



**WATKIN**

**JONES**  
plc

Watkin Jones plc  
**Admission to AIM**

*Zeus Capital*  
PEEL HUNT



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this Document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") or if you are resident in the Republic of Ireland is duly authorised under the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1-3) or the Investment Intermediaries Act 1995 (as amended), or otherwise duly qualified in the Republic of Ireland.

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM, a market operated by London Stock Exchange plc. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on 23 March 2016. The Existing Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules published by London Stock Exchange plc, to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the UK Listing Authority nor London Stock Exchange plc has itself examined or approved the contents of this Document.**

Prospective investors should read the whole text of this Document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this Document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

This Document, which is drawn up as an AIM admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This Document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this Document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the FCA pursuant to section 85 of FSMA. Copies of this Document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital, 82 King Street, Manchester M2 4WQ and the registered office of the Company, Llandygai Industrial Estate, Llandygai, Bangor, Gwynedd, LL57 4YH, from the date of this Document until one month from the date of Admission in accordance with the AIM Rules. A copy of this Document will also be available from the Company's website at [www.watkinjonesplc.com](http://www.watkinjonesplc.com).

The Directors, whose names appear on page 8 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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# Watkin Jones plc

*(a company incorporated in England and Wales under the Companies Act 2006 with company number 9791105)*

## **Placing of 85,440,493 Ordinary Shares at 100 pence per Ordinary Share Vendor Placing of 45,900,100 Ordinary Shares at 100 pence per Ordinary Share and Admission to trading on AIM**

**Nominated Adviser, Joint Bookrunner  
and Joint Broker**

**Zeus Capital**

**Joint Bookrunner and Joint Broker**

**PEEL HUNT**

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### **Enlarged Ordinary Share Capital immediately following Admission**

<i>Number</i>	<i>Issued and fully paid</i>	<i>Amount £</i>
255,000,000	ordinary shares of £0.01 each	2,550,000

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The Placing and the Vendor Placing are conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 23 March 2016 (or such later date as the Company and Zeus Capital may agree, being not later than 31 March 2016). The Placing Shares and the Existing Ordinary Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Enlarged Ordinary Share Capital to be admitted to the Official List or to any other recognised investment exchange.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser, joint bookrunner and joint broker to the Company in connection with the proposed Placing, Vendor Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange plc and are

not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Zeus Capital as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Zeus Capital will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to clients of Zeus Capital or for providing advice in relation to the contents of this Document or any other matter.

Peel Hunt, which is authorised and regulated in the United Kingdom by the FCA, is acting as joint bookrunner and joint broker to the Company in connection with the proposed Placing, Vendor Placing and Admission. No representation or warranty, express or implied, is made by Peel Hunt as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Peel Hunt will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to clients of Peel Hunt or for providing advice in relation to the contents of this Document or any other matter.

Without limiting the statutory rights of any person to whom this Document is issued, no representation or warranty, express or implied, is made by Zeus Capital or Peel Hunt as to the contents of this Document. Apart from the responsibilities and liabilities, if any, which may be imposed on Zeus Capital and/or Peel Hunt by FSMA or the regulatory regime established thereunder, no liability whatsoever is accepted by Zeus Capital or Peel Hunt for the accuracy of any information or opinions contained in this Document, for which the Directors are solely responsible, or for the omission of any information from this Document for which it is not responsible.

In accordance with the AIM Rules for Nominated Advisers, Zeus Capital has confirmed to London Stock Exchange plc that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Zeus Capital for the accuracy of any information or opinions contained in this Document or for the omissions of any material information, for which it is not responsible.

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this Document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, neither the Placing Shares nor the Vendor Placing Shares may, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, or from, the United States of America, Canada, Australia, Japan or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Placing Shares and the Vendor Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan or the Republic of South Africa and may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

The distribution of this Document outside the UK may be restricted by law. No action has been taken by the Company or Zeus Capital or Peel Hunt that would permit a public offer of shares in any jurisdiction outside the UK where action for that purpose is required. Persons outside the UK who come into possession of this Document should inform themselves about the distribution of this Document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdiction.

## IMPORTANT INFORMATION

In deciding whether or not to invest in Ordinary Shares, prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, Zeus Capital or Peel Hunt. Neither the delivery of this Document nor any subscription or purchase made under this Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information contained herein is correct as at any time after its date.

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see "Part II: Risk Factors" of this Document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that investors will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this Document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Document or any subsequent communications from the Company as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Document are based on the laws and practices currently in force in England and Wales and are subject to changes therein.

This Document should be read in its entirety before making any investment in the Company.

### **Forward looking statements**

Certain statements contained in this Document are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "may", "should", "will", "intends", "plans", "believes", "targets", "seeks", "estimates", "aims", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the

general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

### **Presentation of financial information**

The financial information contained in this Document, including that financial information presented in a number of tables in this Document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

### **No Incorporation of Website**

The contents of the Company's website (or any other website) do not form part of this Document.

### **General notice**

This Document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Rules in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Directive only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales for registration.

This Document has been prepared for the benefit only of a limited number of persons all of whom qualify as "qualified investors" for the purposes of the Prospectus Directive, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this Document (either in whole or in part) without the prior written consent of the Company, Zeus Capital and Peel Hunt is prohibited.

### **Governing law**

Unless otherwise stated, statements made in this Document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

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## KEY STATISTICS

### Existing share capital at the date of this Document

Number of Existing Ordinary Shares	169,559,507
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### Placing

Placing Price	100p
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Number of Placing Shares	85,440,493
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Gross proceeds of the Placing (receivable by the Company) <sup>1</sup>	£85,440,493
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Liability of the Group arising from the Pre-Admission Reorganisation	£85,440,493
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Costs of the Placing, Vendor Placing and Admission	c. £6 million
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### Vendor Placing

Placing Price	100p
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Number of Vendor Placing Shares	45,900,100
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Gross proceeds of the Vendor Placing <sup>2</sup>	£45,900,100
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### Upon Admission

Number of Ordinary Shares in issue at Admission	255,000,000
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Percentage of Enlarged Ordinary Share Capital represented by the Placing Shares	33.51%
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Estimated market capitalisation of the Company at Admission at the Placing Price	£255 million
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TIDM	WJG
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ISIN number	GB00BD6RF223
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### Notes

1. The gross proceeds will be used by the Company to settle amounts due pursuant to the Pre-Admission Reorganisation. After settlement of these amounts, the Company will have no net proceeds and will be liable for costs, as shown.
2. The Company will not receive any of the proceeds from any sale of Vendor Placing Shares by the Selling Shareholders.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2016

Publication of this Admission Document	16 March
Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM	23 March
CREST accounts credited (where applicable)	23 March
Dispatch of definitive share certificates (where applicable) by	8 April

*Notes:*

1. References to time in this Document are to London (GMT) time unless otherwise stated
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS



## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Grenville Turner ( <i>Non-Executive Chairman</i> ) Mark Watkin Jones ( <i>Chief Executive Officer</i> ) Philip Martin Byrom ( <i>Chief Financial Officer</i> ) Simon Timothy Laffin ( <i>Independent Non-Executive Director</i> )  All of whose business address is 21-22 Llandygai Industrial Estate, Llandygai, Bangor, Gwynedd, LL57 4YH
<b>Registered Office:</b>	21-22 Llandygai Industrial Estate, Llandygai, Bangor, Gwynedd, LL57 4YH
<b>Company Secretary:</b>	Philip Martin Byrom
<b>Company website:</b>	<a href="http://www.watkinjonesplc.com">www.watkinjonesplc.com</a>
<b>Nominated Adviser, Joint Bookrunner and Joint Broker:</b>	<b>Zeus Capital Limited</b> 82 King Street and 41 Conduit Street Manchester London M2 4WQ W1S 2YQ
<b>Joint Bookrunner and Joint Broker:</b>	<b>Peel Hunt LLP</b> Moor House 120 London Wall London EC2Y 5ET
<b>Auditors and Reporting Accountants:</b>	<b>Ernst &amp; Young LLP</b> 100 Barbirolli Square Manchester M2 3EY
<b>Solicitors to the Company:</b>	<b>DLA Piper UK LLP</b> Victoria Square House Victoria Square Birmingham B2 4DL
<b>Solicitors to Zeus Capital and Peel Hunt:</b>	<b>Addleshaw Goddard LLP</b> 100 Barbirolli Square Manchester M2 3AB
<b>Financial PR:</b>	<b>Buchanan</b> 107 Cheapside London EC2V 6DN
<b>Company Registrars:</b>	<b>Capita Asset Services</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Principal Bankers:</b>	<b>HSBC</b> 274 High Street Bangor Gwynedd LL57 1RU

## DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise or unless defined in Part III of this Document, for the purposes of that part only:

“1992 Trust”	the G&J Watkin Jones 1992 Settlement Trust of which Glyn Watkin Jones, Jennifer Watkin Jones, Mark Watkin Jones and Hill Dickinson Trust Corporation Limited are trustees and in respect of which Mark Watkin Jones has a life interest in the assets of the trust
“1999 Trust”	the Watkin Jones 1999 Discretionary Settlement of which Glyn Watkin Jones, Jennifer Watkin Jones, Mark Watkin Jones and Hill Dickinson Trust Corporation Limited are trustees and in respect of which, subject to the discretion of the trustees, Glyn Watkin Jones, Jennifer Watkin Jones and their direct and indirect issue, their spouses, widows and widowers (including Mark Watkin Jones) are potential beneficiaries
“Acceptable Factors”	the acceptable factors set out in the SIP legislation which include remuneration, length of service or hours worked by the employee (one or more of which may be selected on each award pursuant to the SIP)
“Act”	the Companies Act 2006 (as amended)
“Admission”	admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“Admission Document” or “Document”	this document dated 16 March 2016
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
“AIM Rules for Nominated Advisers”	the rules setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company, as at the date of Admission, a summary of which is set out in paragraph 5 of Part V of this Document
“Audit Committee”	the audit committee of the Board, as constituted from time to time
“Board”	the board of directors of the Company from time to time, or a duly constituted committee thereof
“certificated” or “in certificated form”	recorded on the relevant register of the share or security concerned as being held in certificated form in physical paper (that is not in CREST)
“Company”	Watkin Jones plc, a public limited company incorporated in England & Wales with registered number 9791105 and registered office at

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

“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council as modified by the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland in accordance with the CREST Regulations
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), including (i) any enactment or subordinate legislation which amends those regulations; and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force
“Dealing Day”	a day on which the London Stock Exchange is open for the transaction of business
“Directors”	the directors of the Company as at the date of this Document, whose details are set out on page 8 of this Document
“Eligible Employees”	individuals who were employees of a Group company (that is also a constituent company for the purposes of the SIP) on 22 January 2016 and who remain in such employment at the date of the initial award of Free Shares shortly after Admission
“Enlarged Ordinary Share Capital”	the Ordinary Shares in issue immediately following the Placing and Admission, comprising the Existing Ordinary Shares and the Placing Shares
“EU”	European Union
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 2878738 and the operator of CREST
“Existing Ordinary Shares”	the 169,559,507 Ordinary Shares in issue as at the date of this Document (which include the Vendor Placing Shares)
“FCA”	the Financial Conduct Authority
“Five Nine Living”	Five Nine Living Limited, a company incorporated in England and Wales with registered number 10000142 and a wholly owned subsidiary of Founded Living, which will provide property management services in respect of PRS developments
“Founded Living”	Founded Living Limited, a company incorporated in England and Wales with registered number 9988980 and a wholly owned subsidiary of Watkin Jones & Son Limited, which is the holding company for Fresh Student Living and Five Nine Living
“Free Shares”	Ordinary Shares which are the subject of awards under the SIP as summarised in paragraph 6 of Part V of this Document
“Fresh Student Living” or “Fresh”	Fresh Student Living Limited, a company incorporated in England and Wales with registered number 7268209, and a wholly

	owned subsidiary of Founded Living, which provides property management services in respect of PBSA
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group” or “Watkin Jones Group”	the Company and its subsidiary undertakings
“HMRC”	HM Revenue and Customs
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003
“London Stock Exchange”	London Stock Exchange plc
“Newmark”	Newmark Developments Limited, a company incorporated in England & Wales with registered number 5614426, a wholly owned subsidiary of Watkin Jones & Son Limited, which project manages the Group’s developments
“Nomination Committee”	the nomination committee of the Board, as constituted from time to time
“Official List”	the official list maintained by the UK Listing Authority
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company
“Overdraft Facility”	the overdraft facility provided to the Group by HSBC plc, further details of which are contained in paragraph 15.9 of Part V of this Document
“Panel”	the Panel on Takeovers and Mergers
“Peel Hunt”	Peel Hunt LLP, a limited liability partnership incorporated in England and Wales with registered number OC357088 and registered office at Moor House, 120 London Wall, London EC2Y 5ET
“Placees”	the subscribers for Placing Shares and purchasers of Vendor Placing Shares pursuant to the Placing
“Placing”	the conditional placing of the Placing Shares and the Vendor Placing Shares by Zeus Capital and Peel Hunt, as agents for the Company and the Selling Shareholders, pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 16 March 2016 between the Company, the Directors, Zeus Capital, Peel Hunt and the Selling Shareholders relating to the Placing and the Vendor Placing
“Placing Price”	100 pence per Placing Share and Vendor Placing Share
“Placing Shares”	the 85,440,493 new Ordinary Shares to be issued and allotted pursuant to the Placing, such allotment being conditional upon Admission
“Pre-Admission Reorganisation”	the reorganisation effected prior to and with effect from Admission, pursuant to which, amongst other things, the Company has or shall acquire the Group’s business, as described in paragraph 11 of Part I of this Document
“Prospectus Directive”	EU Prospectus Directive 2003/71/EC, as amended
“Prospectus Rules”	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA

“QCA”	the Quoted Companies Alliance
“RCF”	the revolving credit facility provided to the Group by HSBC plc, further details of which are contained in paragraph 15.8 of Part V of this Document
“Recognised Growth Market”	a market recognised as such by HMRC and included on the list of Recognised Growth Markets maintained and published on the HMRC website
“Recognised Stock Exchange”	any market of a recognised investment exchange as defined by section 1005 of the Income Tax Act 2007
“Registrars”	the Company’s registrars, being Capita Asset Services
“Relationship Agreement”	the relationship agreement dated 16 March 2016 between the Company, Mark Watkin Jones, the trustees of the 1992 Trust and the trustees of the Will Trust, details of which are summarised at paragraph 15.2 of Part V of this Document
“Remuneration Committee”	the remuneration committee of the Board, as constituted from time to time
“Republic of Ireland”	the island of Ireland excluding Northern Ireland
“RIS”	Regulatory Information Service
“Selling Shareholders”	together, Glyn Watkin Jones, Jennifer Watkin Jones, Mark Watkin Jones and the trustees of the 1999 Trust
“Shareholder(s)”	holder(s) of Ordinary Shares
“SIP”	the Watkin Jones share incentive plan, details of which are summarised in paragraph 6 of Part V of this Document
“SIP Legislation”	Schedule 2 to ITEPA
“SIP Trustee”	means the trustee appointed in respect of the SIP, details of which are set out in paragraph 6 of Part V of this Document
“Takeover Code”	the City Code on Takeovers and Mergers
“Trusts”	together, the Will Trust, the 1992 Trust and the 1999 Trust
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FCA, acting in its capacity as the competent authority for the purposes of FSMA
“uncertificated” or “uncertificated form”	recorded on the relevant register of the share or security as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”	the United States of America and all of its territories and possessions
“VAT”	value added tax
“Vendor Placing”	the conditional placing of the Vendor Placing Shares by Zeus Capital and Peel Hunt, as agents for the Selling Shareholders, pursuant to the Placing Agreement

“Vendor Placing Shares”	the 45,900,100 Existing Ordinary Shares to be conditionally placed pursuant to the Vendor Placing
“Watkin Jones”	the Company, or as the context permits, its subsidiaries and predecessors in title forming part of the Group and operating the business of the Group
“Will Trust”	the Watkin Jones Will Trust, of which Glyn Watkin Jones, Jennifer Watkin Jones, Mark Watkin Jones and Hill Dickinson Trust Corporation Limited are trustees and in respect of which Joan Megan Jones has a lifetime interest in the assets of such trust and under which Mark Watkin Jones has a successive life interest which vests on the death of Joan Megan Jones
“Zeus Capital”	Zeus Capital Limited, a company incorporated in England and Wales with registered number 4417845 and registered office at 82 King Street, Manchester M2 4WQ
“£” or “Sterling”	British pounds sterling

## **GLOSSARY**

“CIOB”	Chartered Institute of Building
“GDV”	gross development value
“HMO”	house of multiple occupancy
“HESA”	Higher Education Statistics Agency
“IFRS”	International Financial Reporting Standards
“PBSA”	purpose built student accommodation
“PRA”	private rented accommodation
“PRS”	private rented sector
“RICS”	Royal Institute of Chartered Surveyors
“SDLT”	Stamp Duty Land Tax
“UCAS”	University and Colleges Admissions Service
“WIP”	work in progress

## EXECUTIVE SUMMARY

**The following information is derived from, and should be read in conjunction with, the whole of this Document including, in particular, the section headed Risk Factors relating to the Company in Part II of this Document. Shareholders should read the whole of this Document and not rely on this Executive Summary section.**

### INTRODUCTION

Watkin Jones is a leading UK developer and constructor of multi occupancy property assets, with a focus on the student accommodation sector. Watkin Jones delivers a full service solution to its blue chip institutional investment partners, including site identification and procurement, planning consent, transaction funding, construction, delivery and asset management.

Watkin Jones was established in 1791 and is a ninth generation family business, which has experienced significant growth since 1999, when it entered the student accommodation market. The Group has strong relationships with institutional investors, and a good reputation for successful, on-time-delivery of high quality developments. Since 1999, Watkin Jones has delivered over 28,000 student beds across 88 sites, making it a key player and leader in the UK Purpose Built Student Accommodation ('PBSA') market. In addition, Watkin Jones has been responsible for over 50 residential developments, ranging from starter homes to executive housing and apartments.

The Directors believe that Admission will provide the business with increased reputation and profile and the ability to incentivise key employees, as well as providing a platform for the Group to execute its strategy.

### INFORMATION ON WATKIN JONES

Watkin Jones provides an end to end solution in developing large scale, multi occupancy accommodation projects, with a primary focus on the student accommodation market. Watkin Jones controls the entire development lifecycle, including site procurement, planning application, transaction funding, construction and delivery, and asset management.

The Group's competitive advantage lies in its business model, which enables it to offer an end to end solution for investors, delivered entirely in-house with minimal reliance on third parties, across the entire life cycle of an asset. Key components of the business model are:

- **Site identification** – extensive experience of site identification and acquisition facilitates high quality sites being acquired;
- **Planning consents** – in depth knowledge and experience of the planning consent process specific to this type of asset facilitates high success rates on planning applications;
- **In-house construction and delivery** – in-house construction expertise, management and delivery limits reliance on third parties and, together with favourable contractual relationships with key suppliers, enhances control of cost;
- **Funding structure** – forward sale model reduces risk for Watkin Jones and provides security and visibility of the asset pipeline for investors. The Group has strong relationships with blue chip investors, including a number that are repeat investors in Watkin Jones developments; and
- **Asset management** – dedicated property management division provides a continued service solution to investors post development completion and completes the 'end to end' business model.

### STRATEGY

Watkin Jones's core strategy is to continue to leverage its position as one of the leading developers of student accommodation in the UK, primarily using its forward sale model to minimise risk, and taking advantage of attractive market dynamics to increase both revenues and profitability on a sustainable basis.

The Directors also intend to expand the Group's business into PRS to capitalise on the similarities of this business with its core student accommodation expertise, engaging its existing relationships with institutional investors to forward fund these projects and minimise development risk to Watkin Jones. By using the



experienced residential division teams, the Group can utilise their expertise in residential development without moving resource away from student accommodation development.

In addition, the Group will continue to expand its management division in student accommodation, particularly focussing on developments already in existence. The Group will also focus on rolling out the PRS management offering for its existing and new clients using a similar model to that already followed on student accommodation.

The Directors also intend to develop out the remaining residential land bank as well as strategically acquiring new sites for residential development if and when they become available.

## **THE PLACING**

The Company is proposing to raise a total of approximately £85.4 million by way of a conditional placing by the Company of the Placing Shares, at the Placing Price:

- as to approximately £70.1 million with new investors; and
- as to approximately £15.3 million with members of the Group's and Fresh's current management.

The Placing Shares will represent approximately 33.5 per cent. of the Enlarged Ordinary Share Capital at Admission.

The Selling Shareholders have indicated a desire to realise a proportion of their investment in the Company. The Vendor Placing, in combination with the payments made under the Pre-Admission Reorganisation will allow the Selling Shareholders to achieve this, whilst the Watkin Jones family and related Trusts retain a combined stake in the Company of approximately 48.5 per cent. of the Enlarged Ordinary Share Capital.

Under the Vendor Placing, the Selling Shareholders have agreed to sell 45,900,100 Vendor Placing Shares at the Placing Price and these shall be placed with investors by Zeus Capital and Peel Hunt at the Placing Price. The Vendor Placing Shares will represent approximately 18 per cent. of the Enlarged Ordinary Share Capital at Admission. The Company will not receive any proceeds from the sale of the Vendor Placing Shares. The costs of the Placing, the Vendor Placing and Admission, which are estimated to be approximately £6 million will be met by the Company.

## **DIRECTORS**

On Admission, the members of the Board and their positions will be;

### **Grenville Turner** (*Independent Non-Executive Chairman, aged 58*)

Grenville has almost 40 years of experience in retail banking and the property sector. Past directorships have included Rightmove.co.uk, St James's Place Plc, Sainsbury's Bank Plc and Realogy, the largest Realtor in the US. Currently, Grenville is Non-Executive Chairman of Countrywide plc (retiring on 27 April 2016), Chairman of ThreeSixty Developments (formerly Knightsbridge Student Housing) and Bellpenny Limited, and Chairman of 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. Grenville is a qualified Chartered Banker and holds an MBA from Cranfield School of Management.

### **Mark Watkin Jones** (*Chief Executive Officer, aged 47*)

Being the ninth generation of the Watkin Jones family, Mark has been involved, in a full time capacity, in the business since 1990, and was appointed Managing Director in 2003. Mark graduated from Portsmouth Polytechnic with a degree in Construction Management in 1990. Mark has been instrumental in the growth of the Group and is responsible for introducing the structures and procedures into the business to allow it to operate as it does today. Mark has been recognised for his strong leadership and people development skills by Construction Excellence and has also received an Ernst & Young, Real Estate Entrepreneur of the Year award (2008).

### **Philip Byrom** (*Chief Financial Officer, aged 54*)

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

Philip qualified as a chartered accountant with Price Waterhouse in 1990 and progressed rapidly to senior manager, a role in which he had responsibility for several public company clients. Philip moved into industry in 1995 and has gained broad experience through a number of group financial controller and divisional finance director roles, including a role as divisional finance director for pharmaceutical technologies at BWI plc. In addition to his chartered accountancy qualification, Philip holds an honours degree in civil engineering from Manchester University.

**Simon Laffin** (*Independent Non-Executive Director, aged 56*)

Simon Laffin is Chairman of Flybe Group plc and Assura plc. Previously he has been a non-executive director at 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.

**DIVIDEND POLICY**

The Directors' intention is to implement a progressive dividend policy, subject to the discretion of the Board and to the Company having sufficient distributable reserves.

The Group would ordinarily look to pay both interim and final dividends for each financial year, split as to approximately 1/3 for the interim payment and 2/3 for the final payment. Based on a pro forma full year yield of 6 per cent., calculated by reference to the Placing Price, and recognising that Admission will take place part way through the financial period, the Directors intend that a total dividend for the year to 30 September 2016 of four pence per Ordinary Share will be paid.

**RISK FACTORS**

Investors should note the risks associated with an investment in the Company as set out in Part II of this Document.

## PART I

### INFORMATION ON THE GROUP

# Watkin Jones plc

## 1. INTRODUCTION

Watkin Jones is a leading UK developer and constructor of multi occupancy property assets, with a focus on the student accommodation sector. Watkin Jones delivers a full service solution to its blue chip institutional investment partners, including site identification and procurement, planning consent, transaction funding, construction delivery and asset management.

Watkin Jones was established in 1791 and is a ninth generation family business, which has experienced significant growth since 1999, when it entered the student accommodation market. The Group has strong relationships with institutional investors, and a good reputation for successful, on-time-delivery of high quality developments. Since 1999, Watkin Jones has delivered over 28,000 student beds across 88 sites, making it a key player and leader in the UK Purpose Built Student Accommodation ('PBSA') market. In addition, Watkin Jones has been responsible for over 50 residential developments, ranging from starter homes to executive housing and apartments.

