segment reporting
Operating segments are identified in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group determines its reportable segments having regard to permitted aggregation criteria with the principal condition being that the operating segments should have similar economic characteristics. For the purposes of determining its operating segments, the chief operating decision-maker has been identified as the Executive Committee. This Committee approves investment decisions, allocates the Group's resources and reviews the internal reporting in order to assess performance.

3.8 Other intangible assets
The cost of intangibles acquired as part of a business combination is the fair value at the date of acquisition.

Intangible assets other than goodwill are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets as follows:

Customer relationships:	– eleven years
Brand:	– ten years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

3. Accounting policies continued

3.9 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:

Aeroplane:		– 4% straight line
Plant and machinery:	cranes	– 5% reducing balance
	other	– 20% reducing balance
Motor vehicles:		– 25% reducing balance

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.

3.10 Impairment of property, plant and equipment and intangible assets including goodwill

At each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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 risks specific to the asset.

When the carrying amount of an asset or CGU 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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

If indication exists that previously recognised impairment losses no longer exist or have decreased, the Group estimates the asset's or CGU'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 treated as a revaluation reserve. No impairment loss in respect of goodwill is permitted to be reversed.

3.11 Inventory

Inventory 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 where appropriate.

3.12 Financial assets

Financial assets are recognised initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through profit or loss.

The Group's investments in Unit Trust and equity interests held under shared ownership schemes are classified as AFS equity assets, and are included within other financial assets on the Group's balance sheet.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised through OCI in the available-for-sale reserve. When the investment is derecognised, the cumulative gain or loss is recognised in finance income. If the investment is determined to be impaired, the cumulative loss is reclassified to the statement of comprehensive income in finance costs.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are stated at cost, less impairment. The losses arising from impairment are recognised in the statement of comprehensive income in cost of sales or other operating expenses.

The Group's financial assets within trade and other receivables are classified as loans and receivables.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.13 Financial liabilities
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. 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 Group'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 Group'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.

Trade and other payables
Trade and other payables are carried at cost.

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.

3.14 Derivative financial instruments
Initial recognition and subsequent measurement
The Group uses interest rate swaps to hedge interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative and are included within other financial assets or liabilities on the Group's balance sheet, as appropriate.

Any gains or losses arising from changes in the fair value of other derivatives are taken directly to the statement of comprehensive income.

Interest rate swaps on specific borrowings
As described in these accounting policies, the Group capitalises interest on specific borrowings that fund the construction of qualifying inventory.

Where the Directors consider that the gains and losses of the interest rate swap are directly attributable to the construction of qualifying inventory, the net cash cost of interest on an accruals basis is capitalised. Otherwise, interest capitalised is limited to that incurred on the underlying specific borrowings on an EIR basis.

Current versus non-current classification
Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond twelve months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

3. Accounting policies continued

3.15 Discontinued operations

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

3.16 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 Group.

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.

3.17 Cash and cash equivalents

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

3.18 Employee benefits

The Group 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.

3.19 Employee benefits – long term incentive plans

The cost of the incentive schemes is measured at the grant date, taking into account the terms attaching to the awards, and at each balance date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the cost of the reward and the portion of the vesting period expired at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

3.20 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.21 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 balance sheet date, and any adjustment 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.

3.22 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 Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

3.23 Provisions
A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The Group makes provision for future operating lease rental commitments relating to properties where it is probable that those commitments cannot be fully met from the economic benefits derived from the operation of the properties concerned. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

4. Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group'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
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Sale and operating leaseback of properties
The accounting treatment of the sale and leaseback depends upon the substance of the transaction (applying the lease classification principles described in note 3.19). For sale and operating leasebacks, the assets are sold at fair value, and accordingly the profit or loss from the sale is recognised immediately in statement of comprehensive income. Several property operating leases have been entered into in the period between 1 October 2009 and 30 September 2016. When forming the conclusion of operating lease classification, consideration has been given to the key lease classification indicators of IAS 17. The leases are typically for a 3-35 year period. The Directors have reviewed the remaining useful lives for these particular properties and concluded they are significantly longer than the period of the lease. Other key indicators considered in reaching an operating lease classification were the present value of the minimum lease payments and the ownership clauses in the contracts upon expiry of the lease.

Joint ventures – assessment of joint control
Athena Hall (Jersey) Limited has been accounted for as a joint venture in which the Group has a 50% commercial interest, as in the opinion of the Directors this properly reflects the substance of the co-investment agreements entered into between Watkin Jones & Son Limited and the other party to the joint venture. Both parties have invested equally in the joint venture by way of a loan from Watkin Jones & Son Limited and a Murabaha facility from the other party to the joint venture. The co-investment agreements provide that all operational decisions must be made jointly and that all returns arising from the joint venture are shared equally. Athena Hall (Jersey) Limited owns 100% of the issued share capital of Ipswich Student Limited, which in turn owns 100% of the issued share capital of Smoothsale Limited. Both Ipswich Student Limited and Smoothsale Limited are dormant.

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.

Revenue recognition
When a contract for the sale of a property upon completion of construction is judged to be a construction contract, revenue is recognised using the percentage of completion method as construction progresses. The Group considers the terms and conditions of the contract, including how the contract was negotiated and the structural elements that the customer specifies when identifying individual projects as construction contracts. The percentage of completion is estimated by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

5. New standards and interpretations

The following standards and interpretations that are anticipated to be relevant to the Group have an effective date after the date of these financial statements. The Group has not early adopted them and plans to adopt them from the effective dates once endorsed for application in the EU. The Directors are in the process of analysing the effect of new standards on the Group.

Not yet endorsed by the EU:

Standard or interpretation	Effective for accounting periods beginning on or after
IFRS 16 'Leases'	1 January 2019

Endorsed by the EU:

Standard or interpretation	Effective for accounting periods beginning on or after
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts with Customers' including amendments	1 January 2018

Amendments to Standards	
Amendments to IAS 1 'Disclosure Initiative'	1 January 2016
Amendments to IAS 16 and IAS 38 'Classification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
Amendments to IAS 27 'Equity Method in Separate Financial Statements'	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception'	1 January 2016
Annual improvements to IFRS 2012–2014 Cycle	1 January 2016
Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016
Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017
Amendments to IAS 7 'Disclosure Initiative'	1 January 2017
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'	1 January 2018

6. Revenue

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Rental income received	**14,317**	10,808
Sale of goods (residential property)	**25,043**	14,623
Sales from development and construction contracts (note 23)	**227,620**	218,815
	266,980	244,246

Sales to three individual customers account for greater than 10% of the total revenue, representing revenue of £82,560,000, £37,984,000 and £34,000,000 and are reported under the Student Accommodation segment.

7. Segmental reporting

The Group has identified three segments for which it reports under IFRS 8 'Operating Segments'. The following represents the segments that the Group operates in:

a. Student Accommodation Development – purpose built student accommodation developments;

b. Residential Development – the development of traditional residential property; and

c. Student Accommodation Management – the management of student accommodation property. This segment was established following the acquisition of Fresh Student Living Limited on 25 February 2016.

Corporate – central revenue and costs not solely attributable to any one division.

All revenues arise in the UK.