The Directors believe that Admission will provide the business with increased reputation and profile and the ability to incentivise key employees, as well as providing a platform for the Group to execute its strategy.

The Placing will result in the issue of 85,440,493 Placing Shares, raising £85,440,493 in order to fund cash payments due pursuant to the Pre-Admission Reorganisation. After settling such payments, the Company will have no net proceeds from the Placing. In addition, the Selling Shareholders propose to sell 45,900,100 Ordinary Shares under the Vendor Placing. Further details of the Placing, the Vendor Placing and the Pre-Admission Reorganisation are set out in paragraphs 10 and 11 of this Part I.

## 2. HISTORY AND BACKGROUND

Established in 1791, the Watkin Jones business has evolved from a joinery manufacturer and undertaker into a regional building contractor, and subsequently into a UK wide developer, specialising in large scale PBSA and residential developments.

Mark Watkin Jones, the Group's Chief Executive Officer, joined the business in 1990 when it operated primarily in North West Wales in the general construction market and had annual revenues of approximately £17 million. In 1993, the business opened an office in Chester, which provided it with access to new geographical markets and gave rise to opportunities to undertake construction work for major UK brands such as Whitbread (including the Premier Inn, Brewers Fayre and Beefeater brands), Tesco, Homebase, Asda, Lidl and Aldi. This provided a platform for the Group's further growth and experience in delivering large contracts for blue chip clients.

In 1999, the business completed its first student accommodation project, for Opal (acting as contractor), in Manchester and subsequently, having recognised the opportunity presented by the student accommodation market, reorganised the business into three specialised divisions:

- student accommodation;
- residential development; and
- general construction.

Shortly thereafter, the business undertook its first student accommodation development, where the Group funded development of the project, selling it post completion. Supported by debt funding, the Group continued to expand its student accommodation development activities, leading to increasing revenues and profits.

Due to reducing availability of debt in the late 2000s, the Group identified alternative methods of delivering new developments through a forward sale model, in association with its institutional partners, which is the main development funding structure that the Group currently utilises.

Recognising demand from blue chip institutional investors for specialist asset management services for student accommodation sites, Fresh Student Living was established in 2010. Fresh provides management services to investors who want exposure to the student accommodation asset class, allowing Watkin Jones to offer an end to end solution to its clients.

In 2015 the Group took the strategic decision to cease its operations in general construction contracting and focus on student accommodation and multi occupancy private rented sector ('PRS') developments (which have operational similarities with PBSA developments) on a forward sale model basis, in addition to continuing its operations in residential development.

To date the Group has delivered over 28,000 student beds across 88 sites in the UK, and has become a leading participant in the UK private student accommodation industry.

### **3. BUSINESS OVERVIEW**

#### **3.1 End to End Solution**

Watkin Jones provides an end to end solution in developing large scale, multi occupancy accommodation projects, with a primary focus on the student accommodation market. Watkin Jones controls the entire development lifecycle, including site procurement, planning application, transaction funding, construction and delivery, and asset management.

The Group's competitive advantage lies in its business model, which enables it to offer an end to end solution for investors, managed entirely in-house with minimal reliance on third parties, across the entire life cycle of an asset. Key components of the business model are:

- **Site identification** – extensive experience of site identification and acquisition facilitates high quality sites being acquired
- **Planning consents** – in depth knowledge and experience of the planning consent process specific to this type of asset facilitates high success rates on planning applications
- **In-house construction and delivery** – in-house construction expertise, management and delivery limits reliance on third parties and, together with long term relationships with key suppliers, enhances control of cost
- **Funding structure** – forward sale model reduces risk for Watkin Jones and provides security and visibility of the asset pipeline for investors. The Group has strong relationships with blue chip investors, including a number that are repeat investors in Watkin Jones developments
- **Asset management** – dedicated property management division provides a continued service solution to investors post development completion and completes the 'end to end' business model

Purpose built student accommodation can be described as housing built by private commercial developers specifically for housing students on a multiple occupancy basis. The accommodation is typically developed and fitted to a high standard, with onsite amenities including communal spaces and security.

### 3.2 Purpose Built Student Accommodation

PBSA is an increasingly popular choice for students. A comparison of the typical features of PBSA and traditional student housing (typically multiple occupancy housing (HMO)) is set out below:

	TYPICAL PURPOSE BUILT	TYPICAL TRADITIONAL
Purpose built	Dedicated scheme with 100 - 600 beds	Converted traditional family home (often lower quality housing stock)
Room format	Ensuite clusters / studios	Multiple occupancy with shared facilities
All inclusive rental including utilities and high speed Wi-Fi	✓	✗
Fully furnished to high spec	✓	✗
24 hour security and front desk support	✓	✗
On site maintenance and refurbishment	✓	✗
Social activity spaces (common room, study room)	✓	✗
Maintained outdoor space	✓	✗
Room cleaning and laundry service	✓	✗
Social calendars and programme of activities	✓	✗
Welfare and pastoral support	✓	✗

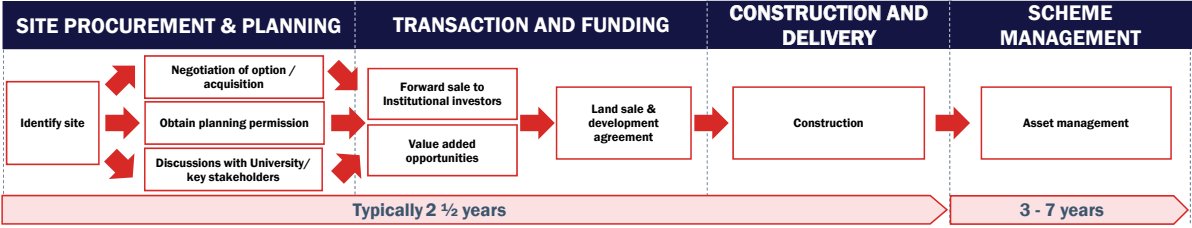
The market for PBSA is discussed further in paragraph 4 of this Part I.

The Directors believe that demand for PBSA is increasing due to a number of factors including student demographics, demand for UK higher education and increasing recognition of the benefits of PBSA, including higher student satisfaction ratings. Watkin Jones has over 11,300 beds to deliver in its current pipeline, which fall into the following categories:

<i>Category</i>	<i>Developments</i>	<i>Beds</i>
Forward sold to investors	12	5,220
Under forward sale offer, planning consent granted	4	1,143
Under forward sale offer, subject to planning consent not yet granted	2	496
Development agreement in legal negotiations	1	492
Site owned with planning consent	1	470
Site owned subject to planning consent	11	3,545

**3.3 Project Delivery**

Watkin Jones’s development projects have four principal phases. The Group has developed significant expertise in all of these areas and its operational management are highly experienced in delivering large scale developments on time and on budget. A workflow for a development, funded using the preferred forward sale model, together with further detail on the four principal phases, is set out below:



**3.3.1 Site identification, procurement and planning**

Watkin Jones has extensive knowledge of the UK student accommodation market, built up through operating as a specialist in the market for over 15 years. Using this knowledge, a strategic plan is developed targeting locations with attractive characteristics for development.

Once locations are targeted, Watkin Jones’s team of developers work to identify specific sites that may be suitable for development and opportunities are reviewed by senior management prior to negotiations being entered into. The Newmark business division, a separate project management division of the Group, typically liaises with the relevant planning authority to secure planning permission on an identified site prior to acquisition. Watkin Jones’s intention is, ordinarily, to acquire the site subject to planning permission, paying a refundable deposit to secure the site. Occasionally sites are acquired pre-planning where vendor demands dictate.

Acquisition of sites subject to planning permission reduces risk, although the Group’s record of obtaining planning permission has been extremely strong.

**3.3.2 Transaction funding**

Watkin Jones has strong relationships with a number of blue chip institutional funding partners who commonly invest in property development including development schemes in the PBSA and PRS sectors. Feedback from institutional partners has been consistently positive and the Watkin Jones Group is a repeat partner for several key investors in the sector.

Watkin Jones primarily operates a forward sale model on the new developments, whereby the sale of a development to an investor is agreed prior to its construction. This model reduces development risk as future revenue is contractually guaranteed provided that Watkin Jones meets its obligations on design, build and construction. The forward sale structure also creates a more regular and consistent cashflow for Watkin Jones, as the purchaser is billed on a monthly basis, as opposed to a non-forward sold development where revenue is only received on sale of the asset post completion.

**3.3.3 Construction and delivery**

Watkin Jones has significant experience of delivering large scale construction projects and employs a number of experienced construction directors and project managers who are responsible for project delivery. In addition, Watkin Jones’s long term relationships with key suppliers enables the Group to take advantage of national agreed rates with sub-contractors. Construction progress and costs are monitored against agreed timelines and budgets on a monthly basis, with the objective of ensuring successful delivery of all developments.

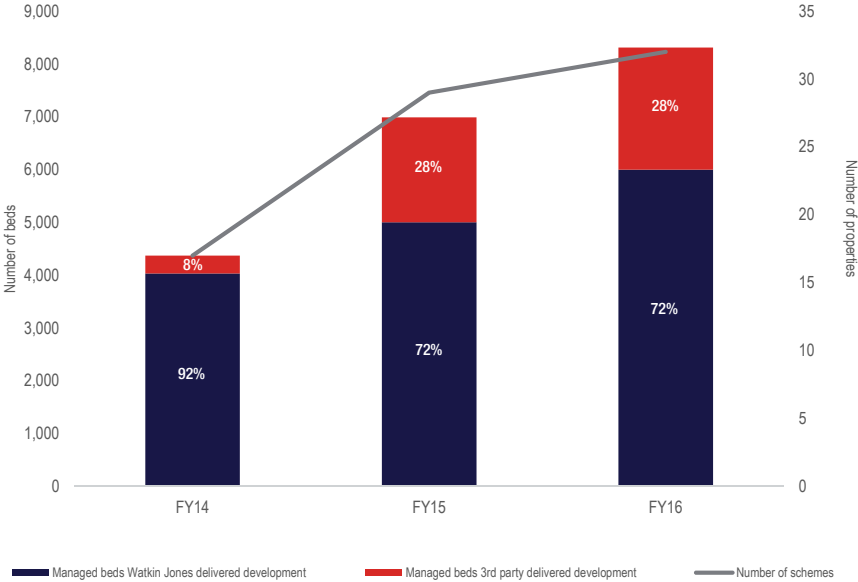
In the student accommodation market, completion timelines are key as developments must be completed before the start of an academic year. Watkin Jones has an excellent record of timely delivery.

The Group currently has the capacity to deliver at least 10 student developments to the market each year and typically works on a 2 year construction delivery period, giving current capacity of at least 20 developments on site at any one time.

3.3.4 **Asset management**

In addition to its development and construction business, Watkin Jones operates Fresh, one of the largest independent managers (i.e. that does not own the asset being managed) of PBSA in the UK by number of beds. Fresh manages over 8,300 beds across 32 PBSA schemes at present and has contracts in place to increase that number to more than 12,500 beds and 45 developments from September 2016, 13 of which will be schemes developed by third parties.

**Fresh: No. of properties and beds under management (PBSA)**



Fresh provides the Group with a number of synergistic benefits by working alongside the Group’s development business, in addition to servicing its external clients. These include:

- using its expertise to provide input on city selection;
- early engagement with universities to establish relationships and appetite;
- scheme design and undertaking marketing activity for new developments pre completion; and
- retention of an income stream from a development post sale by continuing to operate and manage the site on behalf of the new owner.

Fresh completes the Group’s full service offering to investment partners, enabling an investor to use the Watkin Jones Group for the entire life of the asset, including the site identification and development process and subsequently the ongoing operation and management of the development.

The Fresh business model is based on a scalable core platform, having invested significantly in systems and processes that enable it to operate with a central team of less than 50 staff. This platform allows Fresh to increase the number of developments it manages without the need to significantly increase staff numbers, whilst maintaining service quality.

The nature of the Fresh business delivers strong visibility and a level of certainty on future income streams. The provision of initial design services results in early contractual engagement with clients, the majority of which are blue chip institutional investors. Fresh has contractual arrangements in place to commence delivery of services for a number of new clients and/or developments between 2016 and 2018 with the majority of new contracts having a seven year term. This enables Fresh to optimise resource planning, and control margin, as it grows towards its target of having approximately 30,000 beds under management by 2020.

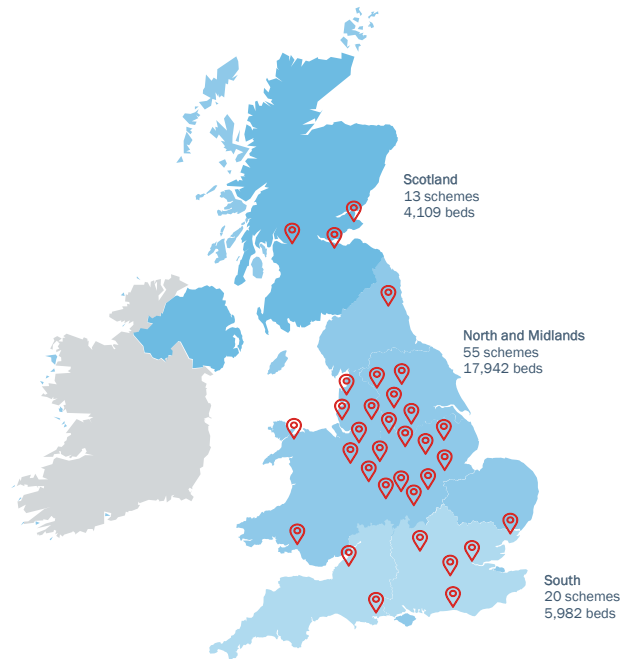
For the year ended 31 August 2015 Fresh recorded management fee revenue of approximately £2.6 million.

### 3.4 Student Accommodation

#### 3.4.1 History of developments

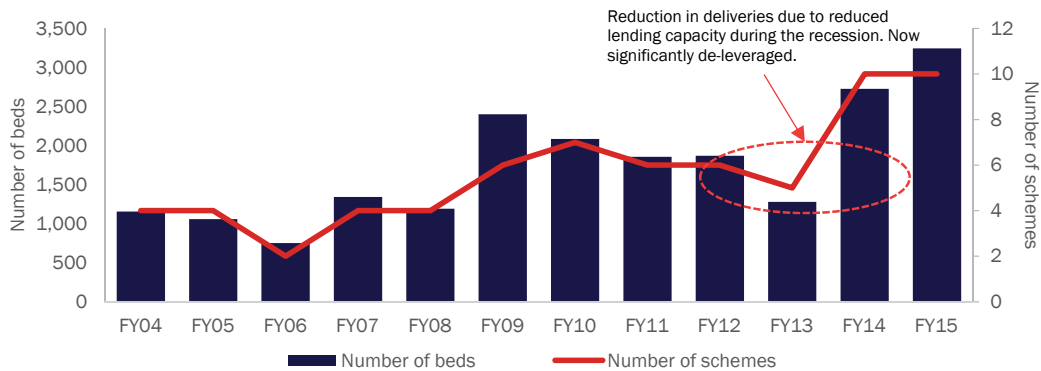
Since completing its first student accommodation project in 1999, Watkin Jones has delivered over 28,000 beds across 88 UK sites. Geographically, the sites have been spread throughout England, Scotland and Wales.

**Location of Watkin Jones completed PBSA sites 1999-2015**



The schemes delivered to date, which ranged in size from 22 beds to 1,004 beds, were all delivered as required for the start of an academic year.

**No. of beds and PBSA developments delivered by Watkin Jones 2004 to 2015**



#### 3.4.2 Development pipeline

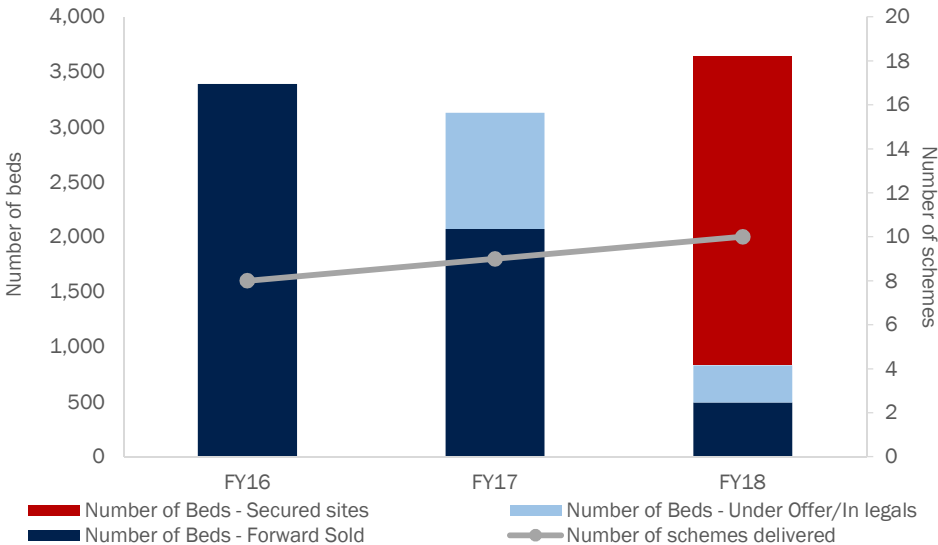
Watkin Jones has a pipeline of development projects, which have been granted planning permission, at varying stages of completion, with target delivery dates ranging from Q3 2016 to Q3 2018. Projects in this pipeline can be divided into three categories; those that are already forward sold, those in negotiation to be forward sold, and those that are secured sites but not yet in negotiations regarding forward sale.

All 17 developments currently scheduled for completion before 31st August 2017 are either already forward sold, or are currently in negotiations regarding forward sale. The graph on the next page shows the number



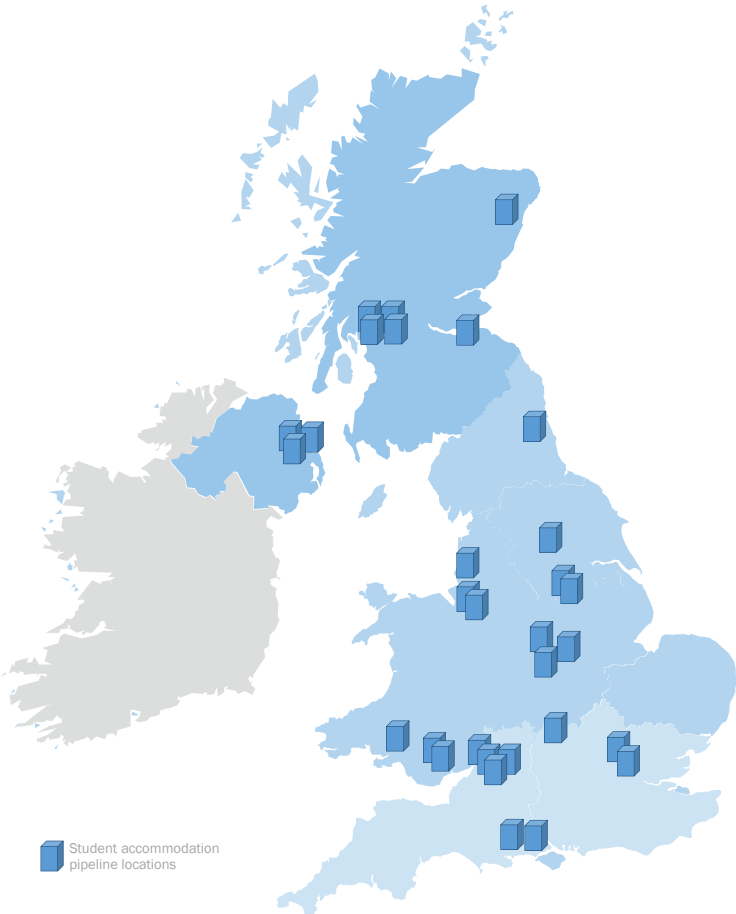
of beds and schemes scheduled to be delivered pursuant to current projects in each of the next three financial years. These developments provide strong visibility of revenues, underpinning Watkin Jones’s strategy in the short term.

**Watkin Jones scheduled completions**



In addition to the above, the Group has secured additional sites and has identified a pipeline of further potential sites on which the site and/or planning is not yet secured.

The developments underway are located throughout the UK, as shown below:



In addition to the 17 sites for delivery in 2016 and 2017 referred to on the previous page, 14 further sites have been secured, of which two have planning, with the remainder in the process of obtaining planning consents. The Group also maintains a tracker of potentially attractive sites. This list currently contains in excess of 10 prospective sites on which development could take place.

### **3.5 Private Rented Sector (PRS)**

Historically, Watkin Jones has undertaken a number of projects to develop private residential property, including houses and apartments. A recent trend in the residential property market has been the increasing interest from institutional investors in owning and operating purpose built developments for the PRS. This contrasts with the traditional model of constructing an apartment building or other residential development and selling individual units to either smaller scale investors or the public.

For investors this model has a number of attractions, and Watkin Jones is well placed to capitalise on increasing demand for such developments due to the operational similarities that exist with its core student accommodation business as well as its strong relationships with major institutional property investors. Watkin Jones is able to apply the same end to end model to PRS developments as is utilised for PBSA.

In addition, students are a natural end consumer for PRS developments, and the ability of Watkin Jones to market new developments to large volumes of students, as they graduate from PBSA living, could form an additional competitive advantage in the PRS market.

Watkin Jones is currently constructing its first PRS development in Leeds, which has been forward sold to an institutional investor and is due to open between late 2016 and early 2017. Other developments are being actively considered.

The existing residential development division, which assisted with a number of student accommodation projects during the economic downturn, are experienced and well placed to expand in this market.

Watkin Jones has launched an asset management service, Five Nine Living, for PRS developments. Using the expertise gained from Fresh, Five Nine Living will manage the PRS development in Leeds and offer an asset management service to prospective forward sale partners on new PRS developments.

### **3.6 Residential developments**

The Group intends to continue its existing operations in residential developments, where it develops residential properties on a self-funded basis. This should include developing out the Group's existing land bank on a selective basis as opportunities present themselves.

## 4. MARKET AND COMPETITION

### 4.1 Student Accommodation Types

There are four main types of student accommodation prevalent in the UK, as set out below:

<b>University purpose built student accommodation (PBSA)</b>	<b>Private purpose built student accommodation (PBSA)</b>	<b>House in Multiple Occupation (HMO)</b>	<b>Living at Home</b>
<i>Housing owned or leased by universities for the purpose of housing students</i>	<i>Housing built and operated by private commercial developers for housing students</i>	<i>A 'traditional' residential property rented out by at least three people not from one household</i>	<i>Students living at their family home with their parents, or in a residence that they own</i>
<ul style="list-style-type: none"><li>● Generally targeted at first year students</li><li>● Usually located on or very close to university campus</li><li>● Variety of room types e.g. shared rooms, clustered flats, ensuite rooms, studios etc.</li><li>● Tenancy agreements typically last 40 weeks</li></ul>	<ul style="list-style-type: none"><li>● Developed and fitted to a high standard, typically with onsite amenities such as communal spaces and security</li><li>● Rent levels average 23 per cent. higher than HMO (although usually inclusive of bills)</li><li>● Variety of room types e.g. shared rooms, clustered flats, ensuite rooms, studios etc.</li><li>● Tenancy agreements range from 42 – 51 weeks</li></ul>	<ul style="list-style-type: none"><li>● Tenants share facilities like bathroom and kitchen</li><li>● Rent typically excludes bills and utilities</li><li>● Landlords have to meet repair responsibilities and other regulations</li><li>● Tenancy agreements typically cover a full year</li></ul>	<ul style="list-style-type: none"><li>● Typically cheaper for students to stay with family</li><li>● Students living in own residence make mortgage payments</li></ul>

### 4.2 Demand dynamics/Student population

Within the UK PBSA market the core 'target occupier groups' are the full time UK students and overseas students. Within the overall trend in student numbers there are a number of sub-trends relevant in connection to Watkin Jones's business.

- Growth in student applications since the 2012/13 tuition fee increase.
- An excess of student applications over acceptances.
- Continued growth in numbers of overseas students.
- Strength and reputation of the UK higher education sector.

#### 4.2.1 Student numbers

Since 2009 full time student numbers have increased by 0.9 per cent. per annum (on average) to 1.7 million. Full time student numbers as a percentage of total students have increased from 65 per cent. in 2009/10 to 75 per cent. in 2014/15.

#### 4.2.2 Student applications

Following a reduction in student numbers in 2012/13, there has been a recovery in the number of students making applications via UCAS. After first year UCAS applications dropped from approximately 700,000 in 2011/12 to approximately 653,000 in 2012/13, they have risen again by approximately 20,000 per year, reaching a new record high of approximately 718,000 for 2015/16.

There exists a continuing gap between the number of students making applications for places and the number of acceptances granted from universities. In 2015/16 there were approximately 532,000 acceptances compared with approximately 718,000 applications, suggesting an element of latent demand.

#### **4.2.3 Overseas students**

The number of overseas students as a percentage of total university students has increased. In 2008/9 overseas students accounted for 15.4 per cent. of total students, this has risen to 18.9 per cent. for 2013/14, an 18 per cent. increase in total international student numbers. Research suggests that total student numbers will continue to be underpinned by growth in overseas student numbers. UCAS estimate an annual increase of between 1-2 per cent. to 2018 for EU students. The Directors believe that overseas students are more likely to use PBSA than UK students, (see paragraph 4.3.1 of this Part I) and as such, this trend should be positive for the Group.

#### **4.2.4 UK higher education**

The UK higher education sector remains an important export for the UK and maintains a strong position globally, being a top 3 destination for overseas students. The UK has a number of highly recognised and ranked higher education institutions (4 in the top 10 globally and 16 in the top 80), which provide a 'pull' factor due to their reputations and the expected employability of their graduates.

English language studying increases employability in many parts of the world, as English is the dominant international business language, an important consideration particularly for the emerging middle classes in countries such as India and China.

### **4.3 Demand/Supply dynamics**

Demand for private PBSA has strengthened in recent years, with the proportion of full time students staying in private PBSA rising from c.4.5 per cent. in 2009/10 to c.6.9 per cent. in 2014/15. This represents a compound annual growth rate (CAGR) in the number of students residing in private PBSA of c.9.2 per cent., compared to a CAGR in total full time student numbers of c.0.9 per cent. over the same period.

A key driver of this increase in PBSA penetration is the willingness of students to invest more in their university experience following tuition fee rises in 2012/13. These fee rises increased the total cost of university education, meaning that the marginal cost of PBSA over traditional student housing decreased relative to overall cost.

#### **4.3.1 Private PBSA penetration**

HESA data for 2013/14 shows that approximately 25 per cent. of full time students in the UK reside in PBSA (both university owned and private), with private PBSA estimated to account for c.6 per cent. of provision. The majority of university owned PBSA is accounted for by halls of residence, which are often reserved for first year students.

Private PBSA penetration is higher among students from outside the UK. In 2013/14 approximately 11 per cent. of overseas students resided in private PBSA developments, compared to approximately 5 per cent. of UK students. The Directors believe that private PBSA naturally attracts overseas students due to the quality, security and convenience of PBSA developments, which is a particular attraction to those without knowledge of the local property market. The CAGR in overseas students staying in private PBSA was 21.8 per cent. for the five years to 2013/14, compared to 10.3 per cent. for UK students.

The Directors believe that there is scope for penetration of PBSA to grow, and for this to be driven primarily by growth in private PBSA as new private developments are completed, students look to invest more in their university experience and overseas student numbers grow.

#### **4.3.2 University PBSA**

In 2013/14 university owned or nominated PBSA accounted for approximately 19 per cent. of accommodation provision for full time students and c.75 per cent. of the UK PBSA market. Private PBSA equated to only 6 per cent. provision for students and amounted to around 25 per cent. of the PBSA market.

The majority of new PBSA developments are now privately funded. Private PBSA residence numbers grew at a CAGR of 9.1 per cent. between 2011/12 and 2013/14 compared to 1.3 per cent. for university PBSA. Investment in new developments by universities is limited due to two primary factors – firstly investment in

student accommodation is a non-core activity, which would potentially detract from their ability to invest in academic activities, and secondly, universities have leverage limits, both as a result of existing structures and indebtedness.

In addition, there is potentially an opportunity presented by the age of university owned PBSA and the level of investment/upkeep required to keep it fit for purpose. Over 20 per cent. of 65,000 university beds were developed between 1960 and 1979 and 40 per cent. between 1980 and 1999. A significant proportion of this stock will not contain many of the attractive features of new developments. In time these developments will need to be refurbished or replaced, and universities may look to external developers to meet this need, with Watkin Jones being a potential partner due to its end to end service offering.

#### **4.3.3 Houses of Multiple Occupation (HMO)**

The HMO sector still accommodates around 30 per cent. of full time students. The Directors believe that provision in the HMO sector may come under pressure (as well as HMO rents rising) due to a range of disadvantageous tax changes for buy-to-let landlords to including: potential SDLT increases; possible reduction in wear and tear allowances; and reduction of tax relief on interest for buy-to-let mortgages.

The UK Government's introduction of 'Article 4' planning legislation in a number of key city markets will further put pressure on new stock of HMO's as planning permission will now be required to convert a residential dwelling into an HMO.

Private PBSA attracts a rental premium compared to HMO as a result of the quality of accommodation and additional features of PBSA such as inclusive utility bills, security provision and communal facilities. Growth in private PBSA utilisation demonstrates that students are willing to pay a premium for the higher quality accommodation provided by private PBSA. The Directors believe that PBSA will continue to grow market share partly at the expense of the HMO market.

#### **4.4 UK PBSA investment dynamics**

Although UK PBSA is still primarily seen as an alternative asset class, it is increasingly being viewed as a core real estate holding for institutional and international investors. A 2016 Jones Lang LaSalle research report indicates that 79 per cent. of institutional investors surveyed wanted to increase allocations to alternative asset classes with PBSA receiving the second highest allocation at 19 per cent. of investment capital.

2015 saw a record level of investment in the sector with in excess of £5 billion invested, up 67 per cent. on £2.7 billion in 2012. The majority of this investment comprised larger scale portfolio transactions as investors sought economies of scale and market share. Notably there were a number of significant new investors entering the market.

The UK PBSA sector has a number of attractive characteristics for institutional investors.

- Attractive yield profile compared to other mainstream property asset classes.
- Strong and stable performance both in terms of investment yield and occupancy levels.
- Relatively low risk, granular income stream with the ability to capture annual rental growth.
- Comparatively stable UK economic environment relative to other investment destinations.
- Globally renowned UK higher education sector.
- Attractive supply and demand dynamics with growing student population.

#### **4.5 Private Rented Sector (PRS) – build to rent**

UK PRS and build to rent developments are a relatively new asset class which is gaining significant momentum, driven by a fundamental shortage of new build housing, a lack of affordability and mortgage availability for owner occupiers, and an institutional investment market with significant funds and appetite for a sector with attractive investment characteristics.

The private rented sector has doubled in the UK from approximately 2.4 million households in 2000 to approximately 5.2 million households in 2013, with the number of dwellings increasing by a CAGR of 7 per cent. up until 2011/12. This is in the context of an increase in the total number of dwellings of only 10 per cent. and an increase in owner occupied dwellings of only 1.6 per cent. This increase has been demonstrated across all regions in the UK and is projected to continue with a potential increase of an additional 1.1 million households by 2021.

The average age of first time buyers is now 30, compared to 28 a decade ago. Whilst incomes are rising, the rent commanded by landlords is forecast by Knight Frank to grow by an average of 11.9 per cent. per annum until 2020, which should further support PRS.

Reports suggest that up to £30 billion could be available to invest in the PRS markets over the next 5 years. In 2016, research performed by Jones Lang LaSalle indicates 79 per cent. of surveyed institutional investors planned on increasing their investment in alternative asset classes with the top allocation being 24 per cent. targeted at PRS. Investors are attracted to the sector for similar reasons to the PBSA market: strong supply/demand dynamics; stable cashflows and yields; and the ability to capture annual rental growth.

In this context, the Directors believe that there is a strong market for purpose 'build to rent' developments, which could be designed, constructed and forward funded in a similar manner to the Group's PBSA developments, and would offer similar investment characteristics.

#### **4.6 Competition**

Watkin Jones is one of few players that operates across the entire development lifecycle from site procurement, planning and construction to scheme management. The Group's end to end solution is differentiated and this combined with its considerable track record and existing relationships with investors could provide a degree of protection if competition in the sector increases due to the attractive market dynamics that exist.

Within the UK there are a number of other specialist PBSA developers, the size and scale of these operators varies considerably as does the level of geographical focus. The majority of these specialist competitors do not tend to construct their own developments and few provide any form of third party asset management services to the end institutional investors.

A number of non-specialist developers do have exposure to the PBSA sector and offer procurement, planning and construction services, however few include an asset management offering. The two typical models seen are firms that offer services through to completion (often housebuilders or commercial property developers with student accommodation divisions) and owner/operators who invest in assets and manage developments themselves via an in house asset management division.

The Director's believe that the focus, market knowledge and ability to work across the entire development cycle provide the Group with a competitive advantage and the ability to enhance returns. Watkin Jones's geographical coverage, its focus on and experience in the sector leaves it well placed to compete with other market participants who either do not specialise in student accommodation or operate an owner/asset manager model.

### **5. STRATEGY**

Watkin Jones's core strategy is to continue to leverage its position as one of the leading developers of student accommodation in the UK, primarily using its forward sale model to minimise risk, and taking advantage of attractive market dynamics to increase both revenues and profitability on a sustainable basis.

The Directors also intend to expand the Group's business further into PRS to capitalise on the similarities of this business with its core student accommodation expertise, engaging its existing relationships with institutional investors to forward fund these projects and minimise development risk to Watkin Jones. By using the experienced residential division teams, the Group can utilise their expertise in residential development without moving resource away from student accommodation development.

In addition, the Group will continue to expand its asset management division in student accommodation, particularly focussing on developments already in existence. The Group will also focus on rolling out the PRS management offering for its existing and new clients using a similar model to that already followed in student accommodation.

The Directors also intend to develop out the Group's remaining residential land bank as well as strategically acquire new sites for residential development if and when they become available.

## 6. FINANCIAL INFORMATION

Part III of this Document contains audited historical financial information of the Group for the three years ended 30 September 2015 (excluding the Company and Fresh, which were not part of the Group during the periods reported on).

The following financial information has been derived from the financial information contained in Part III of this Document and should be read in conjunction with the full text of this Document. Investors should not rely solely on the summarised information.

	<i>Audited</i> <i>Year ended</i> <i>30 September</i> <i>2015</i> <i>£'000</i>	<i>Audited</i> <i>Year ended</i> <i>30 September</i> <i>2014</i> <i>£'000</i>	<i>Audited</i> <i>Year ended</i> <i>30 September</i> <i>2013</i> <i>£'000</i>
Revenue from continuing operations	244,246	227,327	121,376
Gross Profit	44,048	25,850	14,835
Operating Profit	32,456	15,040	5,999
Taxation	(6,296)	(2,996)	(917)
Profit after tax from continuing operations	26,610	11,132	5,110

## 7. CURRENT TRADING AND PROSPECTS

The financial information for the three years ended 30 September 2015 is set out in Part III of this Document.

On 25 February 2016, 77.5 per cent. of the shares in Fresh Student Living were acquired by the Group, with contractual arrangements in place for the remaining shares to be acquired on Admission. This acquisition consolidates the end to end service offering (previously delivered via a close relationship with Fresh) within the Watkin Jones Group.

The Group has 31 developments in its pipeline. The Company is on track to deliver this pipeline and the Directors are confident in the future prospects of the Group.

## 8. DIRECTORS AND KEY MANAGEMENT

The Board on Admission will comprise Grenville Turner as Non-Executive Chairman, Mark Watkin Jones as Chief Executive, Philip Byrom as Chief Financial Officer, and Simon Laffin as Independent Non-Executive Director.

### Directors

#### **Grenville Turner** (*Independent Non-Executive Chairman, aged 58*)

Grenville has almost 40 years of experience in retail banking and the property sector. Past directorships have included Rightmove.co.uk, St James's Place Plc, Sainsbury's Bank Plc and Realogy, the largest Realtor in the US. Currently, Grenville is Non-Executive Chairman of Countrywide plc (retiring on 27 April 2016), Chairman of ThreeSixty Developments (formerly Knightsbridge Student Housing) and Bellpenny Limited, and Chairman of 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. Grenville is a qualified Chartered Banker and holds an MBA from Cranfield School of Management.

**Mark Watkin Jones** (*Chief Executive Officer, aged 47*)

Being the ninth generation of the Watkin Jones family, Mark has been involved, in a full time capacity, in the business since 1990, and was appointed Managing Director in 2003. Mark graduated from Portsmouth Polytechnic with a degree in Construction Management in 1990. Mark has been instrumental in the growth of the Group and is responsible for introducing the structures and procedures into the business to allow it to operate as it does today. Mark has been recognised for his strong leadership and people development skills by Construction Excellence and has also received an Ernst & Young, Real Estate Entrepreneur of the Year award (2008).

**Philip Byrom** (*Chief Financial Officer, aged 54*)

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

Philip qualified as a chartered accountant with Price Waterhouse in 1990 and progressed rapidly to senior manager, a role in which he had responsibility for several public company clients. Philip moved into industry in 1995 and has gained broad experience through a number of group financial controller and divisional finance director roles, including a role as divisional finance director for pharmaceutical technologies at BWI plc. In addition to his chartered accountancy qualification, Philip holds an honours degree in civil engineering from Manchester University.

**Simon Laffin** (*Independent Non-Executive Director, aged 56*)

Simon Laffin is Chairman of Flybe Group plc and Assura plc. Previously he has been a non-executive director at 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.

## **Key Management**

**Alex Pease** (*Investment Director*)

Alex joined Watkin Jones in June 2010 and joined the operational board in 2013 as Group Investment Director.

Alex and his team are responsible for:

- The sourcing and identifying of PBSA and PRS sites across the UK.
- The appraisal and acquisition of these opportunities.
- The sale of the developments to meet the Group's objectives.

Alex is a qualified Chartered Surveyor and has an MSc in Real Estate from Oxford Brookes. Alex previously worked for 6 years in the Savills Residential and Student Investment team in London. Alex is a recognised specialist in the field of student accommodation and residential development and investment.

Over the last 5 years Alex has overseen acquisitions and sales for the Group with a GDV in excess of £1 billion.

**Rebecca Hopewell** (*Managing Director Fresh Student Living*)

Rebecca joined Fresh in 2010 as Managing Director, with a brief to develop Fresh into a market leading third party provider of specialist student accommodation management services.

Rebecca moved into student housing from a role in social housing over 15 years ago and has a proven track record in building successful student accommodation businesses. Rebecca established Sanctuary Management Services, a non-charitable student subsidiary of a large housing association, subsequently joining Quintain as a fund manager for the IQ Student Accommodation Fund, setting up and growing the fund to c.£500 million of assets under management.



**Jim Davies** (*Managing Director Newmark Developments*)

Jim joined Watkin Jones in August 1999 and accepted the post of Managing Director of Newmark Developments Division in December 2010. Jim is responsible for all technical aspects of site acquisition, planning consents and the sale of the developments to meet the Group's objectives.

Previously Jim has worked his way through the business in a variety of roles and departments the last of which was Pre-Construction and Procurement Director for the Student Housing Division.

Prior to joining Watkin Jones Jim's previous employers included Mowlem, Vinci and Allen Build.

**Andrew McDonough** (*Managing Director of Student Accommodation (North & South)*)

Andrew joined Watkin Jones as a Managing Surveyor in 2002 progressing to the Commercial Director in 2004, before being promoted to Deputy MD of the Student Accommodation Division in 2008 and Managing Director in October 2015.

Andrew is responsible for construction delivery of projects in the North of England, Scotland and the South Coast.

Andrew has over 25 years of Construction and Commercial knowledge and has been successful in securing numerous senior positions within the UK and also within the International construction industry during his career.

**Geraint Morgan** (*Managing Director of Student Accommodation (South Wales & South West)*)

Geraint joined Watkin Jones in 1984 and became a Commercial Director in 1987.

Geraint is responsible for construction delivery of projects in South Wales and the South West.

Geraint is a chartered member of RICS and CIOB. Geraint has been responsible for setting up the Quality Assurance and Environmental Accreditation processes within the business and remains responsible for those processes.

**Graham Davies** (*Managing Director of Student Accommodation (North West and Midlands)*)

Graham joined Watkin Jones in 1992 as a Quantity Surveyor and was appointed a Managing Director in 2008. Before Graham was appointed as Managing Director he was a Commercial Director for 7 years having previously been Commercial Manager for 4 years. Graham possesses an honours degree in Quantity Surveying.

Graham is responsible for construction delivery of projects in the North West, the Midlands and North Wales.

**Berwyn Evans** (*Managing Director, Residential*)

Berwyn joined Watkin Jones in 1990 as a Trainee Engineer and has progressed through a number of roles, from Site Manager to Contracts Manager, then onto Construction Manager before being appointed as residential Managing Director in 2005.

Berwyn is responsible for the overall management of the residential division as well as managing the health & safety and plant teams providing a service to all sites across the UK.

## **9. SHARE PLANS**

In order to align the interests of Shareholders and employees following Admission, the Company has adopted a SIP, further details of which are set out in paragraph 6 of Part V of this Document.

Following Admission, the Company intends to make awards of up to an aggregate of 273,825 Free Shares to Eligible Employees pursuant to the SIP. The number of Free Shares each Eligible Employee will be awarded will be determined by reference to the Acceptable Factors. Further details of the proposed Free Share awards are set out in paragraph 6 of Part V of this Document.

It is proposed that the Company shall fund the SIP Trustee to subscribe for Ordinary Shares at nominal value for the purpose of awarding the Free Shares to Eligible Employees as described above. The subscription by the SIP Trustee for up to 273,825 Ordinary Shares, at nominal value of £0.01 per Ordinary Share, shall take place following Admission.

Further share awards may be made under the SIP in the future. Further details of the type of awards that may be made in the future under the SIP are set out in paragraph 6 of Part V of this Document.

As the employees of Fresh will not be Eligible Employees for the purposes of the SIP, it has been decided that the Company will issue Ordinary Shares at par to Fresh employees outside of the SIP. In total it is proposed that 26,325 Ordinary Shares be issued to Fresh employees on Admission.

The Company is not adopting any new executive share incentive plans on Admission. The Group may in the future look to introduce such plans if this is considered appropriate to recruit, retain and incentivise senior employees. Prior to Admission, the Group operated an executive share option plan and an executive share ownership plan. These plans will fully vest on Admission and the participants of these plans will acquire an equity stake in the Company.

## **10. PRE ADMISSION REORGANISATION**

Prior to Admission, the Company undertook a reorganisation pursuant to which, amongst other things, it acquired or entered into irrevocable contracts to acquire the entire issued share capital of each of Watkin Jones Group Limited and Fresh and to acquire minority shareholdings in Watkin Jones & Son Limited held by management of the Group. This reorganisation included:

- Founded Living acquiring approximately 77.5 per cent. of the shares in the capital of Fresh from Glyn Watkin Jones and Mark Watkin Jones, for c. £11.9 million which was paid in cash. Founded Living also agreed to acquire the remaining approximately 22.5 per cent. of the issued shares in Fresh from members of Fresh's management on Admission, for c.£3.2 million, which will be payable in cash. Fresh's management have irrevocably directed that £1,397,609 of their sale proceeds are to be used to subscribe for 1,397,609 of the Placing Shares on Admission, at the Placing Price;
- Watkin Jones Group Limited paid a dividend of £10,000,000 in aggregate to the 1992 Trust and the 1999 Trust;
- the Company completed an agreement dated 28 September 2015 with the trustees of the 1992 Trust and the 1999 Trust, to acquire c.68 per cent. of the share capital of Watkin Jones Group Limited, the former parent company of the Group, from the trustees of such trusts, for an aggregate consideration of £173.6 million, such sum remaining outstanding and payable by the Company (the "Indebtedness"). The balance of this liability was reduced to £85,440,493 by a set-off of part of this liability in consideration of an obligation of the trustees of the 1992 Trust to pay subscription monies of £88,151,322 in respect of the issue of 88,151,322 Ordinary Shares by the Company to those trustees on 15 March 2016;
- the Company acquired the remaining c.32 per cent. of the issued share capital of Watkin Jones Group Limited from Glyn Watkin Jones, Jennifer Watkin Jones, Mark Watkin Jones and the Will Trust, in exchange for the issue of 81,407,985 Ordinary Shares, credited as fully paid at the Placing Price;
- certain changes to the share capital of the Company were effected as referred to in paragraph 4 of Part V of this Document, including a reduction of capital and the Company being re-registered as a public limited company;
- irrevocable agreements were entered into between Watkin Jones Holdings Limited and certain members of the senior management of the Group, pursuant to which, with effect from Admission, Watkin Jones Holdings Limited will acquire all shares in the capital of Watkin Jones & Son Limited, held by such managers for an aggregate consideration of £19,687,000, and such management shareholders have irrevocably directed that £13,260,433 of such proceeds shall be used to subscribe for, in aggregate, 13,260,433 of the Placing Shares at the Placing Price; and
- irrevocable agreements were entered into between Watkin Jones Group Limited and each of Philip Byrom and Geraint Morgan pursuant to which, conditional on Admission, each of Philip Byrom and Geraint Morgan will exercise their options to acquire certain shares in Watkin Jones Group Limited and Watkin Jones Group Limited shall, in lieu of issuing such shares, pay the sum of £1,000,000 and

£800,000 to each of them respectively in satisfaction of such options. Each of Philip Byrom and Geraint Morgan have irrevocably agreed to use £379,195 and £303,356 respectively of such proceeds to subscribe for 379,195 and 303,356 Placing Shares respectively at the Placing Price.

The Company proposes to use the gross proceeds of the Placing to repay the indebtedness of approximately £85.4 million to the trustees of the 1992 Trust and the 1999 Trust arising from this Pre-Admission Reorganisation.

## **11. PLACING, VENDOR PLACING AND PLACING AGREEMENT AND OTHER SHAREHOLDER LOCK-INS**

### **The Placing**

The Company is proposing to raise a total of approximately £85.4 million by way of a conditional placing by the Company of the Placing Shares, at the Placing Price:

- as to approximately £70.1 million with new investors; and
- as to approximately £15.3 million with members of the Group's and Fresh's current management as described in paragraph 10 above.

The Placing Shares will represent approximately 33.5 per cent. of the Enlarged Ordinary Share Capital at Admission.

### **The Vendor Placing**

The Selling Shareholders have indicated a desire to realise a proportion of their investment in the Company. The Vendor Placing, in combination with the payments made under the Pre-Admission Reorganisation will allow the Selling Shareholders to achieve this, whilst the Watkin Jones family and related Trusts retain a combined stake in the Company of approximately 48.5 per cent. of the Enlarged Ordinary Share Capital.

Under the Vendor Placing, the Selling Shareholders have agreed to sell 45,900,100 Vendor Placing Shares at the Placing Price and these shall be placed with investors by Zeus Capital and Peel Hunt at the Placing Price. The Vendor Placing Shares will represent approximately 18 per cent. of the Enlarged Ordinary Share Capital at Admission. The Company will not receive any proceeds from the sale of the Vendor Placing Shares. The costs of the Placing, the Vendor Placing and Admission, which are estimated to be approximately £6 million will be met by the Company.

### **The Placing Agreement**

Pursuant to the Placing Agreement, Zeus Capital and Peel Hunt have agreed to use their reasonable endeavours to procure subscribers for the Placing Shares and purchasers for the Vendor Placing Shares. The Company, the Directors and the Selling Shareholders have given certain warranties (and the Company has given an indemnity) to Zeus Capital and Peel Hunt, all of which are customary for this type of agreement.

Each of the Directors, and the Selling Shareholders who will hold Ordinary Shares following Admission, have undertaken, pursuant to the Placing Agreement:

- for a period of 12 months from Admission, not to dispose of any of the Ordinary Shares in which they are interested at Admission, except with the permission of Zeus Capital (after consultation with Peel Hunt); and
- for a further period of 12 months, to comply with certain requirements designed to maintain an orderly market in the Ordinary Shares.

The Placing and Vendor Placing, which are not underwritten, are conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring no later than 23 March 2016 (or such later date as Zeus Capital and the Company may agree, being no later than 31 March 2016).

The Placing Shares being subscribed for pursuant to the Placing will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares in issue (including the Vendor Placing Shares) and will participate

in full for all dividends and other distributions thereafter declared, made or paid on the Ordinary Share capital of the Company. The Placing Shares and the Vendor Placing Shares will, immediately on and from Admission, be freely transferable.