Performance is measured by the Board based on gross profit as reported in the management accounts.

Year ended 30 September 2016	Student Accommodation £'000	Residential £'000	Student Accommodation Management £'000	Corporate £'000	Total £'000
Segmental revenue	237,163	26,312	2,828	677	266,980
Segmental gross profit	48,575	3,033	1,666	537	53,811
Administration expenses	—	—	(1,375)	(13,176)	(14,551)
Distribution costs	—	—		(1,377)	(1,377)
Exceptional IPO costs	—	—	—	(26,561)	(26,561)
Share of operating profit in joint ventures	2,975	—	—	(3)	2,972
Finance income	—	—	—	252	252
Finance costs	—	—	—	(1,282)	(1,282)
Profit/(loss) before tax	51,550	3,033	291	(41,610)	13,264
Taxation	—	—	—	(8,179)	(8,179)
Continuing profit/(loss) for the year	51,550	3,033	291	(49,789)	5,085
Loss from discontinued operations (note 13)					(878)
Profit for the year attributable to ordinary equity shareholders of the parent					4,207
Inventory and work in progress	74,141	53,666	—	—	127,807
Inventory and work in progress – discontinued					350
Total inventory and work in progress (note 22)					128,157

Year ended 30 September 2015	Student Accommodation £'000	Residential £'000	Corporate £'000	Total £'000
Segmental revenue	228,153	15,917	176	244,246
Segmental gross profit/(loss)	41,505	2,650	(107)	44,048
Administration expenses	—	—	(10,611)	(10,611)
Distribution costs	—	—	(981)	(981)
Share of operating profit in joint ventures	1,165	—	—	1,165
Finance income	—	—	95	95
Finance costs	—	—	(810)	(810)
Profit/(loss) before tax	42,670	2,650	(12,414)	32,906
Taxation	—	—	(6,296)	(6,296)
Continuing profit/(loss) for the year	42,670	2,650	(18,710)	26,610
Loss from discontinued operations (note 13)				(4,433)
Profit for the year attributable to ordinary equity shareholders of the parent				22,177
Inventory and work in progress	43,996	57,659	—	101,655
Inventory and work in progress – discontinued				18,028
Total inventory and work in progress (note 22)				119,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

8. Exceptional IPO costs

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Exceptional IPO costs		
IPO transaction costs	**6,500**	—
Management incentive payments	**20,061**	—
Total exceptional IPO costs	**26,561**	—

The charge for management incentive payments comprises amounts payable to certain senior management of Watkin Jones Group Limited in connection with various long term incentive plans which fell due on the admission to AIM of Watkin Jones plc. The amount comprises a total charge of £21,735,400, plus stamp duty costs of £98,440, less an amount previously provided of £1,773,200. Of the total incentive payments made, management invested £13,942,984 in shares in Watkin Jones plc as part of the IPO.

9. Total operating profit

This is stated after charging/(crediting):

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Operating lease rentals	**8,481**	6,622
Audit services to the parent company	**95**	29
Audit services to the subsidiaries	**128**	106
Auditor's remuneration for other services provided	**246**	—
Amortisation of intangible assets	**326**	—
Depreciation:		
Owned assets	**241**	347
Assets under finance leases	**100**	142
Loss/(profit) on disposal of fixed assets	**80**	(40)
Impairment of goodwill (notes 13 and 17)	**—**	3,193
	9,609	10,399

10. Staff numbers and costs

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

	Number of employees	
	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Construction	**235**	271
Management and administration	**132**	82
	367	353

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Wages and salaries	**15,789**	13,019
Employee incentive – long term incentive plans (note 33)	**20,061**	1,367
Issues of shares to employee SIP and to employees of Fresh Student Living Limited	**29**	–
Social security costs	**1,780**	1,585
Defined contribution pension costs	**540**	405
	38,199	16,376

Pensions

The Group 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 Group. Contributions during the year amounted to £490,000 (2015: £355,000). There are no unpaid contributions at the end of the year (2015: £Nil).

The Group 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 Group. Contributions during the year amounted to £Nil (2015: £Nil).

In addition, the Group operates a small self-administered pension scheme for the benefit of certain current and former Directors. The assets of the scheme are administered by trustees who include Mark Watkin Jones, who is a Director of the Group. The scheme is subject to actuarial review on a triennial basis. The benefits provided by the scheme are limited to its available assets. Contributions to the scheme during the year amounted to £50,000 (2015: £50,000).

Key management personnel

The Group considers that its Directors and the senior managers who are Directors of Watkin Jones & Son Limited are key management personnel for the purposes of IAS 24 'Related Parties'.

The aggregate payroll costs of key management were as follows:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Wages and salaries	**2,822**	1,926
Employee incentive – long term incentive plans (note 33)	**20,061**	1,367
Social security costs	**160**	279
Defined contribution pension costs	**214**	110
	23,257	3,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

11. Directors' emoluments

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Directors' emoluments	**947**	603
Employee incentive – long term incentive plans	**6,038**	—
Contributions to money purchase pension schemes	**50**	50
Highest paid Director:		
Emoluments	**316**	409
Employee incentive – long term incentive plans	**6,038**	—
Contributions to money purchase pension schemes	**11**	—

12. Finance costs

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Finance charges	**1,225**	683
Finance charges payable under finance leases	**22**	20
Other interest payable	**35**	107
	1,282	810

In addition, the Group has capitalised during the year in development land and work in progress, interest payable of £148,000 (2015: £329,000) on bank loans.

13. Discontinued operations

On 9 July 2015, the Board took the decision to discontinue the activities of the construction contracting segment. The segment had minimal directly attributable assets and liabilities and those remaining have been transferred to continuing operations. The results for the construction contracting segment are set out below:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Revenue	**9,863**	10,931
Cost of sales	**(10,961)**	(12,491)
Gross loss	**(1,098)**	(1,560)
Administrative expenses – goodwill impairment	**—**	(3,193)
Operating loss for the year from discontinued activities	**(1,098)**	(4,753)
Income tax credit	**220**	320
Loss for the year	**(878)**	(4,433)
	Pence	£
Earnings per share from discontinued operations	**(0.344)**	(4.433)

14. Income taxes

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Current income tax		
UK corporation tax on profits for the year	**7,508**	7,212
Adjustments in respect of previous periods	**(299)**	(99)
Total current tax	**7,209**	7,113
Deferred tax		
Origination and reversal of temporary differences	**135**	(892)
Impact of change in tax rate	**(52)**	75
Adjustments in respect of prior year	**887**	–
Total deferred tax	**970**	(817)
Total tax expense	**8,179**	6,296

Reconciliation of total tax expense

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Accounting profit before tax from continuing operations	**13,264**	32,906
Accounting loss before tax from discontinued operations	**(1,098)**	(4,753)
Accounting profit before income tax	**12,166**	28,153
Profit multiplied by standard rate of corporation tax in the UK of 20.0% (2015: 20.5%)	**2,433**	5,771
Expenses not deductible	**4,958**	125
Joint ventures results reported net of tax	**(594)**	(239)
Other differences	**30**	418
Prior period adjustment	**1,161**	(99)
At the effective rate of tax of 65.6% (2015: 21.2%)	**7,988**	5,976
Income tax expense reported in the statement of profit or loss	**8,179**	6,296
Income tax attributed to a discontinued activity	**(220)**	(320)
Income tax attributed to an available-for-sale asset	**29**	–
	7,988	5,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

15. Earnings per share

Basic earnings per share ("EPS") amounts are calculated by dividing the net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of shares in issue during the year.