Zeus Capital has the right under the Placing Agreement to terminate the Placing Agreement and not proceed with the Placing if, prior to Admission, certain events occur including certain force majeure events. If such right is exercised by Zeus Capital, the Placing will lapse and any monies received in respect of the Placing will be returned to investors without interest. In addition, Peel Hunt has the right under the Placing Agreement to terminate its rights and obligations thereunder should certain events occur including certain force majeure events.

Further details of the Placing Agreement are set out in paragraph 14 of Part V of this Document.

### **Other Shareholder Lock-ins**

The trustees of each of the Will Trust and the 1992 Trust have entered into agreements with the Company, Zeus Capital and Peel Hunt whereby they agree to a 12 month lock-in and a 12 month orderly market on the terms applicable to the Directors and the Selling Shareholders as summarised above.

The Company has entered into lock-in deeds with senior management of the Group and Fresh who are acquiring Placing Shares as referred to in paragraph 11 above, pursuant to which such persons have agreed not to dispose of any Ordinary Shares (or any interest thereon) before the second anniversary of Admission, without the prior written consent of the Company and that following this period, for a further five years, such persons have agreed to limit any disposal to 20 per cent. per annum of their holding as at Admission in addition to any unutilised sell down authorities from previous years.

Further details of the lock-in deeds are set out in paragraphs 15.4 and 15.5 of Part V of this Document.

## **12. USE OF PROCEEDS**

The gross proceeds of the Placing will be used to fund cash payments due under the Pre-Admission Reorganisation, pursuant to which, *inter alia*, Watkin Jones Group Limited, Watkin Jones & Son Limited and Fresh became wholly owned subsidiaries of Watkin Jones.

Further details of the Pre-Admission Reorganisation are contained in paragraph 10 of this Part I.

In addition to enabling the Placing and the Vendor Placing, the Directors believe that Admission will provide the business with increased reputation and profile and the ability to incentivise key employees.

## **13. TAXATION**

Information regarding taxation is set out in paragraph 10 of Part V of this Document. These details are intended only as a general guide to the current tax position in the UK.

**If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.**

## **14. ADMISSION, SETTLEMENT AND DEALINGS**

Application has been made to the London Stock Exchange for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 23 March 2016.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST). Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. In respect of Shareholders who will receive Ordinary Shares in uncertificated form, Ordinary Shares will be credited to their CREST stock accounts on 23 March 2016. Shareholders who wish to receive and retain share certificates are able to do so and share certificates representing the Ordinary Shares to be issued pursuant to the Placing or transferred pursuant to the Vendor Placing are expected to be despatched by post to such

Shareholders by no later than 8 April 2016.

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in CREST. The Company will apply for the Enlarged Ordinary Share Capital to be admitted to CREST from the date of Admission.

## **15. INTERESTS IN ORDINARY SHARES**

Upon Admission, the Directors will in aggregate be interested in, directly and indirectly, 128,177,298 Ordinary Shares representing approximately 50.3 per cent. of the Enlarged Ordinary Share Capital. Further information is available in paragraph 7 of Part V of this Document.

In addition to the Directors, ten employees of the Watkin Jones Group will have a combined shareholding of 4.4 per cent. of the Enlarged Ordinary Share Capital immediately following Admission.

## **16. CORPORATE GOVERNANCE**

The Directors acknowledge the importance of the principles set out in the Corporate Governance Code.

The Directors intend to apply the Corporate Governance Code, as far as they consider appropriate for a company of its size and nature.

Immediately following Admission, the Board will comprise four directors, two of whom shall be executive directors and two of whom shall be non-executive directors, reflecting a blend of different experience and backgrounds. Grenville Turner and Simon Laffin are considered independent.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all directors will receive appropriate and timely information. Briefing papers will be distributed to all directors in advance of Board meetings. All directors will have access to the advice and services of the Chief Financial Officer, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

### **Board Committees**

The Company will, upon Admission, have established Audit, Nomination and Remuneration Committees.

The Audit Committee will have Simon Laffin as chairman, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least twice a year. Grenville Turner will be the other member of the Audit Committee.

The Nomination Committee will have Grenville Turner as chairman, and will identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee will meet as required. Simon Laffin will be the other member of the Nomination Committee.

The Remuneration Committee will have Grenville Turner as chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least once a year. Simon Laffin will be the other member of the Remuneration Committee.

### **Share Dealing Code**

The Directors understand the importance of complying with the AIM Rules relating to dealings by directors and certain other employees of the Group in the Ordinary Shares and has established a share dealing code. The Company will take all reasonable steps to ensure compliance by the directors and any relevant

employees. The Directors believe that the share dealing code adopted by the Board is appropriate for a company quoted on AIM. The Board will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take reasonable steps to ensure compliance by the Company's "applicable employees" as defined in the AIM Rules.

## **17. DIVIDEND POLICY**

The Directors' intention is to implement a progressive dividend policy, subject to the discretion of the Board and to the Company having sufficient distributable reserves.

The Group would ordinarily look to pay both interim and final dividends for each financial year, split as to approximately 1/3 for the interim payment and 2/3 for the final payment. Based on a pro forma full year yield of 6 per cent., calculated by reference to the Placing Price, and recognising that Admission will take place part way through the financial period, the Directors intend that a total dividend for the year to 30 September 2016 of four pence per Ordinary Share will be paid.

## **18. APPLICABILITY OF THE TAKEOVER CODE**

The Takeover Code is issued and administered by the Panel and governs amongst other things, transactions involving companies to which the Takeover Code applies. The Takeover Code applies to the Company and therefore its Shareholders are entitled to the protection afforded by the Takeover Code. Under Rule 9 of the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage interest in the Company's shares.

The Company understands that the Panel consider Mark Watkin Jones, the 1992 Trust and the Will Trust to be acting in concert (the "**Concert Party**"), for the purposes of the Takeover Code. With effect from Admission the Concert Party will hold 48.5 per cent. of the Enlarged Ordinary Share Capital.

## **19. RISK FACTORS**

Your attention is drawn to the risk factors set out in Part II of this Document and to the section entitled "Forward Looking Statements" therein. In addition to all other information set out in this Document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

## **20. ADDITIONAL INFORMATION**

You should read the whole of this Document and not just rely on the information contained in this Part I.

Your attention is drawn to the information set out in Parts II to V (inclusive) of this Document which contains further information on the Group.

## PART II

### RISK FACTORS

**Before making any investment decision, prospective investors should carefully consider all the information contained in this Document including, in particular, the risk factors described below.**

**Ordinary Shares may not be a suitable investment for all recipients of this Document. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.**

**In addition to the usual risks associated with an investment in a company, the Directors consider that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.**

**It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.**

**If any of the events described in the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.**

#### **Risks specific to the Watkin Jones business**

This section sets out some of the risks relating to Watkin Jones's business. If any of the following risks are borne out in reality, Watkin Jones's business, financial condition or results of operations could be seriously affected.

#### ***Ability to secure new sites***

Watkin Jones is reliant on the identification and development of new sites to generate revenue beyond the current pipeline of forward sold and/or secured sites. If sufficiently attractive sites are not available, or are not available on commercially viable terms, the ability of the Group to generate revenues and profits could be negatively affected.

#### ***Planning permission***

If planning permission for new developments becomes harder to obtain, for example as a result of changes in government or local government policy, the Group's ability to secure new sites viable for development may be impacted, which would have resulting impacts on the Group's current and forecast revenue streams and profitability.

The risk to Watkin Jones of failing to obtain planning permission on the existing land bank or the pipeline of secured PBSA sites is managed due to the Group's policy of acquiring land subject to planning consents being obtained, however if the Group chooses to purchase land without this conditionality embedded, it is exposed to the risk that planning permission is not able to be obtained.

#### ***Reliance on senior management***

The Group is reliant on the continued service of its senior management to drive future success. If the Group is unable to retain key members of its senior management team, and is unable to source suitable replacements, the Group may not be able to maintain its ability to identify and develop attractive new sites and this may impact upon its future revenues and profitability.

### ***Forward sale business model***

The Group's exposure to development risk is reduced through its utilisation of the forward sale model for new developments. If investor appetite for forward sales reduces, or commercially attractive terms for forward sale arrangements are not available, the Group may undertake new projects on a self-funded basis. The self-funded model exposes the Group to the risk that an asset cannot be sold on commercially attractive terms when completed.

### ***Development contract pricing***

Under the forward sale model, the Group is required to agree the value of development contracts with customers prior to construction commencing. In agreeing a particular contract, the Group is required to make estimates and judgements as to the overall costs and timings to complete the construction. In the event that actual costs exceed these estimates for any reason, then the Group may not be able to achieve the level of contract profitability envisaged.

### ***Reputation***

The Group relies on its reputation with institutional investors to secure asset sales. If Watkin Jones's reputation was damaged, the Group may suffer reductions of interest in acquiring the Group's developments.

### ***Development timetable***

For student accommodation developments, it is critical that construction is completed on time, in advance of the new academic year commencing to enable tenants to move in as planned. If the Group was to fail to complete a development on time, contractual penalties could apply as well as Watkin Jones's reputation in the market suffering potential damage.

### ***Health and safety risks***

Construction sites are inherently higher risk environments, which may expose employees and contractors to the risk of serious injury or fatality. To seek to manage and mitigate such risk the Group has in place rigorous health and safety policies and arrangements. In spite of this, it is possible that accidents and/or injuries may occur on the Group's sites, which could lead to penalties under various regulatory regimes, litigation and associated costs/liabilities, and reputational damage.

### ***Historic guarantee arrangements***

Historically, the Group has entered into guarantee arrangements under which it is potentially liable to make payments to property owners in the event that rental income from a development falls below a specified level. If payments are required, these could have an adverse impact on the Group's profitability and cash position.

### ***Required levels of investment may exceed available funding***

Although the Group has significant headroom on its debt facilities and cash on its balance sheet, it is possible that in the future as the business grows, the capital required for investment into development and construction of new assets may exceed available funding levels. This risk is partially mitigated by the Group's forward sale model, under which costs are billed to customers on a monthly basis.

### ***Debt funding***

On Admission, the Group will have in place borrowing facilities with a number of lenders. Whilst the RCF and Overdraft Facility will be undrawn at Admission, the potential use of borrowings in the future creates a risk that the Group will be unable to service debt payments or comply with other requirements of the borrowing in the future, rendering it repayable on demand. There is also a risk that borrowings will not be able to be refinanced in future, or that the terms of such refinancing may not be as favourable as the existing terms of borrowing. If the Group is required to repay its borrowings, it may be forced to sell assets at less than market value or at a time when the value of the asset is not optimal.



### ***Increased competition***

Increased competition in the PBSA or PRS sectors could make it more difficult for the Group to execute its strategy, by increasing competition for attractive plots of land and depressing asset prices by increasing the number of developments competing for investor interest.

## **Risks relating to the property development industry**

### ***Market conditions (increased yield requirements)***

If a change in economic conditions or investor appetite results in investors seeking increased yield on investments, this could depress the purchase price that the Group is able to command for its developments.

### ***Demand dynamics in the student market***

Changing tastes among consumers may result in a decrease in demand for PBSA, or a decrease in demand for student accommodation in cities that the Group has committed to develop sites in. Additionally a shift in student demographics (for example the proportion of overseas vs UK students) could alter demand levels for PBSA.

### ***Cost of construction increases***

The Group's principal model is to enter into development agreements for the construction of accommodation on a fixed price basis. To the extent that the cost estimate of the Group in relation to a site is incorrect or there is an increase in material or labour costs, this could increase the cost to Watkin Jones of constructing assets, which could reduce margins and/or profitability achieved on new or existing developments.

### ***Regulation of the construction sector***

Increased regulation of the construction sector, for example in the areas of health and safety or environmental impact could increase the Group's costs of compliance and therefore have a detrimental impact on the Group's operating performance.

## **General risks relating to the Ordinary Shares**

### ***Quotation on AIM, liquidity and possible price volatility***

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of Watkin Jones's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Group and others which are extraneous. These factors could include the performance of the Group's business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority.

In addition, there can be no guarantee that Ordinary Shares will continue to trade on AIM in the future or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

### ***Legislation and tax status***

This Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation or regulation and, in particular, in tax status or tax residence of the Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

### ***Economic, political, judicial, administrative, taxation or other regulatory matters***

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters.

### ***Taxation***

The attention of potential investors is drawn to paragraph 10 of Part V of this Document headed "Taxation".

The tax rules and their interpretation relating to an investment in the Company may change during its life.

Information in this Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is, in principle, subject to change.

### ***Dividends***

The Company's ability to pay dividends will depend on the level of distributions, if any, received from its operating subsidiaries. The Company's subsidiaries may, from time to time, be subject to restrictions on their ability to make distributions including foreign exchange limitations, and regulatory, fiscal and other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on the Group's results or financial condition.

### ***Forward looking statements***

All statements other than statements of historical fact included in this Document, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to Shareholder returns, dividends or any statements preceded by, followed by or that include the words "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements.

Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results and performance to be materially different from future results and performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

**PART III**  
**HISTORICAL FINANCIAL INFORMATION**  
**SECTION A – ACCOUNTANTS’ REPORT**



The Directors  
Watkin Jones plc  
Units 21-22  
Llandygai Industrial Estate  
Bangor  
Gwynedd  
LL57 4YH

16 March 2016

Dear Sirs,

**Watkin Jones Group Limited**

We report on the consolidated financial information of Watkin Jones Group Limited for the years ended 30 September 2013, 2014 and 2015 as set out in Section B of Part III (the 'Historical Financial Information'). This Historical Financial Information has been prepared for inclusion in the AIM admission document dated 16 March 2016 of Watkin Jones plc on the basis of the accounting policies set out in note 2. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM admission document.

**Responsibilities**

The Directors of Watkin Jones plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the AIM admission document dated 16 March 2016, a true and fair view of the state of affairs of Watkin Jones Group Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully  
Ernst & Young LLP

## SECTION B – FINANCIAL INFORMATION

### Consolidated Statement of Comprehensive Income

	Notes	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
<b>Continuing operations</b>				
Revenue	5	244,246	227,327	121,376
Cost of sales		<u>(200,198)</u>	<u>(201,477)</u>	<u>(106,541)</u>
<b>Gross profit</b>		44,048	25,850	14,835
Administrative expenses		(10,611)	(9,508)	(7,864)
Distribution costs		<u>(981)</u>	<u>(1,302)</u>	<u>(972)</u>
<b>Operating profit</b>		32,456	15,040	5,999
Share of profit in joint ventures	17	1,165	517	1,644
Finance income		95	105	2
Finance costs	10	<u>(810)</u>	<u>(1,534)</u>	<u>(1,618)</u>
<b>Profit before tax from continuing operations</b>		32,906	14,128	6,027
Income tax expense	12	<u>(6,296)</u>	<u>(2,996)</u>	<u>(917)</u>
<b>Profit for the year from continuing operations</b>		<u>26,610</u>	<u>11,132</u>	<u>5,110</u>
<b>Discontinued operations</b>				
Profit/(loss) after tax for the year from discontinued operations	11	<u>(4,433)</u>	<u>(1,434)</u>	<u>1,066</u>
<b>Profit for the year attributable to ordinary equity holders of the parent</b>		<u>22,177</u>	<u>9,698</u>	<u>6,176</u>
<b>Other comprehensive income</b>				
Net gain/(loss) on available-for-sale financial assets		<u>112</u>	<u>41</u>	<u>–</u>
<b>Total comprehensive income for the year attributable to ordinary equity holders of the parent</b>		<u>22,289</u>	<u>9,739</u>	<u>6,176</u>
		£	£	£
<b>Earnings per share</b>				
Basic, profit for the year attributable to ordinary equity holders of the parent	13	<u>22.177</u>	<u>9.698</u>	<u>6.176</u>
<b>Earnings per share for continuing operations</b>				
Basic, profit for the year attributable to ordinary equity holders of the parent		<u>26.610</u>	<u>11.132</u>	<u>5.110</u>

## Consolidated Statement of Financial Position

		30 September 2015 £'000	30 September 2014 £'000	30 September 2013 £'000	1 October 2012 £'000
	Notes				
<b>Non-Current assets</b>					
Goodwill	14	–	3,193	3,193	3,193
Property, plant and equipment	15	4,807	5,276	4,937	5,176
Investment in joint ventures	17	7,220	8,694	8,418	6,775
Deferred tax asset	25	1,514	684	621	1,522
Other financial assets	26	1,169	651	–	–
		<u>14,710</u>	<u>18,498</u>	<u>17,169</u>	<u>16,666</u>
<b>Current assets</b>					
Inventory and work in progress	18	119,683	91,657	134,426	117,346
Trade and other receivables	20	20,553	33,919	16,520	14,171
Cash and cash equivalents	21	59,270	25,938	6,470	7,637
		<u>199,506</u>	<u>151,514</u>	<u>157,416</u>	<u>139,154</u>
<b>Total assets</b>		<u><u>214,216</u></u>	<u><u>170,012</u></u>	<u><u>174,585</u></u>	<u><u>155,820</u></u>
<b>Current liabilities</b>					
Trade and other payables	22	(69,696)	(54,664)	(46,484)	(36,584)
Provisions	24	(339)	(388)	–	–
Other financial liabilities	26	(47)	–	–	(1,437)
Interest-bearing loans and borrowings	23	(9,759)	(853)	(9,805)	(22,827)
Current tax liabilities		(7,077)	(3,061)	(2,346)	(5,982)
		<u>(86,918)</u>	<u>(58,966)</u>	<u>(58,635)</u>	<u>(66,830)</u>
<b>Non-Current liabilities</b>					
Interest-bearing loans and borrowings	23	(10,424)	(15,265)	(32,963)	(12,291)
Deferred tax liabilities	25	(396)	(355)	(378)	(266)
Provisions	24	(2,124)	(2,518)	–	–
Other non-current liabilities	29	(1,304)	(2,147)	(1,587)	(1,587)
		<u>(14,248)</u>	<u>(20,285)</u>	<u>(34,928)</u>	<u>(14,144)</u>
<b>Total Liabilities</b>		<u><u>(101,166)</u></u>	<u><u>(79,251)</u></u>	<u><u>(93,563)</u></u>	<u><u>(80,974)</u></u>
<b>Net assets</b>		<u><u>113,050</u></u>	<u><u>90,761</u></u>	<u><u>81,022</u></u>	<u><u>74,846</u></u>
<b>Equity</b>					
Share capital	28	1,000	1,000	1,000	1,000
Share premium		6,300	6,300	6,300	6,300
Available-for-sale reserve		153	41	–	–
Retained earnings		105,597	83,420	73,722	67,546
<b>Total Equity</b>		<u><u>113,050</u></u>	<u><u>90,761</u></u>	<u><u>81,022</u></u>	<u><u>74,846</u></u>

## Consolidated Statement of Changes in Equity

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Available- for-sale reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
1 October 2012	1,000	6,300	–	67,546	74,846
Profit for the year	–	–	–	6,176	6,176
<b><i>Balance at 30 September 2013</i></b>	<u>1,000</u>	<u>6,300</u>	<u>–</u>	<u>73,722</u>	<u>81,022</u>
Profit for the year	–	–	–	9,698	9,698
Other comprehensive income	–	–	41	–	41
<b><i>Balance at 30 September 2014</i></b>	<u>1,000</u>	<u>6,300</u>	<u>41</u>	<u>83,420</u>	<u>90,761</u>
Profit for the year	–	–	–	22,177	22,177
Other comprehensive income	–	–	112	–	112
<b><i>Balance at 30 September 2015</i></b>	<u>1,000</u>	<u>6,300</u>	<u>153</u>	<u>105,597</u>	<u>113,050</u>

## Consolidated Statement of Cash Flows

		30 September 2015	30 September 2014	30 September 2013
	Notes	£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
Cash inflow/(outflow) from operations	30	32,008	51,116	(1,415)
Interest received		95	87	2
Interest paid		(875)	(1,693)	(3,021)
Interest element of finance lease rental payments		(20)	(17)	(8)
Tax paid		(2,777)	(1,969)	(3,650)
Net cash inflow/(outflow) from operating activities		<u>28,431</u>	<u>47,524</u>	<u>(8,092)</u>
<b>Cash flows from investing activities</b>				
Inflow/(outflow) from joint ventures		1,339	241	–
Acquisition of property, plant and equipment		(50)	(170)	(273)
Proceeds on disposal of property, plant and equipment		70	104	80
Purchase of other financial assets		(378)	(598)	–
Net cash inflow/(outflow) from investing activities		<u>981</u>	<u>(423)</u>	<u>(193)</u>
<b>Cash flows from financing activities</b>				
Capital element of finance lease rental payments		(393)	(134)	(105)
Proceeds from borrowings		8,940	–	29,797
Repayment of borrowings		(4,627)	(27,499)	(22,574)
Net cash inflow/(outflow) from financing activities		<u>3,920</u>	<u>(27,633)</u>	<u>7,118</u>
Net increase/(decrease) in cash		33,332	19,468	(1,167)
Cash and cash equivalents at 1 October		<u>25,938</u>	<u>6,470</u>	<u>7,637</u>
Cash and cash equivalents at year end		<u>59,270</u>	<u>25,938</u>	<u>6,470</u>



## **Notes to the consolidated financial information**

### **1. Corporate information**

Watkin Jones Group Limited is a limited company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 4084303). The Company is domiciled in the United Kingdom and its registered address is Units 21-22, Llandygai Industrial Estate, Bangor Gwynedd, LL57 4YH.

The principal activities of Watkin Jones Group Limited and its subsidiary undertakings (“the Group”) are those of property developer and building contractor.

The Group is ultimately controlled by the Watkin Jones family via several family trusts. Glyn Watkin Jones, Jennifer Anne Watkin Jones and Mark Watkin Jones are directors of Watkin Jones Group Limited.

### **2. Accounting policies**

#### **2.1 Basis of preparation**

The consolidated statements of historic financial information of the Group have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”). The Group has applied IFRS for the first time in these statements of historic financial information, from 1 October 2012 (date of transition) to 30 September 2015, and accordingly disclosed the impact of transition from UK GAAP in note 37 to these statements of historic financial information.

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

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

#### **2.2 Basis of consolidation**

The consolidated statements of historic financial information comprise the statements of historic financial information of the Group and its subsidiaries as at 30 September 2015.

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 statements of historic financial information 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.

#### **2.3 Significant accounting policies**

##### **Going concern**

The statements of historic financial information have been prepared on a going concern basis. The directors consider that it is appropriate for the statements of historic financial information 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.

##### **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 (see note 3). 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.

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.

### **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.

The statements of historic financial information of joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies 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 profit or loss.

### **Foreign currency**

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. Transactions in foreign currencies are translated at the exchange rates at the date of the transactions.

### **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 of the Board. This committee approves investment decisions, allocates the Group's resources and reviews the internal reporting in order to assess performance.

### **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:

Aeroplanes		– 4% straight line
Plant & 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.

### **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 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.

Indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, 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 profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation reserve. An impairment loss in respect of goodwill is not reversed.

## **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.

## **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
- 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
- The contracts are performed concurrently or in a continuous sequence

#### *Sale of completed property*

A property is regarded as sold when the significant risks and returns 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 property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- A contract to construct a property or
- A contract for the sale of a completed property

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

Where the 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. If, however, 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.

## **Classification of financial instruments issued by the Group**

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

## **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. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. 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 income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

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.

### **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 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 amortised cost using the EIR method.

#### **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.

#### **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. The Group does not apply hedge accounting.

##### *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 12 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.

### **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:

- Represent 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.

### **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 statements of historic financial information 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
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

### **Cash and cash equivalents**

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

### **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.



## **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.

The financial effect of awards by the parent company of cash incentive schemes based of options over its equity shares to the employees of subsidiary undertakings are recognised by the parent company in its individual financial statements. In particular the parent company records an increase in the cost of its investment in subsidiaries with an equal credit to other creditors.

## **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.

## **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 statements of historic financial information. 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.

### **Exceptional items**

Exceptional items are disclosed separately in the statements of historic financial information 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.

### **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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in Note 2.3, 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 consolidated statements of historic financial information:

##### *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 2.3). 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. A number of property operating leases were entered into in the years ended 30 September 2010, 30 September 2011 and 30 September 2015. When forming the conclusion of operating lease classification, consideration was given to the key lease classification indicators of IAS 17. The leases are typically for a 4-20 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. 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.

##### *Non-controlling interest*

The Group owns 76.92 per cent. of the voting shares of Watkin Jones & Son Limited. However, no non-controlling interest is recognised in the Group's balance sheet as a result of the nature of the shares held by the non-controlling party, being certain senior employees. A financial instrument issued by a subsidiary that is classified as a liability in the parent's financial statements is not a non-controlling interest because all these shares are held to facilitate the operating of cash-based long term incentive schemes for which liabilities are reflected in the group accounts.

At 30 September 2015, certain senior employees held 60,000 A1 Shares, 30,000 B Shares and 42,000 C shares in Watkin Jones & Son Limited. The A1 shares and B shares are voting shares and represent in total 23.08 per cent. of the voting shares. The C shares are non voting shares. The A1 shares and C shares are growth shares and accrue value as explained in Note 29. The B Shares have no right to value other than their nominal value of £1 per share.

### **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.

### **4. 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 statements of historic financial information. 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:**

<i>Standard or interpretation</i>	<i>Title</i>	<i>Effective for accounting periods beginning on or after</i>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers including amendments	1 January 2018
IFRS 16	Leases	1 January 2019

#### *Amendments to Standards*

*Amendments to IAS 12:*

Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
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#### **Endorsed by the EU:**

Amendments to IAS 1: Disclosure Initiative	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Annual Improvements to IFRSs 2010–2012 Cycle	1 February 2015
Annual Improvements to IFRSs 2011–2013 Cycle	1 January 2015

## 5. Revenue

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Rental income received	10,808	8,503	8,165
Sale of goods (residential property)	14,623	16,936	8,838
Sales from development and construction contracts (note 19)	218,815	201,888	104,373
	<u>244,246</u>	<u>227,327</u>	<u>121,376</u>

## 6. 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 – Purpose built student accommodation developments.
- b. Residential – The development of traditional residential property.
- c. Construction – Construction contracting involving contracts in the commercial, industrial, retail, leisure, health, education and public sector. On 9 July 2015 the board took the decision to discontinue the activities of the Construction contracting segment (note 11).

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.

30 September 2015	<i>Student Accommodation £'000</i>	<i>Residential £'000</i>	<i>Corporate £'000</i>	<i>Total £'000</i>
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	<u>42,670</u>	<u>2,650</u>	<u>(12,414)</u>	<u>32,906</u>
Taxation	–	–	(6,296)	(6,296)
<b>Continuing Profit/(loss) for the year</b>	<u>42,670</u>	<u>2,650</u>	<u>(18,710)</u>	<u>26,610</u>
Loss from discontinued operations (note 11)	–	–	–	(4,433)
Profit/(loss) for the year attributable to ordinary equity holders of the parent	<u>42,670</u>	<u>2,650</u>	<u>(18,710)</u>	<u>22,177</u>
Inventory and work in progress	<u>43,996</u>	<u>57,659</u>	–	<u>101,655</u>
Inventory and work in progress – discontinued				<u>18,028</u>
Total inventory and work in progress (note 18)				<u>119,683</u>

30 September 2014	<i>Student Accommodation £'000</i>	<i>Residential £'000</i>	<i>Corporate £'000</i>	<i>Total £'000</i>
Segmental revenue	209,112	18,214	1	227,327
Segmental gross profit/(loss)	24,272	1,937	(359)	25,850
Administrative expenses	–	–	(9,508)	(9,508)
Distribution costs	–	–	(1,302)	(1,302)
Share of operating profit in joint ventures	477	40	–	517
Finance income	–	–	105	105
Finance costs	–	–	(1,534)	(1,534)
Profit/(loss) before tax	24,749	1,977	(12,598)	14,128
Taxation	–	–	(2,996)	(2,996)
<b>Continuing Profit/(loss) for the year</b>	24,749	1,977	(15,594)	11,132
Loss from discontinued operations (note 11)	–	–	–	(1,434)
Profit/(loss) for the year attributable to ordinary equity holders of the parent	24,749	1,977	(15,594)	9,698
Inventory and work in progress	20,089	53,721	–	73,810
Inventory and work in progress – discontinued	–	–	–	17,847
Total inventory and work in progress (note 18)	–	–	–	91,657

30 September 2013	<i>Student Accommodation £'000</i>	<i>Residential £'000</i>	<i>Corporate £'000</i>	<i>Total £'000</i>
Segmental revenue	109,570	11,758	48	121,376
Segmental gross profit/(loss)	12,477	2,311	47	14,835
Administrative expenses	–	–	(7,864)	(7,864)
Distribution costs	–	–	(972)	(972)
Share of operating profit in joint ventures	786	858	–	1,644
Finance income	–	–	2	2
Finance costs	–	–	(1,618)	(1,618)
Profit/(loss) before tax	13,263	3,169	(10,405)	6,027
Taxation	–	–	(917)	(917)
<b>Continuing Profit/(loss) for the year</b>	13,263	3,169	(11,322)	5,110
Profit from discontinued operations (note 11)	–	–	–	1,066
Profit/(loss) for the year attributable to ordinary equity holders of the parent	13,263	3,169	(11,322)	6,176
Inventory and work in progress	55,210	55,931	–	111,141
Inventory and work in progress – discontinued	–	–	–	23,285
Total inventory and work in progress (note 18)	–	–	–	134,426

## 7. Total operating profit

This is stated after charging/(crediting):

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Operating lease rentals	6,622	5,205	5,184
Audit services to the parent company	29	23	21
Audit services to the subsidiaries	106	87	78
Depreciation:			
Owned assets	347	339	391
Assets under finance leases	142	157	73
Loss/(profit) on disposal of fixed assets	(40)	69	(32)
Impairment of goodwill (note 11 and 14)	3,193	–	–
	<u>10,399</u>	<u>5,880</u>	<u>5,715</u>

## 8. Staff numbers and costs

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

	<i>Number of employees</i>		
	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Construction	271	243	218
Management and administration	82	73	55
	<u>353</u>	<u>316</u>	<u>273</u>

The aggregate payroll costs of these persons were as follows:

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Wages and salaries	13,019	11,851	10,001
Employee incentive – long term incentive plan (note 29)	1,367	560	–
Social security costs	1,585	1,375	1,092
Defined contribution pension costs	355	250	239
	<u>16,326</u>	<u>14,036</u>	<u>11,332</u>

## 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 £355,000 (2014: £250,000; 2013: £239,000). There are no unpaid contributions at the end of the year (2014: £Nil; 2013: £Nil).

The Group also operates a small defined contribution scheme for the benefit of certain directors and former employees. This scheme is closed to new entrants. The assets of the scheme are administered by trustees in a fund independent from those of the Group. Contributions during the year amounted to £ Nil (2014: £Nil; 2013: £35,000).

In addition, the Group operates a small self-administered pension scheme for the benefit of certain directors. The assets of the scheme are administered by trustees who include G Watkin Jones and M Watkin Jones, who are also directors of the 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 (2014: £50,000; 2013: £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:

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Wages and salaries	1,926	1,405	1,048
Employee incentive – long term incentive plan (See note 29)	1,367	560	–
Social security costs	279	256	96
Defined contribution pension costs	60	38	62
	<u>3,632</u>	<u>2,259</u>	<u>1,206</u>

### **9. Directors emoluments**

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Directors' emoluments	693	965	1,051
Group contributions to money purchase pension schemes	50	50	50
Highest paid director: Emoluments	<u>409</u>	<u>543</u>	<u>475</u>
Contributions to money purchase pension schemes	<u>–</u>	<u>50</u>	<u>50</u>

### **10. Finance costs**

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Interest on loans	683	1,269	1,250
Finance charges payable under finance leases	20	17	8
Other interest payable	107	248	360
	<u>810</u>	<u>1,534</u>	<u>1,618</u>

In addition, the Group has capitalised during the year in development land and work in progress, interest payable on bank loans of £329,000 (2014: £Nil) (2013: £251,000).

## 11. 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.

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Revenue	10,931	27,906	17,449
Cost of sales	(12,491)	(28,044)	(16,056)
Cost of sales – inventory provision	–	(1,700)	–
Gross (loss)/income	(1,560)	(1,838)	1,393
Administrative expenses – goodwill impairment	(3,193)	–	–
Operating (loss)/profit for the year from discontinued activities	(4,753)	(1,838)	1,393
Income tax credit/(expense)	320	404	(327)
(Loss)/profit for the year	(4,433)	(1,434)	1,066
Earnings per share from discontinued operations	<u>£(4.443)</u>	<u>£(1.434)</u>	<u>£1.066</u>

## 12. Income taxes

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
<b>Current income tax:</b>			
UK corporation tax on profits of the period	7,212	3,116	59
Adjustments in respect of previous periods	(99)	(22)	(155)
Group current tax	7,113	3,094	(96)
Share of joint ventures current tax	–	–	–
<b>Total current tax</b>	<u>7,113</u>	<u>3,094</u>	<u>(96)</u>
Deferred tax:			
Origination and reversal of temporary differences	(892)	(94)	978
Impact of change in tax rate	75	–	15
Adjustments in respect of prior year	–	(4)	20
Total deferred tax	<u>(817)</u>	<u>(98)</u>	<u>1,013</u>
<b>Total tax expense</b>	<u>6,296</u>	<u>2,996</u>	<u>917</u>



## Reconciliation of total tax expense

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Accounting profit before tax from continuing operations	32,906	14,128	6,027
Accounting profit before tax from discontinued operations	(4,753)	(1,838)	1,393
<b>Accounting profit before income tax</b>	<b>28,153</b>	<b>12,290</b>	<b>7,420</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2014: 22.0%; 2013: 23.5%)	5,771	2,704	1,744
Expenses not deductible	564	37	16
Tax effect of share of profit of joint ventures	(180)	(125)	(202)
Losses carried forward	–	–	(67)
Difference in tax rate of joint ventures	89	(44)	–
Other differences	(169)	42	(92)
Prior period adjustment	(99)	(22)	(155)
<b>At the effective rate of tax of 21.2% (2014: 20.0%) (2013: 16.8%)</b>	<b>5,976</b>	<b>2,592</b>	<b>1,244</b>
<b>Income tax expense reported in the statement of profit or loss</b>	<b>6,296</b>	<b>2,996</b>	<b>917</b>
<b>Income tax attributed to a discontinued activity</b>	<b>(320)</b>	<b>(404)</b>	<b>327</b>
	<b>5,976</b>	<b>2,592</b>	<b>1,244</b>

## 13. Earnings per share

Basic earnings per share 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 ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Profit attributable to ordinary equity holders of the parent	22,177	9,698	6,176
Profit from continuing operations attributable to ordinary equity holders	26,610	11,132	5,110
<b>Earnings per share</b>			
Basic, profit for the year attributable to ordinary equity holders of the parent	£22.177	£9.698	£6.176
<b>Earnings per share for continuing operations</b>			
Basic, profit for the year attributable to ordinary equity holders of the parent	£26.610	£11.132	£5.110
Weighted average number of ordinary shares for basic earnings per share	1,000	1,000	1,000

There is no effects of dilution from share options in issue as these will be cash settled.

Under IAS 33 'Earnings per share', only those potential shares whose issue would have a dilutive effect on EPS are brought into the calculation.

#### 14. Goodwill

Construction Contracting CGU

	<i>Construction Contracting CGU</i>		
	<i>Year</i>	<i>Year</i>	<i>Year</i>
	<i>ended 30</i>	<i>ended 30</i>	<i>ended 30</i>
	<i>September</i>	<i>September</i>	<i>September</i>
	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:			
As at the start of the period	3,193	3,193	3,193
Impairment during the year	3,193	–	–
As at the end of the period	<u>–</u>	<u>3,193</u>	<u>3,193</u>

The impairment charge during the year ended 30 September 2015 arose in July 2015 following a review carried out by the Board as a consequence of the decision to discontinue the activities of the construction contracting CGU.

#### 15. Property, plant and equipment

	<i>Plant and machinery</i>	<i>Aeroplane</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost</b>				
At 1 October 2014	3,792	3,318	401	7,511
Additions	50	–	–	50
Disposals	(2)	–	(244)	(246)
<b>At 30 September 2015</b>	<u>3,840</u>	<u>3,318</u>	<u>157</u>	<u>7,315</u>
<b>Depreciation:</b>				
At 1 October 2014	1,651	299	285	2,235
Charge for the year	316	133	40	489
Disposals	–	–	(216)	(216)
<b>At 30 September 2015</b>	<u>1,967</u>	<u>432</u>	<u>109</u>	<u>2,508</u>
<b>Net book value:</b>				
<b>At 30 September 2015</b>	<u>1,873</u>	<u>2,886</u>	<u>48</u>	<u>4,807</u>
At 30 September 2014	<u>2,141</u>	<u>3,019</u>	<u>116</u>	<u>5,276</u>

	<i>Plant and machinery</i> £'000	<i>Aeroplane</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
<b>Cost</b>				
At 1 October 2013	3,860	3,318	646	7,824
Additions	1,008	–	–	1,008
Disposals	(1,076)	–	(245)	(1,321)
<b>At 30 September 2014</b>	<u>3,792</u>	<u>3,318</u>	<u>401</u>	<u>7,511</u>
<b>Depreciation:</b>				
At 1 October 2013	2,316	166	405	2,887
Charge for the year	280	133	83	496
Disposals	(945)	–	(203)	(1,148)
<b>At 30 September 2014</b>	<u>1,651</u>	<u>299</u>	<u>285</u>	<u>2,235</u>
<b>Net book value:</b>				
<b>At 30 September 2014</b>	<u>2,141</u>	<u>3,019</u>	<u>116</u>	<u>5,276</u>
At 30 September 2013	<u>1,544</u>	<u>3,152</u>	<u>241</u>	<u>4,937</u>

	<i>Plant and machinery</i> £'000	<i>Aeroplane</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
<b>Cost</b>				
At 1 October 2012	3,856	3,318	625	7,799
Additions	94	–	179	273
Disposals	(90)	–	(158)	(248)
<b>At 30 September 2013</b>	<u>3,860</u>	<u>3,318</u>	<u>646</u>	<u>7,824</u>
<b>Depreciation:</b>				
At 1 October 2012	2,127	34	462	2,623
Charge for the year	265	132	67	464
Disposals	(76)	–	(124)	(200)
<b>At 30 September 2013</b>	<u>2,316</u>	<u>166</u>	<u>405</u>	<u>2,887</u>
<b>Net book value:</b>				
<b>At 30 September 2013</b>	<u>1,544</u>	<u>3,152</u>	<u>241</u>	<u>4,937</u>
At 1 October 2012	<u>1,729</u>	<u>3,284</u>	<u>163</u>	<u>5,176</u>

### **Finance leases**

The carrying value of plant and machinery and motor vehicles held under finance leases at 30 September 2015 was £691,000 (2014: £1,045,00) (2013: £277,000). Additions during the year include £Nil (2014: £1,006,000) (2013: £273,000) of plant and machinery and motor vehicles under finance leases.

## 16. Subsidiaries

The Group holds 100 per cent. share capital of the following unless otherwise stated:

<i>Name</i>	<i>Class of shares</i>	<i>Nature of business</i>
Belle Vue Leeds Limited (**) <sup>1</sup>	Ordinary	Property developer
Blackhorse Lane Student Limited (**) <sup>2</sup>	Ordinary	Property developer
Bridge Street Student Limited (**) <sup>1</sup>	Ordinary	Property developer
Brougham Hayes Limited (**) <sup>2</sup>	Ordinary	Property developer
Christchurch Road Bournemouth Limited (**) <sup>2</sup>	Ordinary	Property developer
Customhouse Student Limited (**) <sup>1</sup>	Ordinary	Property developer
Dunaskin Student Limited (**) <sup>2</sup>	Ordinary	Property developer
Duncan House Developments Limited (**) <sup>1</sup>	Ordinary	Property developer
Goldcharm Residential Limited (**) <sup>1</sup>	Ordinary	Property developer
Holdenhurst Road Bournemouth Limited (**) <sup>1</sup>	Ordinary	Property developer
Hunter Street Chester Limited (**) <sup>1</sup>	Ordinary	Property developer
New Bridewell Limited (**) <sup>2</sup>	Ordinary	Property developer
New Century House Bournemouth Limited (**) <sup>2</sup>	Ordinary	Property developer
North Hanover Street Student Limited (**) <sup>1</sup>	Ordinary	Property developer
Onega Centre Bath Limited (**) <sup>1</sup>	Ordinary	Property developer
Oxford House Bournemouth Limited (**) <sup>2</sup>	Ordinary	Property developer
Quarter House Studios Limited (**) <sup>2</sup>	Ordinary	Property developer
Spiritbond Stockwell Green Limited (**) <sup>1</sup>	Ordinary	Property developer
Suffolk Road Student Limited (**) <sup>1</sup>	Ordinary	Property developer
Watkin Jones Liverpool Student Limited (**) <sup>1</sup>	Ordinary	Property developer
Darley Student Accommodation Limited (****) <sup>3</sup>	Ordinary	Property letting
Watkin Jones Holdings Limited	Ordinary	Holding company
Watkin Jones & Son Limited (*)	Ordinary	Property developer
Newmark Developments Limited (**)	Ordinary	Holding company and development services
Anderson Wharf (Student) Limited (**)	Ordinary	Property developer
Coralblend Limited (**)	Ordinary	Property developer
Extralap Limited (***)	Ordinary	Property developer
Goldcharm Limited (**)	Ordinary	Property developer
Gorse Stacks Development Limited (***)	Ordinary	Property developer
Heol Santes Helen Limited (**)	Ordinary	Property developer
Logie Green Developments Limited (**)	Ordinary	Property developer
Megaleague Limited (**)	Ordinary	Property developer
Old Dumbarton Road Limited (**)	Ordinary	Property developer
Ruby 99 Limited (**)	Ordinary	Property developer
Stylegood Limited (**)	Ordinary	Property developer
Superscheme Limited (**)	Ordinary	Property developer
Supertry Limited (**)	Ordinary	Property developer
Tableward Limited (**)	Ordinary	Property developer
Watkin Jones (Sheffield 1) Limited (**)	Ordinary	Property developer
Watkin Jones Bournemouth Student Limited (****)	Ordinary	Property developer
WJ Developments (Residential) Limited (***)	Ordinary	Property developer
Watkin Jones AM Limited (**)	Ordinary	Property Fund Asset Manager
Saxonhenge Limited (**)	Ordinary	Aeroplane management
DR (Student) Limited	Ordinary	Holding company
Finefashion Limited (**)	Ordinary	Property letting
Polarpeak Limited (**)	Ordinary	Property letting
Qualityoffer Limited (**)	Ordinary	Property letting
Nicelook Limited (**)	Ordinary	Property letting
Scarlet P Limited (**)	Ordinary	Property letting
Swiftmatch Limited (**)	Ordinary	Property letting
Wisedeed Limited (**)	Ordinary	Property letting

The Group's subsidiaries were incorporated in the following periods:

<sup>1</sup> 30 September 2015

<sup>2</sup> 30 September 2014

<sup>3</sup> 30 September 2013

All other subsidiaries listed were incorporated on 1 October 2012 or before.

\* 76.92% held by Watkin Jones Holdings Limited (see Note 3)

\*\* Wholly owned by Watkin Jones & Son Limited

\*\*\* Wholly owned held by Newmark Developments Limited

\*\*\*\* Wholly owned by DR (Student) Limited

\*\*\*\*\* Wholly owned by Old Dumbarton Road Limited

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

At 30 September 2015, certain senior employees held 60,000 A1 Shares and 30,000 B Shares in Watkin Jones & Son Limited, representing in total 23.08 per cent. of the voting shares. The A1 Shares are growth shares and accrue value as explained in Note 29. The B Shares have no right to value other than their nominal value of £1 per share. A financial instrument issued by a subsidiary that is classified as a liability in the parent's financial statements is not a non-controlling interest because all these shares are held to facilitate the operating of cash-based long term incentive schemes for which liabilities are reflected in the group accounts.

During the year Watkin Jones & Son Limited acquired the remaining 50 per cent. of the issued share capital of Spiritbond Stockwell Green Limited not already owned by it for a consideration of £60, being the nominal value of the shares acquired

## 17. Joint ventures

The Group has the following joint ventures, whose principal place of business is the UK:

<i>Name</i>	<i>Class of shares</i>	<i>Percentage share capital held</i>	<i>Financial Year End</i>	<i>Activity</i>
Athena Hall (Jersey) Limited (*)	Ordinary	100%	30 September	Property letting
Central Retail Limited (*)	Ordinary	50%	31 March	Dormant
Deiniol Developments Limited (*)	Ordinary	50%	30 September	Property development
Gorse Stacks Rufus Limited (*)	Ordinary	50%	30 June	Property development
Rufus Estates Limited (**)	Ordinary	50%	30 June	Property development
Lacuna Edinburgh Limited (*)	Ordinary	50%	31 March	Dormant
Lacuna Hanwell Limited (*) <sup>3</sup>	Ordinary	50%	30 June	Dormant
Lacuna Belfast Limited (*) <sup>2</sup>	Ordinary	50%	30 April	Property development
Lacuna Dublin Road Limited (*) <sup>1</sup>	Ordinary	50%	30 June	Property development
Lacuna WJ Limited (*) <sup>1</sup>	Ordinary	50%	28 February	Property development
Spiritbond Finsbury Park Limited (*)	Ordinary	50%	30 September	Property development
Spiritbond Elephant & Castle Limited (*)	Ordinary	50%	30 September	Property development
Freshers PBSH Chester (General Partner) Limited (*)	Ordinary	50%	30 September	Property Fund General Partner
Freshers PBSH (General Partner) Limited (*)	Ordinary	50%	30 September	Dormant

The Group made its investment in the above joint ventures in the following periods:

<sup>1</sup> 30 September 2015

<sup>2</sup> 30 September 2014

<sup>1 3</sup> 30 September 2013

All other joint ventures became part of the Group on 1 October 2012 or before.

\* Held by Watkin Jones & Son Limited

\*\* Held by Newmark Developments Limited

# Incorporated during the year

The Group's interest in joint ventures is accounted for using the equity method in the consolidated statements of historic financial information.

Summarised financial information of the joint ventures, based on its IFRS statements of historic financial information, and reconciliation with the carrying amount of the investment in the consolidated statements of historic financial information are set out below:

Summarised statement of financial position of Athena Hall (Jersey Limited):

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Current assets, including cash and cash equivalents £116,000 (2014: £279,000; 2013: £174,000)	906	611	495	420
Non-current assets	27,451	27,501	28,001	27,491
Current liabilities, including financial liabilities <sup>1</sup> £400,000 (2014: £400,000; 2013: £13,100,000)	(546)	(677)	(13,121)	(803)
Non-current liabilities – financial liabilities	(11,793)	(12,100)	–	(13,100)
<b>Equity</b>	<u>16,018</u>	<u>15,242</u>	<u>15,375</u>	<u>14,008</u>
<b>Group's carrying amount of the investment</b>	<u><u>6,726</u></u>	<u><u>7,500</u></u>	<u><u>7,217</u></u>	<u><u>6,148</u></u>

<sup>1</sup> Financial liabilities exclude trade and other payables and provisions in accordance with IFRS 12.

Summarised statement of comprehensive income of Athena Hall (Jersey Limited):

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Revenue	2,186	2,128	2,059
Cost of sales	–	–	–
Administrative expenses	(92)	(80)	(44)
Finance costs – interest expense	(320)	(302)	(493)
Finance income	–	–	–
<b>Profit before tax</b>	<u>1,775</u>	<u>1,746</u>	<u>1,522</u>
Income tax expense	(177)	(309)	–
<b>Profit for the year (continuing operations)</b>	<u>1,598</u>	<u>1,437</u>	<u>1,522</u>
<b>Total comprehensive income for the year (continuing operations)</b>	<u>1,509</u>	<u>937</u>	<u>2,032</u>
<b>Group's share of profit for the year</b>	<u><u>551</u></u>	<u><u>483</u></u>	<u><u>1,069</u></u>

Summarised statement of financial position of Deiniol Developments Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Current assets, including cash and cash equivalents £4,000 (2014: £32,000; 2013: £49,000)	513	535	669	3,957
Current liabilities (none financial <sup>1</sup> )	(1,412)	(1,417)	(1,515)	(4,241)
<b>Equity</b>	<u>(899)</u>	<u>(882)</u>	<u>(846)</u>	<u>(284)</u>
<b>Group's carrying amount of the investment</b>	<u><u>(450)</u></u>	<u><u>(441)</u></u>	<u><u>(423)</u></u>	<u><u>(142)</u></u>

<sup>1</sup> Financial liabilities exclude trade and other payables and provisions in accordance with IFRS 12.