There is no difference between basic earnings per share and diluted earnings per share as there are no dilutive share option arrangements in place at 30 September 2016.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Profit attributable to ordinary equity holders of the parent	**4,207**	22,177
Profit from continuing operations attributable to ordinary equity holders of the parent	**5,085**	26,610
Adjusted profit from continuing operations attributable to ordinary equity holders of the parent (excluding exceptional IPO costs)	**31,646**	26,610

	Number of shares	Number of shares
Number of ordinary shares for basic earnings per share	**134,729,152**	1,000,000

	Pence	£
Basic earnings per share from continuing operations		
Basic profit for the year attributable to ordinary equity holders of the parent	**3.774**	26.610
Adjusted proforma basic earnings per share from continuing operations (excluding exceptional IPO costs)		
Basic profit for the year attributable to ordinary equity holders of the parent	**23.489**	26.610

Using the number of shares in issue at 30 September 2016, the adjusted proforma basic earnings per share from continuing operations for the year ended 30 September 2016 would have been 12.397 pence (2015: 10.424 pence).

16. Dividends

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Dividend paid prior to IPO	**10,000**	—
Interim dividend paid in February 2016 of 1.33 pence	**3,395**	—
	13,395	—

The final dividend proposed for the year ended 30 September 2016 is 2.67 pence per ordinary share. This dividend was declared after 30 September 2016 and as such the liability of £6,816,000 has not been recognised at that date.

17. Intangible assets

	Customer relationships £'000	Brand £'000	Goodwill £'000	Total £'000
Cost				
At 1 October 2014	—	—	3,193	3,193
Impairment during the year	—	—	(3,193)	(3,193)
At 30 September 2015	—	—	—	—
Arising on acquisition of Fresh Student Living (note 20)	5,604	499	9,744	15,847
At 30 September 2016	**5,604**	**499**	**9,744**	**15,847**
Amortisation				
At 1 October 2014	—	—	—	—
Amortisation for the year	—	—	—	—
At 30 September 2015	—	—	—	—
Amortisation for the year	(297)	(29)	—	(326)
At 30 September 2016	**(297)**	**(29)**	**—**	**(326)**
Net book value				
As at 30 September 2016	**5,307**	**470**	**9,744**	**15,521**
As at 30 September 2015	—	—	—	—

The Directors have reviewed the carrying value of the investment in Fresh Student Living Limited, which is a single CGU, at 30 September 2016, compared to its recoverable amount and are satisfied that no impairment is required. The recoverable amount has been based on value in use, by reference to the budgets and projected cash flows for the CGU over a 20 year period, with future cash flows discounted at a rate of 10% to reflect the time value of money.

18. Property, plant and equipment

	Plant and machinery £'000	Aeroplane £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 October 2014	3,792	3,318	401	7,511
Additions	50	—	—	50
Disposals	(2)	—	(244)	(246)
At 30 September 2015	3,840	3,318	157	7,315
Additions	240	—	—	240
Disposals	(113)	(3,318)	—	(3,431)
At 30 September 2016	**3,967**	**—**	**157**	**4,124**
Depreciation				
At 1 October 2014	1,651	299	285	2,235
Charge for the year	316	133	40	489
Disposals	—	—	(216)	(216)
At 30 September 2015	1,967	432	109	2,508
Charge for the year	188	122	31	341
Disposals	(47)	(554)	—	(601)
At 30 September 2016	**2,108**	**—**	**140**	**2,248**
Net book value				
At 30 September 2016	**1,859**	**—**	**17**	**1,876**
At 30 September 2015	1,873	2,886	48	4,807
At 30 September 2014	2,141	3,019	116	5,276

Finance leases

The carrying value of plant and machinery and motor vehicles held under finance leases at 30 September 2016 was £807,000 (2015: £910,000). Additions during the year include £85,000 (2015: £Nil) of plant and machinery under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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19. Subsidiaries

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

Name	Class of shares	Nature of business
Anderson Wharf (Student) Limited[3]	Ordinary	Property developer
Belle Vue Road Leeds Limited[3]	Ordinary	Property developer
Blackhorse Lane Student Limited[3]	Ordinary	Property developer
Bridge Street Student Limited[3]	Ordinary	Property developer
Brougham Hayes Limited[3]	Ordinary	Property developer
Christchurch Road Bournemouth Limited[3]	Ordinary	Property developer
Coralblend Limited[3]	Ordinary	Property developer
Customhouse Student Limited[3]	Ordinary	Property developer
Dunaskin Student Limited[3]	Ordinary	Property developer
Duncan House Developments Limited[3]	Ordinary	Property developer
Extralap Limited[4]	Ordinary	Property developer
Goldcharm Limited[3]	Ordinary	Property developer
Goldcharm Residential Limited[3]	Ordinary	Property developer
Gorse Stacks Development Limited[4]	Ordinary	Property developer
Heol Santes Helen Limited[3]	Ordinary	Property developer
Holdenhurst Road Bournemouth Limited[3]	Ordinary	Property developer
Hunter Street Chester Limited[3]	Ordinary	Property developer
Logie Green Developments Limited[3]	Ordinary	Property developer
Megaleague Limited[3]	Ordinary	Property developer
New Bridewell Limited[3]	Ordinary	Property developer
New Bridewell 1 Limited[3]	Ordinary	Property developer
New Century House Bournemouth Limited[3]	Ordinary	Property developer
North Hanover Street Student Limited[3]	Ordinary	Property developer
Old Dumbarton Road Limited[3]	Ordinary	Property developer
Onega Centre Bath Limited[3]	Ordinary	Property developer
Oxford House Bournemouth Limited[3]	Ordinary	Property developer
Pittodrie Street Aberdeen Limited[3]*	Ordinary	Property developer
Quarter House Studios Limited[3]	Ordinary	Property developer
Rockingham Street Student Limited[3]*	Ordinary	Property developer
Ruby 99 Limited[3]	Ordinary	Property developer
Spiritbond Stockwell Green Limited[3]	Ordinary	Property developer
St Mungo Avenue Glasgow Limited[3]*	Ordinary	Property developer
Stylegood Limited[3]	Ordinary	Property developer
Suffolk Road Student Limited[3]	Ordinary	Property developer
Superscheme Limited[3]	Ordinary	Property developer
Supertry Limited[3]	Ordinary	Property developer

Name	Class of shares	Nature of business
Tableward Limited[3]	Ordinary	Property developer
Victoria Park Bath Limited[3]*	Ordinary	Property developer
Watkin Jones & Son Limited[2]	Ordinary	Property developer
Watkin Jones Bournemouth Student Limited[6]	Ordinary	Property developer
Watkin Jones Liverpool Student Limited[3]	Ordinary	Property developer
WJ Developments (Residential) Limited[4]	Ordinary	Property developer
Watkin Jones (Sheffield 1) Limited[2]	Ordinary	Property developer
DR (Student) Limited[2]	Ordinary	Holding company
Watkin Jones Group Limited	Ordinary	Holding company
Watkin Jones Holdings Limited[1]	Ordinary	Holding company
Founded Living Limited[3]*	Ordinary	Holding company
Newmark Developments Limited[2]	Ordinary	Holding company and property development services
Watkin Jones AM Limited[2]	Ordinary	Property fund asset manager
Saxonhenge Limited[2]	Ordinary	Aeroplane management
Darley Student Accommodation Limited[5]	Ordinary	Property letting
Finefashion Limited[2]	Ordinary	Property letting
Goldcharm Student Lettings Limited[3]*	Ordinary	Property letting
Lucas Student Lettings Limited[3]*	Ordinary	Property letting
Nicelook Limited[3]	Ordinary	Property letting
Polarpeak Limited[3]	Ordinary	Property letting
Qualityoffer Limited[3]	Ordinary	Property letting
Scarlet P Limited[3]	Ordinary	Property letting
Swiftmatch Limited[3]	Ordinary	Property letting
Wisedeed Limited[3]	Ordinary	Property letting
Fresh Student Living Limited[7]	Ordinary	Student Accommodation Management
Five Nine Living Limited[7]	Ordinary	Student Accommodation Management

* Incorporated during the year.
1. Wholly owned by Watkin Jones plc.
2. Wholly owned by Watkin Jones Holdings Limited (note 3).
3. Wholly owned by Watkin Jones & Son Limited.
4. Wholly owned held by Newmark Developments Limited.
5. Wholly owned by DR (Student) Limited.
6. Wholly owned by Old Dumbarton Road Limited.
7. Wholly owned by Founded Living Limited.

In addition, the Group has a number of dormant subsidiaries that have not been listed because they are immaterial.

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20. Acquisitions

Acquisition of Fresh Student Living Limited

On 25 February 2016 Founded Living Limited, a subsidiary of Watkin Jones Group Limited, acquired the 750 ordinary shares in Fresh Student Living Limited ("Fresh") held by Mark and Glyn Watkin Jones, who were both Directors of and shareholders in Watkin Jones Group Limited, for a cash consideration of £11,835,512. The shares acquired represented 77.48% of the issued shares of the company.

On 23 March 2016, on satisfaction of the condition of admission to AIM of Watkin Jones plc, Founded Living Limited acquired the 218 A ordinary shares held by various directors and senior managers of Fresh, for a cash consideration of £3,164,488. The shares acquired represented the remaining issued shares of the company. As a condition of the acquisition of these shares, the vendor shareholders were required to invest £1,397,609, being 50% of the net of tax proceeds received, in shares in Watkin Jones plc as part of the IPO.

The total consideration paid for the shares in Fresh was therefore £15,000,000, plus stamp duty of £75,010.

Fresh is engaged in the management of purpose built student accommodation. Its services include the letting and operational management of properties, for which the company is engaged under a management agreement and receives a management fee, as well as consultancy and mobilisation services provided during the development phase of a student property.

The resulting goodwill of £9,744,000 arising on the acquisition has been capitalised and is subject to an annual impairment review by management. Goodwill is attributed to Fresh's knowledge and expertise in the letting and management of purpose built student accommodation and in the synergy with the Group's student accommodation development business.

The book and fair value of the net assets acquired in respect of Fresh were as follows:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Non-current assets			
Intangible assets			
Customer relationships	—	5,604	5,604
Brand	—	499	499
Goodwill	—	9,744	9,744
Property, plant and equipment	90	—	90
Deferred tax asset	261	(228)	33
Other financial assets	150	54	204
	501	15,673	16,174
Current assets			
Trade and other receivables	1,262	—	1,262
Cash at bank and in hand	579	—	579
	1,841	—	1,841
Total assets	2,342	15,673	18,015
Current liabilities			
Trade and other payables	(1,830)	(10)	(1,840)
	(1,830)	(10)	(1,840)
Non-current liabilities			
Deferred tax liabilities	—	(1,100)	(1,100)
	—	(1,100)	(1,100)
Total liabilities	(1,830)	(1,110)	(2,940)
Net assets	512	14,563	15,075

In the period since acquisition, Fresh contributed revenue of £2,828,000 and an operating profit of £291,000. Had Fresh been acquired on 1 October 2015, it would have contributed a full year revenue of £5,148,000 and an operating profit of £623,000. The Group's total revenue from continuing operations would have been £269,300,000 and the Group's operating profit would have been £11,654,000.

21. Joint ventures

At 30 September 2016, the Group 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
Athena Hall (Jersey) Limited[1]	Ordinary	100%	30 September	Property letting
Central Retail Limited[1]	Ordinary	50%	31 March	Dormant
Deiniol Developments Limited[1]	Ordinary	50%	30 September	Property development
Rufus Estates Limited[2]	Ordinary	50%	30 June	Property development
Lacuna Edinburgh Limited[1]	Ordinary	50%	31 March	In members' voluntary liquidation
Lacuna Belfast Limited[1]	Ordinary	50%	31 March	Property development
Lacuna Dublin Road Limited[1]	Ordinary	50%	31 March	Property development
Lacuna WJ Limited[1]	Ordinary	50%	31 March	Property development
Spiritbond Finsbury Park Limited[1]	Ordinary	50%	30 September	Property development
Spiritbond Elephant & Castle Limited[1]	Ordinary	50%	30 September	Property development
Freshers PBSH Chester (General Partner) Limited[1]	Ordinary	50%	30 September	Property fund general partner

1. Held by Watkin Jones & Son Limited.
2. Held by Newmark Developments Limited.

The Group's interest in joint ventures are accounted for using the equity method.

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

Year ended 30 September 2016	Athena Hall (Jersey) Limited £'000	Lacuna Belfast Limited £'000	Lacuna Dublin Road Limited £'000	Lacuna WJ Limited £'000	Spiritbond Finsbury Park Limited £'000	Spiritbond Elephant & Castle Limited £'000	All other joint ventures £'000	Total £'000
Revenue	2,226	15,022	3,445	–	920	55	10	21,678
Operating profit/(loss)	1,961	3,798	785	–	(7)	4	(4)	6,537
Finance income/(expense)	(445)	2	–	–	–	–	–	(443)
Profit/(loss) before tax	1,516	3,800	785	–	(7)	4	(4)	6,094
Income tax expense	(189)	(759)	(157)	–	–	(6)	–	(1,111)
Profit/(loss) for the year	1,327	3,041	628	–	(7)	(2)	(4)	4,983
Total comprehensive income for the year	1,477	3,041	628	–	(7)	(2)	(4)	5,133
Group share of profit/(loss) for the year	785	1,826	368	–	(4)	(1)	(2)	2,972
Current assets, including cash and cash equivalents	1,038	4,787	788	2,315	13	277	2,147	11,365
Non-current assets	27,601	–	–	–	–	–	–	27,601
Current liabilities, including financial liabilities	(1,629)	(765)	(160)	(2,315)	(37)	(253)	(2,360)	(7,519)
Non-current liabilities – financial liabilities	(23,939)	–	–	–	–	–	–	(23,939)
Equity	3,071	4,022	628	–	(24)	24	(213)	7,508
Remove joint venture partners share of net assets	(1,535)	(1,604)	(260)	–	12	(12)	107	(3,292)
Remove share of amounts due (to)/from joint ventures	4,814	(2,870)	(460)	1,320	–	–	–	2,804
Consolidation adjustments	(1,070)	–	–	–	–	–	–	(1,070)
Group's carrying amount of the investment	5,280	(452)	(92)	1,320	(12)	12	(106)	5,950