Summarised statement of comprehensive income of Deiniol Developments Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Revenue	–	4	1,129
Cost of sales	(10)	(26)	(1,653)
Administrative expenses	(7)	(9)	(14)
Finance costs – interest expense	–	–	(25)
<b>(Loss) before tax</b>	<u>(17)</u>	<u>(32)</u>	<u>(563)</u>
Income tax expense	–	–	–
<b>(Loss) for the year (continuing operations)</b>	<u>(17)</u>	<u>(32)</u>	<u>(563)</u>
<b>Total comprehensive (loss) for the year (continuing operations)</b>	<u>(17)</u>	<u>(32)</u>	<u>(563)</u>
<b>Group's share of (loss) for the year</b>	<u><u>(9)</u></u>	<u><u>(16)</u></u>	<u><u>(282)</u></u>

Summarised statement of financial position of Lacuna Belfast Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Current assets, including cash and cash equivalents £44,000 (2014: £Nil; 2013: £Nil)	1,312	–	–	–
Current liabilities – none financial <sup>1</sup>	(331)	–	–	–
<b>Equity</b>	<u>981</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Group's carrying amount of the investment</b>	<u><u>592</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

<sup>1</sup> Financial liabilities exclude trade and other payables and provisions in accordance with IFRS 12.

Summarised statement of comprehensive income of Lacuna Belfast Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Revenue	10,941	–	–
Cost of sales	(9,466)	–	–
Administrative expenses	(184)	–	–
Finance costs – interest expense	(80)	–	–
<b>Profit before tax</b>	<b>1,211</b>	<b>–</b>	<b>–</b>
Income tax expense	(230)	–	–
<b>Profit for the year (continuing operations)</b>	<b>981</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income for the year (continuing operations)</b>	<b>981</b>	<b>–</b>	<b>–</b>
<b>Group's share of profit for the year</b>	<b>592</b>	<b>–</b>	<b>–</b>

Summarised statement of financial position of Lacuna Edinburgh Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Current assets, including cash and cash equivalents £Nil (2014: £7,000; 2013: £14,000)	189	3,224	3,439	5,545
Current liabilities – none financial <sup>1</sup>	(65)	(542)	(838)	(4,661)
<b>Equity</b>	<b>124</b>	<b>2,682</b>	<b>2,601</b>	<b>884</b>
<b>Group's carrying amount of the investment</b>	<b>62</b>	<b>1,341</b>	<b>1,300</b>	<b>442</b>

<sup>1</sup> Financial liabilities exclude trade and other payables and provisions in accordance with IFRS 12.

Summarised statement of comprehensive income of Lacuna Edinburgh Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Revenue	42	89	10,158
Cost of sales	–	–	(7,901)
Administrative expenses	–	–	(21)
Finance costs – interest expense	–	–	(3)
Finance income	–	–	–
<b>Profit before tax</b>	<b>42</b>	<b>89</b>	<b>2,233</b>
Income tax expense	–	(8)	(517)
<b>Profit for the year (continuing operations)</b>	<b>42</b>	<b>81</b>	<b>1,716</b>
<b>Total comprehensive income for the year (continuing operations)</b>	<b>42</b>	<b>81</b>	<b>1,716</b>
<b>Group's share of profit for the year</b>	<b>21</b>	<b>40</b>	<b>858</b>



Summarised statement of financial position of Spiritbond Finsbury Park Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Current assets, including cash and cash equivalents £14,000 (2014: £193,000; 2013: £130,000)	1,066	438	564	94
Current liabilities – none financial <sup>1</sup>	(1,083)	(426)	(561)	(94)
<b>Equity</b>	<u>(17)</u>	<u>12</u>	<u>3</u>	<u>–</u>
<b>Group's carrying amount of the investment</b>	<u><u>(9)</u></u>	<u><u>6</u></u>	<u><u>2</u></u>	<u><u>–</u></u>

<sup>1</sup> Financial liabilities exclude trade and other payables and provisions in accordance with IFRS 12.

Summarised statement of comprehensive income of Spiritbond Finsbury Park Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Revenue	33,606	14,630	10,037
Cost of sales	(21,112)	(12,883)	(8,104)
Administrative expenses	(12,512)	(1,740)	(1,930)
Finance income	–	3	–
<b>(Loss)/profit before tax</b>	<u>(18)</u>	<u>10</u>	<u>3</u>
Income tax expense	(1)	–	–
<b>(Loss)/profit for the year (continuing operations)</b>	<u>(19)</u>	<u>10</u>	<u>3</u>
<b>Total comprehensive (loss)/income for the year (continuing operations)</b>	<u>(19)</u>	<u>10</u>	<u>3</u>
<b>Group's share of (loss)/profit for the year</b>	<u><u>(9)</u></u>	<u><u>5</u></u>	<u><u>2</u></u>

Summarised statement of financial position of Spiritbond Elephant & Castle Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Current assets, including cash and cash equivalents £Nil (2014: £4,000; 2013: £107,000)	483	115	127	–
Current liabilities – none financial <sup>1</sup>	(458)	(115)	(127)	–
<b>Equity</b>	<u>25</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Group's carrying amount of the investment</b>	<u><u>13</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

<sup>1</sup> Financial liabilities exclude trade and other payables and provisions in accordance with IFRS 12.

Summarised statement of comprehensive income of Spiritbond Elephant & Castle Limited:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Revenue	12,099	3,553	4,589
Cost of sales	(12,065)	(3,551)	(4,587)
Administrative expenses	(9)	(2)	(2)
<b>Profit before tax</b>	<u>25</u>	<u>-</u>	<u>-</u>
Income tax expense	-	-	-
<b>Profit for the year (continuing operations)</b>	<u>25</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year (continuing operations)</b>	<u>25</u>	<u>-</u>	<u>-</u>
<b>Group's share of profit for the year</b>	<u><u>13</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The Group's carrying amount, in aggregate, of its interest in all individually immaterial joint ventures is £286,000 (2014: 288,000) (2013: 322,000) (1 October 2012: 327,000).

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Aggregate amount of Group's share of:			
<b>Profit/(loss) for the year (continuing operations)</b>	<u>6</u>	<u>5</u>	<u>(3)</u>
<b>Total comprehensive income for the year (continuing operations)</b>	<u>6</u>	<u>5</u>	<u>(3)</u>

#### 18. Inventory and work in progress

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Development land	43,300	36,946	51,905	69,520
Stock and work in progress	<u>76,383</u>	<u>54,711</u>	<u>82,521</u>	<u>47,826</u>
<b>Total inventories at the lower of cost and net realisable value</b>	<u><u>119,683</u></u>	<u><u>91,657</u></u>	<u><u>134,426</u></u>	<u><u>117,346</u></u>

During 2015, £Nil was recognised as an impairment expense for inventories (2014: £1,700,000) (2013: £Nil). This is recognised in cost of sales.

## 19. Construction contracts

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Total income and expense recognised on contract in progress in the year:				
Costs incurred and recognised profit for period	218,815	201,888	104,373	107,822
Contract revenue for the period	218,815	201,888	104,373	107,822
Less progress billings and advances	(226,427)	(194,295)	(101,082)	(109,659)
	(7,612)	7,593	3,291	(1,837)
Brought forward	15,913	8,320	5,029	6,866
Carried forward	8,301	15,913	8,320	5,029
Amounts recoverable on contracts	8,301	15,913	8,320	5,029
Construction contracts in progress, net position	8,301	15,913	8,320	5,029
Aggregate amount of costs incurred and recognised profits (less losses) to date	245,323	247,839	137,277	138,250
Retention asset	6,651	4,169	3,101	3,691

Retention assets are included in trade receivables.

## 20. Trade and other receivables

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
<i>Financial assets:</i>				
Trade receivables	7,357	12,855	5,867	5,181
Amounts recoverable on contracts	8,301	15,913	8,320	5,029
Other receivables	1,208	309	26	485
Available for sale financial asset	863	923	964	659
Receivable from other related parties	486	2,326	–	180
Receivable from joint ventures	2,318	1,521	1,216	2,590
Other financial assets	–	52	34	–
Total financial assets	20,533	33,899	16,427	14,124
<i>Other:</i>				
Prepayments	20	20	93	47
Total trade and other receivables	20,553	33,919	16,520	14,171

The ageing analysis of trade receivables is as follows:

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
Neither past due nor impaired	7,356	12,818	5,594	5,093
Past due but not impaired:				
Not more than three months	1	37	273	88
Greater than three months	–	–	–	–
	<u>7,357</u>	<u>12,855</u>	<u>5,867</u>	<u>5,181</u>

As at 2015, 2014, 2013 and 2012 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.

## 21. Cash and cash equivalents

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

## 22. Trade and other payables: current

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
<i>Financial liabilities:</i>				
Trade payables	51,073	42,709	32,785	25,300
Other payables	5,504	3,249	868	1,683
Related parties (note 35)	2	–	6,029	4,587
Joint ventures (note 35)	731	1,781	1,604	54
Total financial liabilities	<u>57,310</u>	<u>47,739</u>	<u>41,286</u>	<u>31,624</u>
<i>Other:</i>				
Other taxes and social security costs	4,953	2,303	1,484	423
Accruals and deferred income	5,223	4,622	3,714	4,537
Employee benefits – long term incentive schemes	2,210	–	–	–
Total trade and other payables	<u>69,696</u>	<u>54,664</u>	<u>46,484</u>	<u>36,584</u>

## 23. Interest-bearing loans and borrowings

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
<b>Current:</b>				
Investec Bank plc term land loan	6,400	–	–	–
National Westminster Bank plc development loan	2,540	–	–	–
Svenska Handelsbanken AB 5 year term loan	413	402	392	368
Lombard North Central plc aircraft mortgage	202	202	202	202
HSBC Bank plc RCF arrangement fees	(144)	(144)	(144)	–
Finance leases	348	393	119	68
Investec Bank plc term land loan	–	–	3,900	–
Coral Student Portfolio term loan	–	–	5,136	–
Homes Commission Agency development loan	–	–	200	–
Bank of Scotland revolving credit facility	–	–	–	22,189
	<u>9,759</u>	<u>853</u>	<u>9,805</u>	<u>22,827</u>
	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
<b>Non current:</b>				
Svenska Handelsbanken AB 5 year term loan	8,744	9,163	9,575	9,984
Lombard North Central plc aircraft mortgage	1,659	1,861	2,063	2,264
HSBC Bank plc revolving credit facility (RCF)	–	4,018	9,981	–
HSBC Bank plc RCF arrangement fees	(169)	(315)	(458)	–
Finance leases	190	538	108	43
Homes Commission Agency development loan	–	–	694	–
HSBC Bank plc term property loan	–	–	11,000	–
	<u>10,424</u>	<u>15,265</u>	<u>32,963</u>	<u>12,291</u>

### Finance lease disclosure

	30 September 2015		30 September 2014		30 September 2013	
	Minimum payments £'000	PV of payments £'000	Minimum payments £'000	PV of payments £'000	Minimum payments £'000	PV of payments £'000
Within one year	348	316	393	358	119	108
Later than one year and less than five years	190	157	538	445	108	89
After five years	–	–	–	–	–	–
Total minimum lease payments	<u>538</u>	<u>473</u>	<u>931</u>	<u>803</u>	<u>227</u>	<u>197</u>
Lease amount representing finance charges		<u>39</u>		<u>68</u>		<u>16</u>
PV of minimum lease payments		<u>512</u>		<u>871</u>		<u>213</u>

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

At 30 September 2015, the Group has undrawn borrowing facilities of £25 million (2014: £21 million) (2013: £15 million) (2012: £3 million).

The loan with Investec Bank plc is a term loan secured by a legal charge over certain land sites. The maturity date is 31 October 2016 and the applicable interest rate is 4.5 per cent. over 3 month LIBOR.

The loan with National Westminster Bank plc is a development loan secured by a legal charge over development land and stock and work in progress. The maturity date is 3 December 2016 and the applicable interest rate is 3.5 per cent. over 3 month LIBOR.

The loan with Svenska Handelsbanken AB is a 5 year term loan secured by a legal charge over development land and stock and work in progress. The maturity date is 1 March 2017 and the applicable interest rate is 2.75 per cent. over 3 month LIBOR.

The RCF with HSBC Bank plc is secured by a debenture over Watkin Jones Group Limited, Watkin Jones Holdings Limited and Watkin Jones & Son Limited. The RCF matures on 21 November 2017 and the applicable interest rate is 3.5 per cent. over 3 month LIBOR.

The Lombard North Central plc aircraft mortgage is secured by a legal charge over the Group's aeroplane. The maturity date is 27 August 2017 and the interest rate is 3.1 per cent. over 3 month LIBOR.

#### 24. Provisions: current

	<i>Onerous lease provision £'000</i>
At 1 October 2013	–
Arising during the year	388
At 30 September 2014	388
Utilised	(388)
Arising during the year	339
At 30 September 2015	339

#### 24. Provisions: non-current

	<i>Onerous lease provision £'000</i>
At 1 October 2013	–
Arising during the year	2,518
At 30 September 2014	2,518
Arising during the year	114
Unused amounts reversed	(508)
At 30 September 2015	2,124

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 rate of 10.0 per cent., to take account of the time value of money

No provision was required at 30 September 2013 as the Group had sub-let the properties concerned to Fresh Student Living Limited, a related party, on equivalent terms so that all risks and rewards from the operations of the properties were transferred to Fresh Student Living Limited. On 1 September 2014, the sub-leases to Fresh Student Living Limited were terminated and the risks and rewards of the operation of the properties reverted to the Group. From that date, Fresh Student Living Limited was engaged to provide letting and property management services under a management agreement.

## 25. Deferred tax

The movement on the deferred tax account is shown below:

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
As at the start of the period	329	243	1,256
Statement of comprehensive income charge/(credit)	817	98	(1,013)
Statement of comprehensive income charge/(credit)	(28)	(12)	–
At the end of the period	<u>1,118</u>	<u>329</u>	<u>243</u>

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

	<i>Short term timing differences £'000</i>	<i>Accelerated Capital Allowances £'000</i>	<i>Total £'000</i>
<b>30 September 2015</b>			
At 1 October 2014	571	(242)	329
Income statement charge/(credit)	867	(50)	817
Statement of comprehensive income charge/(credit)	(28)	–	(28)
At 30 September 2015	<u>1,410</u>	<u>(292)</u>	<u>1,118</u>
<b>30 September 2014</b>			
At 1 October 2013	479	(236)	243
Income statement charge/(credit)	104	(6)	98
Statement of comprehensive income charge/(credit)	(12)	–	(12)
At 30 September 2014	<u>571</u>	<u>(242)</u>	<u>329</u>
<b>30 September 2013</b>			
At 1 October 2012	1,522	(266)	1,256
Income statement charge/(credit)	(1,043)	30	(1,013)
At 30 September 2013	<u>479</u>	<u>(236)</u>	<u>243</u>

## 26. Other financial assets and liabilities

### Other financial assets

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
<b>Derivatives</b>				
Interest rate swaps	–	52	34	–
	<u>–</u>	<u>52</u>	<u>34</u>	<u>–</u>
<b>Financial Instruments At Fair Value</b>				
AFS financial assets at fair value through OCI	1,169	651	–	–
Other financial assets	1,169	651	–	–
	<u>1,169</u>	<u>651</u>	<u>–</u>	<u>–</u>

The AFS 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 agreed to invest a total of £2,000,000 in the Fund, as part of an agreement to develop three student accommodation properties for the Fund. The investment is being made in three tranches following the completion of each of the properties. At 30 September 2015, the Group held 901,089 Units in the Fund and had invested a total of £976,000 (2014: £598,000) in Units in the Fund.

### Other financial liabilities

	Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000	Year ended 1 October 2012 £'000
<b>Derivatives</b>				
Interest rate swaps	(47)	–	–	(1,437)
	<u>(47)</u>	<u>–</u>	<u>–</u>	<u>(1,437)</u>
Net gain/(loss) on derivatives in profit or loss	(99)	18	1,471	–
	<u>(99)</u>	<u>18</u>	<u>1,471</u>	<u>–</u>

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 AFS financial assets, is based on a quoted price (Level 1). This is an investment and is not related to any individual property.

The fair value of the Group’s equity interest in shared ownership schemes, included within AFS financial assets, is materially equal to historical cost.

## 27. 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.



### 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.

### Sensitivity analysis

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:

### Foreign currency risk

No significant foreign currency risk.

### 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 2013, 30 September 2014 and 30 September 2015.

<i>Liquidity risk –</i>		<i>Less than</i>	<i>Between one</i>	<i>More than</i>	<i>Total</i>
<i>30 September 2015</i>	<i>On demand</i>	<i>one year</i>	<i>and five</i>	<i>five years</i>	
	<i>£'000</i>	<i>£'000</i>	<i>years</i>	<i>£'000</i>	<i>£'000</i>
			<i>£'000</i>		
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
<i>Liquidity risk –</i>		<i>Less than</i>	<i>Between one</i>	<i>More than</i>	<i>Total</i>
<i>30 September 2014</i>	<i>On demand</i>	<i>one year</i>	<i>and five</i>	<i>five years</i>	
	<i>£'000</i>	<i>£'000</i>	<i>years</i>	<i>£'000</i>	<i>£'000</i>
			<i>£'000</i>		
Interest bearing loans and borrowings	–	853	15,265	–	16,118
Trade and other payables	–	54,664	–	–	54,664
	–	55,517	15,265	–	70,782
<i>Liquidity risk –</i>		<i>Less than</i>	<i>Between one</i>	<i>More than</i>	<i>Total</i>
<i>30 September 2013</i>	<i>On demand</i>	<i>one year</i>	<i>and five</i>	<i>five years</i>	
	<i>£'000</i>	<i>£'000</i>	<i>years</i>	<i>£'000</i>	<i>£'000</i>
			<i>£'000</i>		
Interest bearing loans and borrowings	–	9,805	32,963	–	42,768
Trade and other payables	–	46,484	–	–	46,484
	–	56,289	32,963	–	89,252

### **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 per cent. 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:

<i>0.5% Change in interest rate</i>	<i>Effect on profit before tax</i>		
	<i>Year ended 30</i>	<i>Year ended 30</i>	<i>Year ended 30</i>
	<i>September 2015</i>	<i>September 2014</i>	<i>September 2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Impact on profit before tax	79	136	183

### **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 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. There have been changes to the capital requirements each year as the Group has required, regular suitable levels of capital injections to fund development. The net debt of the Group is analysed in note 31 to these statements of historic financial information.

The Company has not paid any dividends during the three years ended 30 September 2015 presented in the Historical Financial Information.

## **28. Share capital**

	<i>Year ended 30</i>	<i>Year ended 30</i>	<i>Year ended 30</i>	<i>Year ended 1</i>
	<i>September</i>	<i>September</i>	<i>September</i>	<i>October</i>
	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Authorised share capital:</i>				
Ordinary shares of £1 each	<u>1312.5</u>	<u>1312.5</u>	<u>1,250</u>	<u>1,250</u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

## 29. Employee benefits – long term incentive plans

### Options over G Shares in the company

Options over G Shares in the company have been granted to certain senior employees of the group on a discretionary basis. The exercise price of the options is £1. The options may be settled in cash at the request of the employee or the company when the employee reaches their 60th birthday, or earlier if the employee is a good leaver or on certain other realisation events. As the scheme is cash settled and the payment is not dependent on the value of the company's shares, then the scheme is accounted for as a long term incentive scheme.

At 30th September 2015, 62,500 options were in issue (2014: 62,500, 2013: 62,500). No options were exercised during the year. Options over 37,500 G Shares were exercised in October 2015 by a senior employee who retired at the end of September 2015 and these options were cash settled by the company.

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

	30 September 2015		30 September 2014		30 September 2013	
	Number of options	WAEP	Number of options	WAEP	Number of options	WAEP
Outstanding at the beginning of the year	62,500	1	62,500	1	100,000	1
Forfeited during the year	–	–	–	–	(37,500)	–
Outstanding at the end of the year	<u>62,500</u>	<u>1</u>	<u>62,500</u>	<u>1</u>	<u>62,500</u>	<u>1</u>
Exercisable at the end of the year	<u>62,500</u>	<u>1</u>	<u>62,500</u>	<u>1</u>	<u>62,500</u>	<u>1</u>

### Growth share plan – A1 Shares

Shares have been issued in the company's subsidiary undertaking, Watkin Jones & Son Limited, to certain senior employees on a discretionary basis. The shares may be bought in cash by Watkin Jones Holdings Limited, the majority shareholder in Watkin Jones & Son Limited, at the request of the employee or Watkin Jones Holdings Limited, when the employee reaches their 60th birthday or earlier if the employee is a good leaver or on certain other realisation events.

The price at which the shares may be bought is a fixed percentage based on the amount by which the consolidated net assets of Watkin Jones & Son Limited at that time exceed a growth hurdle of £80m. As the scheme is cash settled and the payment is not dependent on the value of the company's shares, then the scheme is accounted for as a long term incentive scheme.

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

	30 September 2015		30 September 2014		30 September 2013	
	Number of shares	Subscription price	Number of shares	Subscription price	Number of shares	Subscription price
At the start of the year	60,000	7.32	–	–	–	–
Issued during the year	<u>–</u>	<u>–</u>	<u>60,000</u>	<u>7.32</u>	<u>–</u>	<u>–</u>
At the end of the year	<u>60,000</u>	<u>7.32</u>	<u>60,000</u>	<u>7.32</u>	<u>–</u>	<u>–</u>

### Employee Share Scheme – C Shares

During the year, 42,000 C Shares have 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. Under the rules of the scheme, the shareholder also has the right to require Watkin Jones & Son Limited to purchase the shares at any time for an aggregate price of £2,000. The shares may also be bought in cash by Watkin Jones Holdings Limited, the majority shareholder in Watkin Jones & Son Limited, at the request of the employee or Watkin Jones Holdings Limited, on certain realisation events, namely a sale, listing or winding up of Watkin Jones & Son Limited or any parent company thereof. Under these circumstances, the

price at which the shares may be bought by Watkin Jones Holdings Limited is a fixed percentage based on the amount by which the realisation value exceeds a growth hurdle of £116.0 million. As the scheme is cash settled and the payment is not dependent on the value of the company's shares, then the scheme is accounted for as a long term incentive scheme.

12,000 A1 Shares were acquired by Watkin Jones Holdings Limited in October 2015 from the senior employee who retired at the end of September 2015.

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

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Other current liability	2,210	–	–
Other non-current liability	1,304	2,147	1,587
Total liability	<u>3,514</u>	<u>2,147</u>	<u>1,587</u>

### 30. Reconciliation of operating profit to net cash flows from operating activities

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Profit before tax from continuing operations	32,906	14,128	6,027
Profit/(loss) before tax from discontinued operations	<u>(4,753)</u>	<u>(1,838)</u>	<u>1,393</u>
Profit before tax	28,153	12,290	7,420
Depreciation	489	496	464
Goodwill impairment	3,193	–	–
(Profit)/loss on sale of plant and equipment	(40)	69	(32)
Finance income	(95)	(105)	(2)
Finance costs	810	1,534	1,618
Share of profit in joint ventures	(1,165)	(517)	(1,644)
(Increase)/decrease in inventory and work in progress	(28,026)	42,769	(17,080)
Interest capitalised in inventory and work in progress	329	321	251
Decrease/(increase) in trade and other receivables	13,314	(17,381)	(1,125)
Increase in trade and other payables	15,489	8,734	8,715
Provision for property lease commitment	<u>(443)</u>	<u>2,906</u>	<u>–</u>
Net cash inflow/(outflow) from operations	<u>32,008</u>	<u>51,116</u>	<u>(1,415)</u>

#### *Major non-cash transactions*

During the period the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £ Nil (2014: £838,000; 2013: £221,000).

### 31. Analysis of net debt

	<i>At beginning of year £'000</i>	<i>Cash flow £'000</i>	<i>Non cash movements £'000</i>	<i>At end of year £'000</i>
<i>30 September 2015</i>				
Cash at bank and in hand	25,938	33,332	–	59,270
Finance lease	(931)	393	–	(538)
Bank loans	(15,187)	(4,313)	(145)	(19,645)
Net debt	<u>9,820</u>	<u>29,412</u>	<u>(145)</u>	<u>39,087</u>
<i>30 September 2014</i>				
Cash at bank and in hand	6,470	19,468	–	25,938
Finance leases	(227)	134	(838)	(931)
Bank loans	(42,541)	27,499	(145)	(15,187)
Net debt	<u>(36,298)</u>	<u>47,101</u>	<u>(983)</u>	<u>9,820</u>
<i>30 September 2013</i>				
Cash at bank and in hand	7,637	(1,167)	–	6,470
Finance leases	(111)	105	(221)	(227)
Bank loans	(35,007)	(7,223)	(311)	(42,541)
Net debt	<u>(27,481)</u>	<u>(8,285)</u>	<u>(532)</u>	<u>(36,298)</u>

### 32. Operating leases

*Total commitments – Group as lessee*

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Non-cancellable operating lease rentals are payable as follows:	£'000	£'000	£'000
Within one year	7,519	5,396	5,318
Later than one year and less than five years	26,947	21,896	20,660
After five years	46,477	52,037	56,513
	<u>80,943</u>	<u>79,329</u>	<u>82,491</u>

Commitments under operating leases include operating leases relating to student accommodation properties. The rent payable under three of these leases is subject to minimum rent increases of 3.5 per cent. per annum for the first five annual rent review dates following the commencement of the leases and thereafter to minimum rent increases of 2 per cent. per annum. The rent payable under the leases is subject to maximum rent increases of 5 per cent. per annum. Two of the leases commenced on 19 March 2010 and have terms of 20 years. The third lease commenced on 7 September 2011 and has a term of 15 years. A fourth lease commenced on 1 April 2015 and has a term of 4 years and five months. The rent payable under this lease is subject to a minimum rent increase of 1 per cent. per annum and a maximum rent increase of 5 per cent. per annum.

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*

	<i>Year ended 30 September 2015 £'000</i>	<i>Year ended 30 September 2014 £'000</i>	<i>Year ended 30 September 2013 £'000</i>
Non-cancellable operating lease rentals are receivable as follows:			
Within one year	269	9	4,526
Later than one year and less than five years	1,726	35	19,533
After five years	5,945	503	55,869
	<u>7,940</u>	<u>547</u>	<u>79,928</u>

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

Commitments in respect of operating leases where the Group acts as a lessor, included for the year ended 30 September 2013 amounts in respect of three student accommodation properties sub-let to Fresh Student Living Limited, a related party. On 1 September 2014 the sub-leases to Fresh Student Living Limited were terminated.

### **33. Capital and other financial commitments**

The Group had no material capital commitments at the end of any of the financial periods.

### **34. Contingent liabilities**

The Group has contingent liabilities of £605,000 (2014: £1,858,000; 2013: £4,341,000). 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 (2014: £4,014,000; 2013: £20,981,000).

The Group has also given a guarantee in respect of the borrowings of Saxonhenge Limited, a subsidiary undertaking, from Lombard North Central Plc which amounted to £1,861,000 (2014: £2,063,000; 2013: £2,265,000) at the balance sheet date. The guarantee is limited to £2,500,000.

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

### **35. Related party transactions**

The Group processed payroll costs on behalf of Carlton (North Wales) Limited and its subsidiary companies of £637,000 (2014: £549,000). The amount owed by Carlton (North Wales) Limited and its subsidiary companies at the balance sheet date was £89,000 (2014: £63,000).

The Group provided construction services to Planehouse Limited amounting to £316,000 (2014: £Nil) and paid rent and service charges to Planehouse Limited and its subsidiary companies amounting to £316,000 (2014: £316,000) and processed payroll costs on behalf of the company of £14,000 (2014: £Nil). The amount owed to Planehouse Limited and its subsidiary companies at the balance sheet date was £2,000 (2014: £Nil).

The Group received operating lease rental income from Fresh Student Living Limited amounting to £Nil (2014: £5,059,000). At 30 September 2015, the Group was owed £397,000 (2014: £2,263,000) by Fresh Student Living Limited in respect of rent payments received from students and held by Fresh Student Living

Limited in client bank accounts on behalf of the group. The Group paid management fees, consultancy fees and mobilisation costs to Fresh Student Living Limited of £1,424,000 (2014: £40,000). The Group processed payroll costs on behalf of Fresh Student Living of £3,076,000 (2014: £1,976,000) and received loans of £nil (2014: £5,100,000) from the company to assist with its property development activities.

Carlton (North Wales) Limited, Planehouse Limited and Fresh Student Living Limited are controlled by the shareholders in Watkin Jones Group Limited.

During the year the Group sold commercial units to the Watkin Jones 1999 Hybrid Settlement Trust for £1,700,000 (2014: £Nil).

During the year the Group sold residential properties to Glyn Watkin Jones for £145,000 (2014: £343,000).

The Group provided services to the Watkin Jones & Son Limited Directors' Pension Scheme amounting to £16,000 (2014: £34,000).

As referred to in Note 26, the Group has invested a total of £976,000 (2014: £598,000) 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 2015 was £1,169,000 (2014: £651,000). The Group has contracted to invest a total of £2,000,000 in the Fund as part of an agreement to develop three student accommodation properties for the Fund. During the year, the Group sold properties to and provided construction services to the Fund amounting in total to £45,191,000 (2014: £49,766,000).

Under a joint venture agreement the Group was owed £673,000 at 30 September 2015 by Deiniol Developments Limited (2014: £683,000). The Group owns 50% of the share capital in Deiniol Developments Limited.

Under a joint venture agreement the Group received a dividend of £Nil (2014: £40,500) from Gorse Stacks Rufus Limited. At the balance sheet date £2,000 was owed to Gorse Stacks Rufus Limited to the Group (2014: £Nil). The group owns 50% of the share capital in Gorse Stacks Rufus Limited.

Under a joint venture agreement the Group received a management fee of £5,000 (2014: £7,600) from Rufus Estates Limited. At the balance sheet date £13,000 was owed to Rufus Estates Limited (2014: £7,000). The Group owns 50% of the share capital in Rufus Estates Limited.

At the balance sheet date £56,000 was owed to Lacuna Edinburgh Limited by the Group (2014: £1,564,000). During the year a distribution of £1,300,000 was made by Lacuna Edinburgh Limited to the Group. The Group owns 50 per cent. of the share capital in Lacuna Edinburgh Limited. Lacuna Edinburgh Limited is in Members Voluntary Liquidation.

The Group has a 50 per cent. interest in Lacuna Belfast Limited. The Group has made payments of £262,000 to Lacuna Belfast Limited (2014: £868,000) to assist with the funding of its development activities and has received a management fee of £100,000 (2014: £Nil). The Group also received £1,880,000 from Lacuna Belfast Limited (2014: £Nil) following the sale of land held by the company. At the balance sheet date £660,000 was owed to Lacuna Belfast Limited (2014: £868,000 owed by Lacuna Belfast Limited).

The Group has a 50 per cent. interest in Lacuna Dublin Road Limited, a company incorporated during the year. The Group has made payments of £475,000 to Lacuna Dublin Road Limited to enable it to acquire a property for future development and to assist with its development activities. At the balance sheet date £475,000 was owed by Lacuna Dublin Road Limited.

The Group has a 50% interest in Lacuna WJ Limited, a company incorporated during the year. The Group has made payments of £1,170,000 to Lacuna WJ Limited to enable it to acquire a property for future development and to assist with its development activities. At the balance sheet date £1,170,000 was owed by Lacuna Dublin Road Limited.

The Group has a 50 per cent. interest in Spiritbond Finsbury Park Limited and during the year the Group provided construction services to the company of £134,000 (2014: £4,933,000), and charged management and development fees of £6,533,000 (2014: £870,000). At the balance sheet date no amount was owed to or from Spiritbond Finsbury Park Limited.

The Group has a 50 per cent. interest in Spiritbond Elephant & Castle Limited and during the year the Group provided construction services to the company amounting to £6,567,000 (2014: £3,624,000), and charged management and development fees of £1,428,000 (2014: £175,000). 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.

### **36. Post Balance Sheet events**

On 25 February 2016 the Group acquired 77.5 per cent. of the share capital of Fresh Student Living Limited for a consideration of £11,836,000 paid in cash.

In the event of an IPO or change of control, the Group would be liable to pay the holders of the options over G Shares in Watkin Jones Group Limited and the holders of the A1 Shares and C Shares in Watkin Jones & Son Limited an amount in cash. This will be charged as an expense post Admission under the long term incentive plan. The directors estimate, at the date of this report, the amount that would be payable in connection with the proposed admission to AIM is £21.5 million.

On 25 February 2016 the Group agreed to acquire the remaining 22.5 per cent. of the share capital of Fresh Student Living Limited for £3,164,000 immediately prior to and conditional on Admission.

The Group refinanced its borrowings on 15 March 2016.

On 15 March 2016 the Group paid a dividend of £10,000,000.

On 10 March 2016 the Group sold a student accommodation development at Blackfriars to a company owned by Glyn Watkin Jones 1999 Hybrid trust for £34 million less agreed funding costs plus overage of up to £0.5 million contingent upon performance of the development. In addition, the Group was appointed as developer and contactor to complete the development of the site. The Directors consider the terms to be arm's length terms.

On 12 February 2016, the Group transferred land at Gorse Stacks Block 2 for £6 million cash to a company owned by the Glyn Watkin Jones discretionary settlement No. 3 in respect of which Mark Watkin Jones is a director and a potential beneficiary.

### **37. First-time adoption of IFRS**

This historical financial information for the three years ended 30 September 2015, is the first financial information the Group has prepared in accordance with IFRS. For periods up to and including the year ended 30 September 2015 the Group prepared its statutory financial statements in accordance with accounting standards generally accepted in the United Kingdom ("UK GAAP"). The Group's opening statement of financial position has been prepared as at 1 October 2012, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP Balance Sheets as at 1 October 2012 and 30 September 2015 and its previously published UK GAAP Profit and Loss Account for the year ended 30 September 2015.

#### ***Exemptions applied***

IFRS 1: *First-Time Adoption of International Financial Reporting Standards*, allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Group has applied the following exemptions:

#### ***Business combinations***

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses under IFRS, or of interests in associates and joint ventures that occurred before 1 October 2012. Use of this exemption means that the UK GAAP carrying amounts of assets and liabilities that are required to be recognised under IFRS is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS.



IFRS 1 also requires that the UK GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 October 2012.

### Borrowing costs

The Group has applied the transitional provisions in IAS 23 Borrowing Costs and IFRS 1 and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under UK GAAP on qualifying assets (inventory) prior to the date of transition to IFRS.

*Group reconciliation of equity as at 1 October 2012 (date of transition to IFRS)*

	Notes	UK GAAP £'000	Remeasure- ments £'000	IFRS at 1 October 2012 £'000
<b>Non-Current assets</b>				
Goodwill	A	3,193	–	3,193
Property, plant and equipment	B	5,176	–	5,176
Investment in joint ventures		6,775	–	6,775
Deferred tax asset	C	–	1,522	1,522
		<u>15,144</u>	<u>1,522</u>	<u>16,666</u>
<b>Current assets</b>				
Development land		69,520	(69,520)	–
Inventory and work in progress		47,826	69,520	117,346
Trade and other receivables	E	15,334	(1,163)	14,171
Cash at bank and in hand		7,637	–	7,637
		<u>140,317</u>	<u>(1,163)</u>	<u>139,154</u>
<b>Total assets</b>		<u>155,461</u>	<u>359</u>	<u>155,820</u>
<b>Current liabilities</b>				
Trade and other payables		(42,566)	–	(42,566)
Other financial liabilities	F	–	(1,437)	(1,437)
Interest-bearing loans and borrowings		(22,827)	–	(22,827)
		<u>(65,393)</u>	<u>(1,437)</u>	<u>(66,830)</u>
<b>Non-Current liabilities</b>				
Interest-bearing loans and borrowings		(12,291)	–	(12,291)
Deferred tax liabilities	C	–	(266)	(266)
Provision for liabilities and charges	C	(266)	266	–
Share-based payment liability		(1,587)	–	(1,587)
		<u>(79,537)</u>	<u>(1,437)</u>	<u>(80,974)</u>
<b>Total Liabilities</b>		<u>(79,537)</u>	<u>(1,437)</u>	<u>(80,974)</u>
<b>Net assets</b>		<u>75,924</u>	<u>(1,078)</u>	<u>74,846</u>

		UK GAAP	Remeasure- ments	IFRS at 1 October 2012
		£'000	£'000	£'000
<b>Equity</b>				
Share capital		1,000	–	1,000
Share premium		6,300	–	6,300
Capital reserve	H	270	(270)	–
Revaluation reserve	I	745	(745)	–
Retained earnings		67,609	(63)	67,546
<b>Total Shareholder's Equity</b>		<u>75,924</u>	<u>(1,078)</u>	<u>74,846</u>

Group reconciliation of equity as at 30 September 2015 (date of latest period presented in accordance with UK GAAP).

		UK GAAP	Remeasure- ments	IFRS at 30 September 2015
	Notes	£'000	£'000	£'000
<b>Non-Current assets</b>				
Non-Current assets				
Property, plant and equipment	B	5,026	(219)	4,807
Investment in joint ventures		7,220	–	7,220
Deferred tax asset	C	–	1,514	1,514
Other financial assets	D	976	193	1,169
		<u>13,222</u>	<u>1,488</u>	<u>14,710</u>
<b>Current assets</b>				
Inventory and work in progress		119,683	–	119,683
Trade and other receivables	E	22,067	(1,514)	20,553
Cash at bank and in hand		59,270	–	59,270
		<u>201,020</u>	<u>(1,514)</u>	<u>199,506</u>
<b>Total assets</b>		<u>214,242</u>	<u>(26)</u>	<u>214,216</u>
<b>Current liabilities</b>				
Trade and other payables		(74,563)	–	(74,563)
Provisions for liabilities and charges	L	–	(339)	(339)
Other financial liabilities	D	–	(47)	(47)
Share-based payment liability		(2,210)	–	(2,210)
Interest-bearing loans and borrowings	J	(9,903)	144	(9,759)
		<u>(86,676)</u>	<u>(242)</u>	<u>(86,918)</u>
<b>Non-Current liabilities</b>				
Interest-bearing loans and borrowings		(10,593)	169	(10,424)
Deferred tax liabilities	C	–	(396)	(396)
Provision for liabilities and charges	C	(2,803)	679	(2,124)
Share-based payment liability		(1,304)	–	(1,304)
		<u>(14,700)</u>	<u>452</u>	<u>(14,248)</u>
<b>Total Liabilities</b>		<u>(101,376)</u>	<u>210</u>	<u>(101,166)</u>
Net assets		<u>112,866</u>	<u>184</u>	<u>113,050</u>

		UK GAAP	Remeasure- ments	IFRS at 30 September 2015
<b>Equity</b>				
Share capital		1,000	–	1,000
Share premium		6,300	–	6,300
Capital reserve	G	270	(270)	–
Revaluation reserve	H	705	(705)	–
Available-for-sale reserve		–	–	153
Retained earnings		104,591	1,159	105,597
Total Shareholder's Equity		<u>112,866</u>	<u>184</u>	<u>113,050</u>

Group reconciliation of Statement of Comprehensive Income for the year ended 30 September 2015

	Notes	UK GAAP £'000	Discontinued operations £'000	Remeasure- ments £'000	IFRS at 30 September 2015 £'000
Revenue					
Continuing operations		244,246	–	–	244,246
Discontinued operations	K	10,931	(10,931)	–	–
		<u>255,177</u>	<u>(10,931)</u>	<u>–</u>	<u>244,246</u>
Cost of goods sold		(212,601)	12,491	(88)	(200,198)
<b>Gross profit</b>		<u>42,576</u>	<u>1,560</u>	<u>(88)</u>	<u>44,048</u>
Operating expenses	K	(14,005)	2,413	–	(11,592)
<b>Operating profit</b>					
Continuing operations		32,544	–	(88)	32,456
Discontinued operations	K	(3,973)	3,973	–	–
		<u>28,571</u>	<u>3,973</u>	<u>(88)</u>	<u>32,456</u>
Share of profit in joint ventures		1,437	–	(272)	1,165
Finance costs		(566)	–	(244)	(810)
Finance income		95	–	–	95
		<u>29,537</u>	<u>3,973</u>	<u>(604)</u>	<u>32,906</u>
Income tax expense		(6,258)	(320)	282	(6,296)
		<u>23,279</u>	<u>3,653</u>	<u>(322)</u>	<u>26,610</u>
<b>(Loss) for the year from discontinued operations-</b>		–	(3,653)	(780)	(4,433)
<b>Other comprehensive income:</b>					
Items that are or may be reclassified subsequently to profit or loss					
Net (loss)/gain on available-for-sale financial assets		(45)	–	157	112
<b>Total comprehensive income for the year</b>		<u>23,234</u>	<u>–</u>	<u>(945)</u>	<u>22,289</u>

Notes to the reconciliations of equity as at 1 October 2012 and 30 September 2015 and total comprehensive income for the year ended 30 September 2015:

## A Goodwill

The Group has determined recoverable amounts of its cash generating units (CGUs) based on value in use under IAS36.

## B Property, plant and equipment

Under UK GAAP residual value was defined as the net realisable value of an asset at the end of its economic life, based on prices prevailing at the date of acquisition or revaluation and did not take account of future

price changes. Under IAS 16 residual value is the amount that would be currently obtained from a disposal of the asset, if the asset were already of the age and in the condition expected at the end of its useful life.

### **C Deferred tax**

Deferred tax assets and liabilities have been separately classified on the consolidated statement of financial position.

### **D Equity financial assets**

Equity financial assets have been separated and measured at fair value through profit or loss.

### **E Operating lease rentals and related onerous lease**

Certain operating lease agreements contain a link to RPI with a cap and collar. Previously, these were treated entirely as inflation-linked amounts and increases were taken as incurred. Under IFRS, the collar element is considered to be a fixed, stepped increase and so has been spread over the lease term on a straight line basis. This lease is also the subject of an onerous lease provision. The adjustment has therefore affected both the rental income expense, which is not discounted in accordance with IAS 17, and the related provision, which is discounted in accordance with IAS 37.

### **F Fair value of interest rate swaps**

Under UK GAAP, derivatives were not recognised in the statements of historic financial information until settlement. In accordance with IAS 39, the Group has recognised the fair value of its interest rate swaps on balance sheet at each of the reporting dates presented, with movement recognised in profit or loss.

### **G Transfer of capital reserve**

Negative goodwill arising on the acquisition of the Rufus Estates joint venture in May 2012 was credited to a capital reserve. IFRS 3 requires that negative goodwill is recognised directly in profit or loss as a bargain purchase. As a result, the capital reserve has been transferred to retained earnings.

### **H Reclassification of share of joint ventures' investment property revaluation and transfer of existing revaluation reserve**

Under UK GAAP (SSAP 19), movements in investment properties are recognised outside profit, within the statement of total recognised gains and losses. In accordance with IAS 40, the Group has reclassified such movements arising in a joint venture interest, such that they are included in profit or loss within its share of profit of joint ventures and has transferred the reserve brought forward on transition to retained earnings. Income tax payable/receivable on the results of joint ventures has been reclassified and included in the joint venture balance.

### **I Reclassification of exceptions items**

Items identified as exceptional have been reclassified above operating profit on transition to IFRS

### **J Financing arrangement costs**

Loan arrangement fees and costs associated with the HSBC RCF taken out in November 2012 have been charged through profit and loss on a straight line basis over five years.

### **K Discontinued activity**

A discontinued activity is a component of the group's business, the operation of which can be clearly distinguished from the rest of the group. The board has taken the decision to discontinue the activities of the construction contracting segment.

### **L Provisions**

Provisions have been reallocated between current and non/current liabilities.

There were no material adjustments to the statement of cash flows.

## **PART IV**

### **UNAUDITED PRO FORMA STATEMENT OF NET ASSETS**

The unaudited pro forma statement of net assets set out below has been prepared by the Directors to illustrate the effect on the Group's net assets of the Placing proceeds ('Proceeds'); the costs of the Placing and Admission ('Costs'); the acquisition of Fresh ('Fresh Acquisition'); and the dividend, the settlement of sums outstanding to the trustees of the 1992 Trust and the 1999 Trust arising from the Pre-Admission Reorganisation and the acquisition of shares in Watkin Jones & Son Limited from senior management of the Group and the settlement of options over G shares of Watkin Jones Group Limited (together, the 'Reorganisation'), as if they had taken place on 30 September 2015.

The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below from the consolidated statement of financial position of Watkin Jones Group Limited as at 30 September 2015, as set out in section B of Part III "Historical Financial Information". This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. Prospective investors should read the whole of this Document and not rely solely on the summarised financial information contained in this Part IV.

	<i>Adjustments</i>				<i>Unaudited pro forma Total £'000 (note 5)</i>
	<i>As at 30 September 2015 £'000 (note 1)</i>	<i>Proceeds and costs £'000 (note 2)</i>	<i>Fresh Acquisition £'000 (note 3)</i>	<i>Reorganisation £'000 (note 4)</i>	
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	–	–	13,478	–	13,478
Property, plant and equipment	4,807	–	88	–	4,895
Investment in joint ventures	7,220	–	–	–	7,220
Deferred tax asset	1,514	–	–	–	1,514
Other financial assets	1,169	–	150	–	1,319
<b>Total non-current assets</b>	<b>14,710</b>	<b>–</b>	<b>13,716</b>	<b>–</b>	<b>28,426</b>
<b>Current assets</b>					
Inventory and work in progress	119,683	–	–	–	119,683
Trade and other receivables	20,553	–	1,038	(351)	21,240
Cash at bank and in hand	59,270	79,441	(13,731)	(118,003)	6,977
<b>Total current assets</b>	<b>199,506</b>	<b>79,441</b>	<b>(12,693)</b>	<b>(118,354)</b>	<b>147,900</b>
<b>Total assets</b>	<b>214,216</b>	<b>79,441</b>	<b>1,023</b>	<b>(118,354)</b>	<b>176,326</b>
<b>Current liabilities</b>					
Trade and other payables	(69,696)	–	(833)	–	(70,529)
Provisions	(339)	–	–	–	(339)
Other financial liabilities	(47)	–	–	–	(47)
Interest-bearing loans and borrowings	(9,759)	–	–	–	(9,759)
Current tax liabilities	(7,077)	–	(190)	–	(7,267)
<b>Total current liabilities</b>	<b>(86,918)</b>	<b>–</b>	<b>(1,023)</b>	<b>–</b>	<b>(87,941)</b>
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	(10,424)	–	–	–	(10,424)
Deferred tax liabilities	(396)	–	–	–	(396)
Provisions	(2,124)	–	–	–	(2,124)
Other non-current liabilities	(1,304)	–	–	–	(1,304)
<b>Total non-current liabilities</b>	<b>(14,248)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(14,248)</b>
<b>Total liabilities</b>	<b>(101,166)</b>	<b>–</b>	<b>(1,023)</b>	<b>–</b>	<b>(102,189)</b>
<b>Net Assets/(liabilities)</b>	<b>113,050</b>	<b>79,441</b>	<b>–</b>	<b>(118,354)</b>	<b>74,137</b>

*Notes:*

1. The financial information has been extracted, without material adjustment, from the statement of financial position of Watkin Jones Group Limited as at 30 September 2015, as set out in Part III "Historical Financial Information".
2. The Placing will raise gross proceeds of £85.4 million through the issue of 85,440,493 New Ordinary Shares of £0.01 each at a price of £1 per share. Costs of £6.0 million will be paid by the Company in connection with the Placing and Admission.
3. The net assets information for Fresh has been extracted from the audited statutory financial statements of Fresh as at 31 August 2015, as adjusted for £13.5 million goodwill and intangible assets arising on the acquisition and the £15.0 million cost of acquisition. There were no material adjustments to reflect the net assets of Fresh in accordance with the IFRS accounting policies of the Group.
4. As set out in paragraph 10 of Part I of the Document, the Company shall, on or before Admission, effect the Pre-Admission Reorganisation. Consequently, pro forma adjustments have been made to reflect the payment of a dividend of £10.0 million, the payment of £85.4 million to the trustees of the 1992 Trust and the 1999 Trust, payment of £21.1 million to senior management of the Company to acquire shares in Watkin Jones & Son Limited and satisfy options over G shares in Watkin Jones Group Limited (net of £0.35 million of subscriptions due from management) and transaction costs of £1.4 million.
5. Other than the adjustments detailed above, no adjustments have been made for events occurring after 30 September 2015.