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for the year ended 30 September 2016

21. Joint ventures continued

Year ended 30 September 2015	Athena Hall (Jersey) Limited £'000	Lacuna Belfast Limited £'000	Lacuna Dublin Road Limited £'000	Lacuna WJ Limited £'000	Spiritbond Finsbury Park Limited £'000	Spiritbond Elephant & Castle Limited £'000	All other joint ventures £'000	Total £'000
Revenue	2,186	10,941	—	—	33,606	12,099	42	58,874
Operating profit/(loss)	2,095	1,291	—	—	(18)	25	40	3,433
Finance income/(expense)	(320)	(80)	—	—	—	—	—	(400)
Profit/(loss) before tax	1,775	—	—	—	(18)	25	40	3,033
Income tax expense	(177)	(230)	—	—	(1)	—	(4)	(412)
Profit/(loss) for the year	1,598	981	—	—	(19)	25	36	2,621
Total comprehensive income for the year	1,509	981	—	—	(19)	25	36	2,532
Group share of profit/(loss) for the year	551	592	—	—	(9)	13	18	1,165
Current assets, including cash and cash equivalents	831	1,312	2,040	1,838	1,066	483	2,108	9,678
Non-current assets	27,451	—	—	—	—	—	—	27,451
Current liabilities, including financial liabilities	(504)	(331)	(2,040)	(1,838)	(1,083)	(458)	(2,312)	(8,566)
Non-current liabilities – financial liabilities	(25,474)	—	—	—	—	—	—	(25,474)
Equity	2,304	981	—	—	(17)	25	(204)	3,089
Remove joint venture partners share of net assets	(1,188)	(389)	—	—	8	(12)	102	(1,479)
Remove share of amounts due (to)/from joint ventures	6,680	—	—	—	—	—	—	6,680
Consolidation adjustments	(1,070)	—	—	—	—	—	—	(1,070)
Group's carrying amount of the investment	6,726	592	—	—	(9)	13	(102)	7,220

22. Inventory and work in progress

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Development land	**74,628**	43,300
Stock and work in progress	**53,529**	76,383
Total inventories at the lower of cost and net realisable value	**128,157**	119,683

Total costs incurred during the year were £223,193,000 (2015: £253,468,000), of which £61,609,000 are included in inventory and work in progress (2015: £36,830,000).

23. Construction contracts

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Total income and expense recognised on contracts in progress in the year		
Costs incurred and recognised profit for period	**227,620**	218,815
Contract revenue for the period	**227,620**	218,815
Less progress billings and advances	**(241,953)**	(226,427)
	(14,333)	(7,612)
Brought forward	**8,301**	15,913
Carried forward	**(6,032)**	8,301
Amounts recoverable on contracts	**4,233**	8,301
Payments received in advance on contracts	**(10,265)**	—
Construction contracts in progress, net position	**(6,032)**	8,301
Aggregate amount of costs incurred and recognised profits (less losses) to date	**254,128**	245,323
Retention asset	**6,485**	6,651

Retention assets are included in trade receivables.

24. Trade and other receivables

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Financial assets		
Trade receivables	**8,742**	7,357
Less: provision for impairment of receivables	**—**	—
Trade receivables – net	**8,742**	7,357
Amounts recoverable on contracts	**4,233**	8,301
Other receivables	**1,722**	1,208
Available-for-sale financial asset	**949**	863
Receivable from other related parties	**66**	486
Receivable from joint ventures	**718**	2,318
Total financial assets	**16,430**	20,533
Other		
Prepayments	**6**	20
Total trade and other receivables	**16,436**	20,553

The fair value of the Group's equity interest in shared ownership schemes, included within available-for-sale financial assets, is materially equal to historic cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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24. Trade and other receivables continued

The ageing analysis of trade receivables is as follows:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Neither past due nor impaired	**8,742**	7,356
Past due but not impaired:	**—**	—
Not more than three months	**—**	1
Greater than three months	**—**	—
	8,742	7,357

As at 30 September 2016 and 2015, trade receivables that were neither past due nor impaired related to a number of debtors for whom there is no recent history of default. The other classes of trade and other receivables do not contain impaired assets.

25. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand. The Group has not drawn on any overdraft facilities.

26. Trade and other payables: current

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Financial liabilities		
Trade payables	**48,982**	51,073
Payments received in advance on contracts	**10,265**	—
Other payables	**24,169**	5,504
Related parties (note 39)	**2**	2
Joint ventures (note 39)	**12**	731
Total financial liabilities	**83,430**	57,310
Other		
Other taxes and social security costs	**1,022**	4,953
Accruals and deferred income	**6,329**	5,223
Employee benefits – long term incentive schemes (note 33)	**—**	2,210
Total trade and other payables	**90,781**	69,696

Other payables include amounts payable for land sites acquired amounting to £14,880,000 (2015: £Nil).

27. Interest-bearing loans and borrowings

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Current		
Investec Bank plc term land loan	**6,400**	6,400
National Westminster Bank plc development loan	**–**	2,540
Svenska Handelsbanken AB five-year term loan	**8,733**	413
Lombard North Central plc aircraft mortgage	**–**	202
HSBC Bank plc RCF arrangement fees	**(380)**	(144)
Finance leases	**217**	348
	14,970	9,759

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Non-current		
Svenska Handelsbanken AB five-year term loan	**–**	8,744
Lombard North Central plc aircraft mortgage	**–**	1,659
HSBC Bank plc RCF arrangement fees	**–**	(169)
Finance leases	**43**	190
	43	10,424

Finance lease disclosure

	30 September 2016		30 September 2015	
	Minimum payments £'000	**Present value of payments £'000**	Minimum payments £'000	Present value of payments £'000
Within one year	**217**	**197**	348	316
Later than one year and less than five years	**43**	**36**	190	157
After five years	**–**		–	–
Total minimum lease payments	**260**	**233**	538	473
Lease amount representing finance charges		**22**		39
Present value of minimum lease payments		**255**		512

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

At 30 September 2016, the Group had undrawn borrowing facilities of £50 million (2015: £25 million) with HSBC Bank plc, comprising a £40 million five-year revolving credit facility ("RCF"), which matures on 15 March 2021, and a £10 million on-demand overdraft facility.

The RCF is secured by a debenture over Watkin Jones Group Limited, Watkin Jones Holdings Limited and Watkin Jones & Son Limited. The applicable interest rate is 2.25% over LIBOR.

The loan with Investec Bank plc is a term loan secured by a legal charge over certain land sites. The maturity date is 31 March 2017 and the applicable interest rate is 4.5% over three-month LIBOR.

The loan with Svenska Handelsbanken AB is a five-year term loan secured by a legal charge over certain operating property stock assets. The maturity date is 1 March 2017 and the applicable interest rate is 2.75% over three-month LIBOR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

28. Provisions

Current

	Onerous lease provision £'000
At 30 September 2015	339
Utilised	(339)
Transferred from non-current	253
At 30 September 2016	**253**

Non-current

	Onerous lease provision £'000
At 30 September 2015	2,124
Arising during the year	86
Transferred to current	(253)
At 30 September 2016	**1,957**

A provision has been made for property operating lease commitments, where it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision has been calculated by comparing the expected future rent liabilities for the remaining term of the leases with the expected net income from the operations of the properties concerned, excluding future maintenance costs. The resultant expected net liabilities have been discounted at a risk free rate of 10% to reflect the time value of money.

29. Deferred tax

The movement on the deferred tax account is shown below:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
As at the start of the period	**1,118**	329
Acquired in business combination	**(1,008)**	—
Statement of comprehensive income (credit)/charge	**(970)**	817
Statement of comprehensive income credit	**(29)**	(28)
At the end of the period	**(889)**	1,118
Comprising:		
Deferred tax asset	**262**	1,514
Deferred tax liability	**(1,151)**	(396)
At the end of the period	**(889)**	1,118

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

30 September 2016	Short term timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 October 2015	1,410	(292)	1,118
Acquired in business combination	(1,008)	—	(1,008)
Statement of comprehensive income (credit)/charge	(1,145)	175	(970)
Statement of comprehensive income (credit)	(29)	—	(29)
At 30 September 2016	**(772)**	**(117)**	**(889)**

30 September 2015	Short term timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 October 2014	571	(242)	329
Income statement charge/(credit)	867	(50)	817
Statement of comprehensive income credit	(28)	—	(28)
At 30 September 2015	1,410	(292)	1,118

30. Other financial assets and liabilities

Other financial assets

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Financial instruments at fair value		
Available-for-sale financial assets at fair value through other comprehensive income	**2,545**	1,169
Other financial assets	**2,545**	1,169

The available-for-sale financial assets at fair value comprise Units held in the Curlew Student Trust, a Guernsey registered unitised fund established to invest in Student Accommodation (the "Fund"). The Group has invested a total of £2,150,000 (2015: £976,000) in the Fund, including £150,000 invested by Fresh Student Living Limited prior to its acquisition by the Group, as part of an agreement to develop three student accommodation properties for the Fund, which were completed in the years ending 30 September 2014 and 30 September 2015. At 30 September 2016, the Group held 1,839,991 Units (2015: 901,089 Units) in the Fund.

Other financial liabilities

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Derivatives		
Interest rate swaps	**(63)**	(47)
Net loss on derivatives in profit or loss	**(16)**	(99)

The fair value of the Group's derivatives is determined via discounted cash flows, and is classified as Level 2 in the fair value hierarchy.

The fair value of the Unit Trust, included within available-for-sale financial assets, is based on a quoted price (Level 1 in the fair value hierarchy). This is an investment and is not related to any individual property.

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31. Financial risk management

The Group is exposed to a variety of risk such as market risk, credit risk and liquidity risk. The Group'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 Group recognises that movements in certain risk variables might affect the value of its loans and also the amounts recorded in its equity and its profit and loss for the period. Therefore the Group 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 Group's exposure is primarily to the financial risks of changes in interest rates in relation to loans and borrowings.

Foreign currency risk

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

Liquidity risk

Cash flow is regularly monitored and the relevant subsidiaries are aware of their working capital commitments. The Group 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 Group's gross, undiscounted financial liabilities at 30 September 2016 and 30 September 2015:

Liquidity risk – 30 September 2016	**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	**—**	**14,970**	**43**	**—**	**15,013**
Trade and other payables	**—**	**90,781**	**—**	**—**	**90,781**
	—	**105,751**	**43**	**—**	**105,794**

Liquidity risk – 30 September 2015	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	—	9,759	10,424	—	20,183
Trade and other payables	—	69,696	—	—	69,696
	—	79,455	10,424	—	89,879

Interest rate risk

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

A 0.5% movement in the interest rate applied to the interest-bearing loans and borrowings would have an impact on the Group's profit before taxation as below:

	Effect on profit before tax	
0.5% change in interest rate	**Year ended 30 September 2016 £'000**	Year ended 30 September 2015 £'000
Impact on profit before tax	**76**	79

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 Group 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 Group'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 Group'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 Group 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 Group. The Group may carry significant levels of long term borrowings to fund operations and working capital requirements. The net cash of the Group is analysed in note 33.

32. Share capital

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Allotted, called up and fully paid		
Ordinary shares of 1 pence each	**2,553**	1,000

The change in share capital during the year is shown in the consolidated statement of changes in equity.

33. Employee benefits – long term incentive plans

The Group's liabilities under long term incentive plans in place at 30 September 2015 were fully settled on admission of the Company to AIM. The Group had no long term incentive plans in place at 30 September 2016.

Watkin Jones Group Limited

Options over G shares in the Company had been granted to certain senior employees of the Group on a discretionary basis. At 30 September 2016, no options were in issue (2015: 62,500). Options over 62,500 G shares were exercised in March 2016 on admission of the Company to AIM.

The number and weighted average exercise price ("WAEP") of share options is as follows:

	30 September 2016		30 September 2015	
	Number of options	WAEP	Number of options	WAEP
Outstanding at the beginning of the year	**62,500**	**1**	62,500	1
Exercised and cash settled during the year	**(62,500)**	**–**	–	–
Outstanding at the end of the year	**–**	**–**	62,500	1
Exercisable at the end of the year	**–**	**–**	62,500	1

Growth share plan – A1 shares

Shares had been issued in the Company's subsidiary undertaking, Watkin Jones & Son Limited, under a growth share plan incentive arrangement, to certain senior employees on a discretionary basis. The shares were acquired by the parent company of Watkin Jones & Son Limited, in March 2016 on admission of the Company to AIM.

The number and subscription price of the A1 shares is as follows:

	30 September 2016		30 September 2015	
	Number of shares	Subscription price	Number of shares	Subscription price
At the start of the year	**60,000**	**7.32**	60,000	7.32
Sold during the year	**(60,000)**	**–**	–	–
At the end of the year	**–**		60,000	7.32

Employee Share Scheme – C shares

Shares had been issued in the Company's subsidiary undertaking, Watkin Jones & Son Limited, to certain senior employees under the rules of an Employee Share Status ("ESS") scheme. The shares were acquired by the parent company of Watkin Jones & Son Limited, in March 2016 on admission of the Company to AIM.

The carrying amount of the Group's liability under long term incentive plans is as follows:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Other current liability	**–**	2,210
Other non-current liability	**–**	1,304
Total liability	**–**	3,514

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34. Reconciliation of operating profit to net cash flows from operating activities

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Profit before tax from continuing operations	**13,264**	32,906
Loss before tax from discontinued operations	**(1,098)**	(4,753)
Profit before tax	**12,166**	28,153
Depreciation	**341**	489
Amortisation of intangible assets	**326**	—
Loss/(profit) on sale of plant and equipment	**80**	(40)
Issue of shares to employee SIP and employees of Fresh Student Living Limited	**29**	—
Finance income	**(252)**	(95)
Finance costs	**1,282**	810
Share of profit in joint ventures	**(2,972)**	(1,165)
Increase in inventory and work in progress	**(8,474)**	(28,026)
Interest capitalised in development land, inventory and work in progress	**148**	329
Decrease in trade and other receivables	**5,353**	13,314
Increase in trade and other payables	**16,682**	15,489
Provision for property lease commitment	**(252)**	(443)
Net cash inflow from operating activities	**24,457**	32,008

Major non-cash transactions

There were no major non-cash transactions during the period.

35. Analysis of net cash/(debt)

30 September 2016	**At beginning of year £'000**	**Cash flow £'000**	**Non-cash movements £'000**	**At end of year £'000**
Cash at bank and in hand	**59,270**	**(12,049)**	**—**	**47,221**
Finance leases	**(538)**	**278**	**—**	**(260)**
Bank loans	**(19,645)**	**4,825**	**67**	**(14,753)**
Net cash	**39,087**	**(6,946)**	**67**	**32,208**

30 September 2015	At beginning of year £'000	Cash flow £'000	Non-cash movements £'000	At end of year £'000
Cash at bank and in hand	25,938	33,332	—	59,270
Finance leases	(931)	393	—	(538)
Bank loans	(15,187)	(4,313)	(145)	(19,645)
Net cash	9,820	29,412	(145)	39,087

36. Operating leases

Total commitments – Group as lessee

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**14,161**	7,823
Later than one year and less than five years	**45,777**	28,405
After five years	**185,975**	47,285
	245,913	83,513

Commitments under operating leases include operating leases relating to student accommodation properties. The minimum and maximum rent increases applicable to the remaining terms of these leases and their termination dates are as follows:

	Minimum rent increase %	Maximum rent increase %	Termination date
Europa, Liverpool	2	5	18 March 2030
Optima, Loughborough	2	5	18 March 2030
Collegelands, Glasgow	2	5	6 September 2026
Darley Bank, Derby	1	5	31 August 2019
Lucas Studios, Birmingham	2.5	5	31 August 2018
Glassyard Building, London	2.5	2.5	10 September 2034
New Bridewell, Bristol	1.5	5	12 March 2052
Dunaskin Mill, Glasgow	1.5	5	5 September 2051
Merlin Heights, Leicester	—	4	31 August 2019

These properties were the subject of sale and operating leaseback, the judgements relating to which are described in note 3.

Total commitments – Group as lessor

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Non-cancellable operating lease rentals are receivable as follows:		
Within one year	**139**	269
Later than one year and less than five years	**239**	1,726
After five years	**696**	5,945
	1,074	7,940

The Group acts as lessor in respect of certain commercial property.

37. Capital and other financial commitments

At 30 September 2016, the Group was committed to completing on the purchase of a land site in Aberdeen for a cash sum of £2.0 million. The Group had no material capital commitments at 30 September 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

38. Contingent liabilities

The Group has contingent liabilities of £3,967,000 (2015: £605,000) in respect of performance bonds entered into with HCC International Plc, Euler Hermes Europe S.A. (N.V.), Aviva Insurance UK Limited and the Electrical Contractors' Insurance Company Limited.

The Group 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 £Nil (2015: £Nil).

No material liabilities are expected to arise as a result of the above arrangements.

39. Related party transactions

The Group processed payroll costs on behalf of Carlton (North Wales) Limited and its subsidiary companies of £549,000 (2015: £637,000). The amount owed by Carlton (North Wales) Limited and its subsidiary companies at the balance sheet date was £66,000 (2015: £89,000).

The Group provided construction services to Planehouse Limited amounting to £134,000 (2015: £316,000) and paid rent and service charges to Planehouse Limited and its subsidiary companies amounting to £316,000 (2015: £316,000) and processed payroll costs on behalf of the Company of £61,000 (2015: £14,000). During the year and prior to the IPO, the Group also sold, at its third party open market value, a commercial offices property, which it had constructed in Chester, to Planehouse Limited for a consideration of £6,000,000. The amount owed to Planehouse Limited and its subsidiary companies at the balance sheet date was £2,000 (2015: £2,000).

Mark Watkin Jones is a director of Carlton (North Wales) Limited and Planehouse Limited, which are controlled by family trusts in which he has a potential beneficial interest.

During the year and prior to the IPO the Group sold, at its third party open market value, a student accommodation property, which it had constructed in Leicester, to Toplocation 4 Limited for a consideration of £34,000,000, plus an overage of up to £500,000 depending on the future performance of the asset. Mark Watkin Jones is a director of Toplocation 4 Limited, which is owned by the GWJ 1999 Hybrid Settlement Trust in which Mark Watkin Jones has a potential beneficial interest. At 30 September 2016 the amount owed by Toplocation 4 Limited to the Group by way of construction retention held was £394,000. As part of the transaction, the Group entered into a three-year operating leaseback of the property (note 34) at an initial rent of £2,446,864 per annum.

On 30 September 2016, the Group sold its light aircraft to MWATJ LP Inc, an Isle of Man registered limited partnership, for a consideration of £2,750,000, being its established third party value. The Group has entered into a two-year lease of the aircraft with MWATJ LP Inc, which commits the Group to lease the aircraft for a minimum of 180 flight hours per annum at a rate of £1,400 per flight hour. Mark Watkin Jones is a limited partner of MWATJ LP Inc.

Following his resignation as a director of Watkin Jones Group Limited on 23 March 2016, Glyn Watkin Jones was engaged as a consultant to the Group for a term of six months. Under the terms of his consultancy agreement Glyn Watkin Jones provided, at the Company's request, consultancy services up to ten days per month at a daily rate of £750 per day. The total amount paid during the year in respect of this agreement was £45,000.

During the year the Group sold no residential properties to Glyn Watkin Jones (2015: one property sold for £145,000).

The Group provided services to the Watkin Jones & Son Limited Directors' Pension Scheme amounting to £16,000 (2015: £16,000).

As referred to in note 29, the Group has invested a total of £2,150,000 (2015: £976,000) in Units in the Curlew Student Fund (the "Fund"), a Guernsey registered unitised fund established to invest in student accommodation. The fair value of the Units at 30 September 2016 was £2,545,000 (2015: £1,169,000). During the year, the Group sold properties to and provided construction services to the Fund amounting in total to £82,560,000 (2015: £45,191,000).

Under a joint venture agreement the Group was owed £718,000 at 30 September 2016 by Deiniol Developments Limited (2015: £673,000). The Group owns 50% of the share capital in Deiniol Developments Limited.

Under a joint venture agreement the Group owed £12,000 (2015: £13,000) to Rufus Estates Limited. The Group owns 50% of the share capital in Rufus Estates Limited.

At the balance sheet date £Nil (2015: £56,000) was owed to Lacuna Edinburgh Limited by the Group. The Group owns 50% of the share capital in Lacuna Edinburgh Limited, which is in Members' Voluntary Liquidation.

The Group has a 50% interest in Lacuna Belfast Limited. The Group has received payments of £2,347,000 from Lacuna Belfast Limited (2015: made payments to Lacuna Belfast Limited of £262,000) in the year in connection with its development activities and has received a management fee of £Nil (2015: £100,000). At the balance sheet date no amount was owed to or due from Lacuna Belfast Limited (2015: £660,000 owed to Lacuna Belfast Limited).

The Group has a 50% interest in Lacuna Dublin Road Limited. The Group has received payments of £965,000 from Lacuna Dublin Road Limited (2015: made payments to Lacuna Dublin Road Limited of £475,000. At the balance sheet date no amount was owed to or from Lacuna Dublin Road Limited (2015 : £475,0000 owed by Lacuna Dublin Road Limited).

The Group has a 50% interest in Lacuna WJ Limited. The Group has made payments of £150,000 (2015: £1,170,000) to Lacuna WJ Limited to assist with its development activities. At the balance sheet date £Nil (2015: £1,170,000) was owed by Lacuna WJ Limited.

The Group has a 50% interest in Spiritbond Finsbury Park Limited. During the year the Group provided construction services to the Company of £Nil (2015: £134,000), and charged management and development fees of £457,000 (2015: £6,533,000). At the balance sheet date no amount was owed to or from Spiritbond Finsbury Park Limited.

The Group has a 50% interest in Spiritbond Elephant & Castle Limited. During the year the Group provided construction services to the Company amounting to £Nil (2015: £6,567,000), and charged management and development fees of £25,000 (2015: £1,428,000). At the balance sheet date no amount was owed to or from Spiritbond Elephant & Castle Limited.

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

COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

	Notes	30 September 2016 £'000
Fixed assets		
Investments	43	**255,775**
Current liabilities		
Trade and other payables	44	**(3,395)**
Total liabilities		**(3,395)**
Net assets		**252,380**
Capital and reserves		
Share capital	45	**2,553**
Share premium		**84,612**
Retained earnings		**165,215**
Total equity		**252,380**

The notes on pages 85 and 86 are an integral part of these Company financial statements.

Approved by the Board of Directors on 17 January 2017 and signed on its behalf by:

Mark Watkin Jones
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September 2016

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Issue of shares prior to IPO	1,695	167,864	—	169,559
Capital reduction prior to IPO	—	(167,864)	167,864	—
Issue of shares on IPO	855	84,586	—	85,441
Issue of shares to employee SIP	3	—	—	3
Issue of shares to employees of Fresh Student Living Limited	—	26	—	26
Profit for the year	—	—	746	746
Dividend paid	—	—	(3,395)	(3,395)
Balance as at 30 September 2016	**2,553**	**84,612**	**165,215**	**252,380**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 September 2016

40. Accounting policies

General information

Watkin Jones plc (the "Company") is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 09791105). The Company is domiciled in the United Kingdom and its registered address is Units 21-22, Llandygai Industrial Estate, Bangor Gwynedd LL57 4YH.

The Company was incorporated as HDCO3 Limited on 23 September 2015.

The Company acquired all the issued shares in Watkin Jones Group Limited on 15 March 2016. This was achieved through a combination of a share-for-share exchange over 319,247 shares in Watkin Jones Group Limited, involving the issue of 81,407,985 ordinary share in the Company at an issue price of £1 per share, and the completion of an agreement to purchase the remaining 680,753 shares for an amount of £173,592,015 in cash. On the same day the Company was re-registered as Watkin Jones plc.

On 23 March 2016, the Company completed an Initial Public Offering ("IPO") by way of a placing of 85,440,493 ordinary shares at 100 pence per share and a vendor placing of 45,900,100 ordinary shares at 100 pence per share. The Company's shares were admitted to trade on the Alternative Investment Market ("AIM") of the London Stock Exchange on 23 March 2016.

Basis of preparation

No income statement has been presented as permitted by Section 408 of the Companies Act 2006. The profit for the Company after taxation was £746,000.

The balance sheet has been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU.

Investment in subsidiaries

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

Dividends

Revenue is recognised when the Group's right to receive payment is established.

Trade and other payables

Trade and other payables are carried at cost.

41. Employee costs

The only employees of Watkin Jones plc are the Executive and Non-Executive Directors. Details of the employee costs associated with the Directors are included in the Remuneration Committee report and summarised below.

	2016 £'000
Wages and salaries	299
Social security costs	57
Pension costs	38
	394

42. Dividends

	2016 £'000
Amounts recognised as distributions to equity holders in the year	
Interim dividend for the year ended 30 September 2016 of 1.33 pence per share	3,395

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

43. Investments in subsidiaries

	Subsidiary undertakings £'000
Cost	
At 30 September 2016	**255,775**

The Company owns 100% of the issued shares in Watkin Jones Group Limited, a company incorporated in England and Wales. The principal activity of Watkin Jones Group Limited is that of property development.

44. Trade and other payables: current

	2016 £'000
Financial liabilities	
Group undertakings	**3,395**

45. Allotted and issued share capital

	2016 £'000
Allotted, called up and fully paid	
Ordinary shares of 1 pence each	**2,553**

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Company registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham BR3 4TU

Financial PR
Buchanan
107 Cheapside
London EC2V 6DN

SHAREHOLDER INFORMATION

Country of incorporation and main country of operation
Watkin Jones plc is incorporated in England & Wales. The Company operates in the UK.

Number of securities in issue
As of 17 January 2017 the Company's issued share capital consists of 255,268,875 ordinary shares with a nominal value of £0.01 each. The Company has no treasury shares.

Details of any restrictions on the transfer of securities
There are no restrictions on any of the Company's AIM securities.

Securities not in public hands
As of 17 January 2017 the percentage of the Company's issued share capital that is not in public hands is 54.6%.

Details of other exchanges or trading platforms
The Company's shares will only be traded on the London Stock Exchange's AIM market at present.

Company registration
Registered office: 21-22 Llandygai Industrial Estate, Llandygai, Bangor, Gwynedd LL57 4YH. Registered in England and Wales (company number 9791105).

FINANCIAL CALENDAR

Annual General Meeting ("AGM")
The Company's AGM will be held at 10.30 am on 16 February 2017 at the offices of DLA Piper UK LLP, 1 St Peter's Square, Manchester, M2 3DE.

Final dividend
The final dividend will be paid on 28 February 2017 to shareholders on the register at close of business on 27 January 2017. The shares will go ex-dividend on 26 January 2017.

GLOSSARY

AFS	available-for-sale
AGM	annual general meeting
AIM	Alternative Investment Market
CGU	cash generating unit
EBITDA	earnings before income tax, depreciation and amortisation
EIR	effective interest rate
EPS	earnings per share
ESS	employee share status
Fresh	Fresh Student Living
H&S	health and safety
HMO	houses of multiple occupancy
IFRS	International Financial Reporting Standards
IPO	initial public offering
KPI	key performance indicators
NCI	non-controlling interests
OCI	other comprehensive income
PBSA	purpose built student accommodation
PV	present value
PRS	Private Rented Sector
RCF	revolving credit facility
SIP	share incentive plan
WAEP	weighted average exercise price

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