## PART V

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Directors, whose names and functions are set out on page 8 of this Document, and the Company accept responsibility individually and collectively for the information contained in this Document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY

- 2.1 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 trades under its company name.
- 2.2 The principal legislation under which the Company operates and under which the Ordinary Shares have been created is the Act and regulations made under the Act. The liability of the Company's members is limited.
- 2.3 The Company is domiciled in the United Kingdom. The registered office of the Company is at 21-22 Llandygai Industrial Estate, Llandygai, Bangor, Gwynedd LL57 4YH (telephone number 01248 362516).
- 2.4 The Company's accounting reference date is 30 September. The Company's auditors are Ernst & Young LLP who are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.
- 2.5 The Company's website address, which contains the information requested to be disclosed pursuant to AIM Rule 26, is [www.watkinjonesplc.com](http://www.watkinjonesplc.com).
- 2.6 The following are the important events in the development of the Company's business:
- |      |   |
|------|---|
| 1791 | Business founded by Huw Jones, originally as a carpentry and undertakers business     |
| 1907 | Foundation stone of Bangor University College laid by Watkin Jones                    |
| 1927 | The business commences construction of its first private housing development          |
| 1986 | Watkin Jones housing division created to focus on residential quality homes           |
| 1996 | Completion of first contract for Tesco, Llandudno Junction                            |
| 1999 | First Student accommodation completed – Daisy Brook Hall, Manchester                  |
| 2003 | Mark Watkin Jones, 9th Generation descendant of Huw Jones appointed Managing Director |
| 2008 | Watkin Jones ranked as 11th most successful business in the North-West                |
| 2008 | Community Fund established  |
| 2010 | Watkin Jones Group ranked in top 800 construction firms                               |
| 2015 | Completion of 3,245 student accommodation bedrooms.                                   |

### 3. SUBSIDIARIES

3.1 The Company is the ultimate holding company of the Group. The following table contains details of the Company's principal subsidiaries and joint venture companies:

<i>Company name</i>	<i>Country of incorporation</i>	<i>Percentage ownership</i>	<i>Principal activity</i>
Watkin Jones Group Limited	England & Wales	100% by Watkin Jones Group plc	Holding Company
Watkin Jones Holdings Limited	England & Wales	100% by Watkin Jones Group Limited	Holding Company
Watkin Jones & Son Limited	England & Wales	100 % by Watkin Jones Holdings Limited	Principal Trading Company
Founded Living Limited	England & Wales	100% by Watkin Jones & Son Limited	Property Management Services
Fresh Student Living Limited	England & Wales	77.5% by Founded Living Limited	Property Management Services
Five Nine Living Limited	England & Wales	100% by Founded Living Limited	Property Management Services
Newmark Developments Limited	England & Wales	100% by Watkin Jones & Son Limited	Employers Agent Services
Stylegood Limited	England & Wales	100% by Watkin Jones & Son Limited	Residential Development
Anderson Wharf (Student) Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding
Logie Green Developments Limited	Scotland	100% by Watkin Jones & Son Limited	Commercial/ Residential Development
Heol Santes Helen Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding
Superscheme Limited	England & Wales	100% by Watkin Jones & Son Limited	Development Company
Saxonhenge Limited	England & Wales	100% by Watkin Jones & Son Limited	Owner of Aircraft
Goldcharm Limited	England & Wales	100% by Watkin Jones & Son Limited	Development – Student
Polarpeak Limited	England & Wales	100% by Watkin Jones & Son Limited	Property Holding for Sale – Residential Letting Income
Finefashion Limited	England & Wales	100% by Watkin Jones & Son Limited	Property Holding for Sale – Residential Letting Income
Qualityoffer Limited	England & Wales	100% by Watkin Jones & Son Limited	Property Holding for Sale – Residential Letting Income
Wisedeed Limited	England & Wales	100% by Watkin Jones & Son Limited	Property Holding for Sale – Commercial Letting Income



<i>Company name</i>	<i>Country of incorporation</i>	<i>Percentage ownership</i>	<i>Principal activity</i>
Nicelook Limited	England & Wales	100% by Watkin Jones & Son Limited	Student Property Letting
Swiftmatch Limited	England & Wales	100% by Watkin Jones & Son Limited	Student Property Letting
Spiritbond Stockwell Green Limited	England & Wales	100% by Watkin Jones & Son Limited	Student Property Letting
Scarlet P Limited	England & Wales	100% by Watkin Jones & Son Limited	Student Property Letting
Watkin Jones AM Limited	England & Wales	100% by Watkin Jones & Son Limited	Asset Management Services
Darley Student Accommodation Limited	England & Wales	100% by DR (Student) Limited	Student Property Letting
Dunaskin Student Limited	England & Wales	100% by Watkin Jones & Son Limited	Development – Student
Christchurch Road Bournemouth Limited	England & Wales	100% by Watkin Jones & Son Limited	Development – Student/ Commercial/ Hotel
New Century House Bournemouth Limited	England & Wales	100% by Watkin Jones & Son Limited	Development – Student/ Commercial/ Hotel
Brougham Hayes Student Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student
Oxford House Bournemouth Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student/ Commercial
Holdenhurst Road Bournemouth Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Commercial
Suffolk Road Student Limited	England & Wales	100% by Watkin Jones & Son Limited	Development – Student
Hunter Street Chester Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student
Goldcharm Residential Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Residential
North Hanover Street Student Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student
Onega Centre Bath Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student
Duncan House Developments Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student/ Commercial/ Residential
Customhouse Student Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student
Bridge Street Student Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student
Victoria Park Bath Limited	England & Wales	100% by Watkin Jones & Son Limited	Land Holding – Student
Lucas Student Lettings Limited	England & Wales	100% by Watkin Jones & Son Limited	Student Property Letting – Lease

<i>Company name</i>	<i>Country of incorporation</i>	<i>Percentage ownership</i>	<i>Principal activity</i>
Grorse Stacks Development Limited	England & Wales	100% by Newmark Developments Limited	Development – Commercial/ Residential
Extralap Limited	England & Wales	100% by Newmark Developments Limited	Development Company
WJ Developments (Residential) Limited	England & Wales	100% by Newmark Developments Limited	Development – Residential
Rufus Estates Limited	England & Wales	50% by Newmark Developments Limited	Land Holding – Commercial
Deiniol Developments Limited	England & Wales	50% by Watkin Jones & Son Limited	Land Holding – Residential
Spiritbond Finsbury Park Limited	England & Wales	50% by Watkin Jones & Son Limited	Development – Student
Spiritbond Elephant & Castle Limited	England & Wales	50% by Watkin Jones & Son Limited	In Development – Student
Lacuna Belfast Limited	Northern Ireland	50% by Watkin Jones & Son Limited	In Development – Student
Lacuna WJ Limited	Northern Ireland	50% by Watkin Jones & Son Limited	Land Holding – Student
Lacuna Dublin Road Limited	Northern Ireland	50% by Watkin Jones & Son Limited	Land Holding – Student
Athena Hall (Jersey) Limited	Jersey	100% by Watkin Jones & Son Limited	Student Property Letting – Lease

\*Immediately on Admission, Founded Living Limited will acquire the c.22 per cent. of the shares in Fresh Student Living Limited which it does not own pursuant to the agreements referred to in paragraph 15.7 of this Part V.

#### 4. SHARE CAPITAL

- 4.1 Set out below are details of the issued share capital of the Company (i) as at the date of this Document and (ii) as it will be immediately following the Placing and Admission:

	<i>Present</i>		<i>Immediately following Admission</i>	
	<i>Number</i>	<i>Nominal value (£)</i>	<i>Number</i>	<i>Nominal value (£)</i>
Issued Ordinary Shares	169,559,507	1,695,595.07	255,000,000	2,550,000

- 4.2 On incorporation on 23 September 2015 and as at 30 September 2015, the issued share capital was £2 divided into 2 ordinary shares with a nominal value of £1 each.

- 4.3 The following changes to the issued share capital of the Company have taken place since incorporation:

4.3.1 Pursuant to a resolution passed on 24 November 2015, one of the issued ordinary shares of £1 was reclassified into an A ordinary share with the nominal value of £1 and the other share was reclassified into a B ordinary share with the nominal value of £1.

4.3.2 On 15 March 2016 the A ordinary share of £1 in the capital of the Company was reclassified and redesignated as an ordinary share of £1 and the B ordinary share of £1 in the capital of the Company was reclassified and redesignated as an ordinary share of £1 with each such shares ranking *pari passu*.

4.3.3 On 15 March 2016, each of the ordinary shares of £1 each in the capital of the Company were subdivided into 100 Ordinary Shares.

4.3.4 On 15 March 2016, the Company issued, credited as fully paid at the Placing Price, 81,407,985 Ordinary Shares, in consideration for the acquisition of approximately 32 per

cent. of the issued share capital of Watkin Jones Group Limited not owned by the Company as at such date.

- 4.3.5 On 15 March 2016, the Company issued 88,151,322 Ordinary Shares for an agreed subscription price of £1 per Ordinary Share, such shares being fully paid up as at the date of this Document.
- 4.3.6 On 15 March 2016, the Company cancelled the amount standing to the credit of its share premium account.
- 4.4 As certain of the allotments of Ordinary Shares described in paragraph 4.3 were made for non cash consideration, more than 10 per cent. of the issued share capital of the Company as at the date of this Document has been paid for in assets other than cash.
- 4.5 The Placing Shares will be issued in accordance with the following resolutions of the Company passed on 15 March 2016 which:
- 4.5.1 generally and unconditionally authorise the directors in accordance with section 551 of the Act to allot shares in the Company up to an aggregate nominal amount of:
- (a) £814,079.85 in connection with the acquisition of certain of the share capital of Watkin Jones Group Limited
  - (b) £881,513.22 in connection with a subscription for shares by the trustees of the 1992 Trust;
  - (c) £854,404.93 in connection with the Placing; and
  - (d) generally following Admission up to £850,000 (representing one third of the issued share capital on Admission),
- such authority to expire on 15 June 2017 or if earlier at the conclusion of the annual general meeting of the Company to be held in 2017 and;
- 4.5.2 empower the directors pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority referred to in paragraph 4.5.1 above in respect of the allotment of (i) 254,999,800 Ordinary Shares pursuant to paragraphs (a) to (c) above : (ii) issues by way of rights to shareholders and (iii) otherwise up to an aggregate nominal amount of £127,500 in the period ending on 15 June 2017 or, if earlier at the conclusion of the annual general meeting of the company to be held in 2017.
- 4.6 The provisions of section 561 of the Act confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash (other than by way of allotments to employees under any employee share scheme as defined in section 1166 of the Act). Subject to certain limited exceptions, unless the approval of shareholders is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares to be issued for cash to existing shareholders on a pro rata basis.
- 4.7 By a resolution of the Board passed on 16 March 2016 it was resolved conditionally upon (but effective immediately prior to) Admission taking place prior to 31 March 2016, to allot the Placing Shares for cash at the Placing Price.
- 4.8 Following Admission, the Company intends to grant options over up to 273,825 Ordinary Shares under the SIP, on the terms described in paragraph 6 of this Part V. In addition the Company plans to issue, in aggregate, 26,325 Ordinary Shares at par to employees of Fresh.
- 4.9 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will

be maintained by Euroclear UK & Ireland and the Company's registrar, Capita Asset Services (details of whom are set out on page 8).

- 4.10 It is anticipated that, where appropriate, share certificates will be despatched by first class post by 8 April 2016. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.
- 4.11 The International Security Identification Number ("ISIN") of the Ordinary Shares is GB00BD6RF223 and the Stock Exchange Daily Official List ("SEDOL") number is BD6RF22.
- 4.12 The legislation under which the Placing Shares will be issued is the Act and regulations made under the Act.
- 4.13 The Ordinary Shares are denominated in sterling.
- 4.14 Following the Placing and Admission (assuming all the Placing Shares are allotted pursuant to the Placing), the Existing Ordinary Shares will represent 66.49 per cent. of the Enlarged Ordinary Share Capital.
- 4.15 Save as disclosed in this paragraph 4, as at the date of this Document:
  - 4.15.1 the Company did not hold any treasury shares and no Ordinary Shares were held by, or on behalf of, any member of the Group;
  - 4.15.2 no shares have been issued otherwise than as fully paid;
  - 4.15.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;
  - 4.15.4 the Company has given no undertaking to increase its share capital; and
  - 4.15.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

## **5. ARTICLES OF ASSOCIATION**

### **Articles of association**

The Articles include provisions to the following effect:

#### **5.1 Objects**

Section 31 of the Act provides that the objects of a company are unrestricted unless any restrictions are set out in the articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

#### **5.2 Voting rights**

- 5.2.1 Subject to any rights or restrictions attached to any shares, on a show of hands:
  - 5.2.1.1 every shareholder who is present in person has one vote;
  - 5.2.1.2 every proxy present who has been duly appointed by one or more shareholders entitled to vote on the resolution(s) has one vote; and
  - 5.2.1.3 a proxy has one vote for and one vote against the resolution(s) if he has been duly appointed by more than one shareholder and either (i) is instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against it; or (ii) is instructed by one or more of those shareholders to vote in one way and is given a discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).
- 5.2.2 Subject to any rights or restrictions attached to any shares, on a poll every shareholder present in person or by proxy shall have one vote for every share of which he is the holder.

5.2.3 Where there are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders. Seniority is determined by the order in which the names of the holders stand in the register.

5.2.4 Unless the Board otherwise determines, a shareholder shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

### 5.3 **Dividends**

5.3.1 Subject to the Act and the Articles, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. Subject to the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution.

5.3.2 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid.

5.3.3 Dividends may be declared or paid in whatever currency the Board decide. Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.

5.3.4 All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

5.3.5 The Board may, with the authority of an ordinary resolution of the Company:

5.3.5.1 offer holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution;

5.3.5.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

5.3.6 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

### 5.4 **Pre-emption rights**

In certain circumstances, shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to shareholders.

### 5.5 **Distribution of assets on a winding-up**

On a winding-up, the liquidator may, with the authority of a special resolution of the Company and any other sanction required by law, divide among the shareholders in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of shareholders as he may determine. The liquidator shall not, however (except with the consent of the shareholder concerned) distribute to a shareholder any asset to which there is attached a liability or potential liability for the owner.

## 5.6 **Transfer of shares**

- 5.6.1 Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the Board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.
- 5.6.2 Every transfer of shares which are in uncertificated form must be made by means of a relevant system (such as CREST).
- 5.6.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (a) it is in respect of a share which is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis); (b) it is in respect of more than one class of share; (c) it is not duly stamped (if so required); or (d) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.
- 5.6.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (a) a child, bankrupt or person of unsound mind; or (b) more than four joint transferees.

## 5.7 **Suspension of rights**

If a shareholder or any person appearing to be interested in shares held by such a shareholder has been duly served with a notice under section 793 of the Act and has failed in relation to any shares (“**default shares**”) to give the Company the information thereby required within 14 days from the date of the notice, then, unless the Board otherwise determines, the shareholder shall not be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company in respect of such default shares. Where the holding represents more than 0.25 per cent. of the issued shares of that class (excluding any shares of that class held as treasury shares), the payment of dividends may be withheld and such shareholder shall not be entitled to transfer such shares other than by arm's length sale or unless the shareholder himself is not in default and the shareholder proves to the satisfaction of the Board that no person in default is interested in the shares the subject of the transfer.

## 5.8 **Untraced shareholders**

The Company is entitled to sell any share of a shareholder who is untraceable, provided that:

- 5.8.1 for a period of not less than 12 years (during which at least three cash dividends have been payable on the share), no cheque, warrant or money order sent to the shareholder has been cashed or all funds sent electronically have been returned;
- 5.8.2 at the end of such 12 year period, the Company has advertised in a national and local (ie the area in which the shareholder's registered address is situated) newspaper its intention to sell such share; and
- 5.8.3 the Company has not, during such 12 year period or in the three month period following the last of such advertisements, received any communication in respect of such share from the shareholder.

The Company shall be indebted to the former shareholder for an amount equal to the net proceeds of any such sale.

## 5.9 **Variation of class rights**

- 5.9.1 Subject to the Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or

with the sanction of a special resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting (other than an adjourned meeting) is two persons holding or representing by proxy at least one third in nominal amount of the issued shares of the class in question.

- 5.9.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

#### 5.10 **Share capital, changes in capital and purchase of own shares**

- 5.10.1 Subject to the Act and to the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the Board may determine.
- 5.10.2 Subject to the Articles and to any rights attached to any existing shares any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.
- 5.10.3 The Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

#### 5.11 **General meetings**

- 5.11.1 The Board may convene a general meeting whenever it thinks fit. Shareholders have a statutory right to requisition a general meeting in certain circumstances.
- 5.11.2 Pursuant to the Act, an annual general meeting shall be called on not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice.
- 5.11.3 The quorum for a general meeting is two shareholders present in person or by proxy and entitled to vote.
- 5.11.4 The Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction which it or he considers appropriate to ensure the security or orderly conduct of the meeting. This may include requirements for evidence of identity to be produced by those attending, the searching of their personal property and the restriction of items which may be taken into the meeting place.

#### 5.12 **Appointment of directors**

- 5.12.1 Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be less than two.
- 5.12.2 Subject to the Act and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy. The Board may also appoint any person who is willing to act as a director, subject to the Act and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is re-elected during such meeting.
- 5.12.3 The Board may appoint any director to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

#### 5.13 **Remuneration of directors**

- 5.13.1 The total of the fees paid to the non-executive directors for their services must not exceed £300,000 a year, unless otherwise determined by ordinary resolution. This amount shall be automatically increased each year by the same amount as the increase in the General Index

of Retail Prices. The Board may decide to pay additional remuneration to a non-executive director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profits or otherwise.

5.13.2 The salary or remuneration of executive directors shall be determined by the Board and may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board

5.13.3 Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director.

#### 5.14 **Retirement and removal of directors**

5.14.1 At each annual general meeting of the Company, one-third of the directors (or the number nearest to but not exceeding one-third if the number of directors is not a multiple of three) shall retire from office. In addition, any director who has been a director at each of the preceding two annual general meetings shall also retire. Each such director may, if eligible, offer himself for re-election. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.

5.14.2 Without prejudice to the provisions of the Act, the Company may by ordinary resolution remove any director before the expiration of his period of office and may appoint by ordinary resolution appoint another director in his place.

#### 5.15 **Directors' interests**

5.15.1 Subject to the Act and provided that he has disclosed to the directors the nature and extent of any interest, a director is able to enter into contracts or other arrangements with the Company, hold any other office (except auditor) with the Company or be a director, employee or otherwise interested in any company in which the Company is interested. Such a director shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement or proposal.

5.15.2 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is to his knowledge materially interested, directly or indirectly. Interests of which the director is not aware, interests which cannot reasonably be regarded as likely to give rise to a conflict of interest and interests arising purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. However, a director can vote and be counted in the quorum where the resolution relates to any of the following:

5.15.2.1 the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

5.15.2.2 the participation of the director, in an offer of securities of the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;

5.15.2.3 a proposal involving another company in which he and any persons connected with him has a direct or indirect interest of any kind, unless he and any persons connected with him hold an interest in shares representing one per cent. or more of either any class of equity share capital, or the voting rights, in such company;



- 5.15.2.4 any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - 5.15.2.5 any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit; and
  - 5.15.2.6 any proposal concerning indemnities in favour of directors or the funding of expenditure by one or more directors on defending proceedings against such director(s).
- 5.15.3 A director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.
- 5.15.4 The Board may authorise any matter that would otherwise involve a director breaching his duty under the Act to avoid conflicts of interest, provided that the interested director(s) do not vote or count in the quorum in relation to any resolution authorising the matter. The Board may authorise the relevant matter on such terms as it may determine including:
- 5.15.4.1 whether the interested director(s) may vote or be counted in the quorum in relation to any resolution relating to the relevant matter;
  - 5.15.4.2 the exclusion of the interested director(s) from all information and discussion by the Company of the relevant matter; and
  - 5.15.4.3 the imposition of confidentiality obligations on the interested director(s).

An interested director must act in accordance with any terms determined by the Board. An authorisation of a relevant matter may also provide that where the interested director obtains information that is confidential to a third party (other than through his position as director) he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs, if to do so would amount to a breach of that confidence.

#### 5.16 **Powers of the directors**

- 5.16.1 The business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not.
- 5.16.2 Subject to the provisions of the Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- 5.16.3 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

#### 5.17 **Directors' indemnity and insurance**

- 5.17.1 Subject to the Act, each director of the Company and of any associated company may be indemnified against any liability.
- 5.17.2 Subject to the Act, the Board may purchase and maintain insurance against any liability for any director of the Company or of any associated company.

## **6. SHARE SCHEMES**

### **6.1 Executive Share Plans**

The Group is not adopting any new executive share incentive plans on Admission. The Group may in the future look to introduce such plans if this is considered appropriate to recruit, retain and incentivise senior employees.

### **6.2 The Watkin Jones Share Incentive Plan (“SIP”)**

#### **6.2.1 Status of the SIP**

The SIP is designed to meet the requirements of the SIP Legislation.

The SIP will be adopted by the Company prior to but conditional upon Admission. The SIP will be operated by the Remuneration Committee of the Board.

#### **6.2.2 Eligibility**

The SIP will be open to all employees of the Company and any subsidiary or jointly owned company of the Company which is included as a constituent company for the purposes of the SIP. The SIP may (at the discretion of the Board) be used in relation to non-UK employees.

As noted below, the Remuneration Committee can exclude employees who have not completed a qualifying period of service. The initial award of Free Shares (as defined in 6.2.3 below) which will be made under the SIP shortly after Admission will be made to Eligible Employees (eligibility is based on a qualifying period of service) (“Initial Award”).

#### **6.2.3 How the SIP may be operated**

The SIP will allow the Company to offer to employees any of the following types of awards over Ordinary Shares:

- “Free Shares” – being an allocation of Ordinary Shares to employees without charge;
- “Partnership Shares” – being an allocation of Ordinary Shares paid for by employees out of deductions made from pre-tax salary;
- “Matching Shares” – being an allocation of Ordinary Shares to employees without charge, the number of which is proportionate to the number of Partnership Shares acquired; and
- “Dividend Shares” – being Ordinary Shares acquired using dividends paid in respect of any Ordinary Shares acquired under and held within the SIP.

Any combination of the above awards may be utilised in any year (except that Matching Shares are dependent on awards of Partnership Shares being made and so can only be made at the same time as a corresponding award of Partnership Shares and Dividend Shares can only be acquired using dividends paid on Ordinary Shares obtained by a participant under the SIP whilst such Ordinary Shares are held in the SIP).

The SIP will operate in conjunction with a trust, which will be established for the purposes of the SIP (“SIP Trust”) and which will be administered by the trustee of the SIP Trust (“SIP Trustee”) under the direction of the Company. No director of the Company will have any interest in the SIP Trustee.

The SIP will be structured to allow the SIP Trustee to subscribe for, or purchase, Ordinary Shares. The money to acquire the Ordinary Shares will be provided by the Company or the relevant employing company (or, in the case of Partnership Shares, from the employees themselves).

#### 6.2.4 **Free Shares**

The Company will be able to give Free Shares up to a maximum value, calculated at the date of the award of such Free Shares, of £3,600 per employee in a tax year (or such other amount as specified in the SIP legislation).

##### 6.2.4.1 *Qualifying Periods*

In relation to each award of Free Shares, the Remuneration Committee will (at its discretion) be able to set a qualifying period during which an individual must have been employed in order to be eligible to participate in the award. The qualifying period cannot exceed a period of 18 months before the date of the award.

The initial award of Free Shares will be made to Eligible Employees, as defined, with eligibility linked to a qualifying period of service.

##### 6.2.4.2 *Timing of Awards*

Where the Company wishes to make awards of Free Shares, they may only do so within the period of 42 days commencing on:

- (a) the date of Admission; or
- (b) the Dealing Day after the announcement of the Company's results for any period.

No awards may be made at a time when the making of such award would be in breach of the AIM Rules.

##### 6.2.4.3 *Performance Conditions and Acceptable Factors*

The SIP will allow an award of Free Shares (at the discretion of the Board) to be made subject to the prior satisfaction of performance conditions. If the Board determines to use performance conditions it will need to follow one of the two methods of applying performance conditions which will be set out in the rules of the SIP which accord with the SIP Legislation.

The initial award of Free Shares will not be made subject to the prior satisfaction of performance conditions.

The rules of the plan will provide that the number of Ordinary Shares which may be allocated to employees under an award of Free Shares may be determined by reference to the Acceptable Factors. The number of Free Shares awarded to Eligible Employees under the Initial Award will be determined by reference to the Acceptable Factors.

##### 6.2.4.4 *Holding Period*

In relation to each award of Free Shares, the Remuneration Committee will be required to set a holding period determined in its discretion of between three and five years from the date of the award of such Free Shares. Once set, the holding period cannot be increased.

The holding period applying to the initial award of Free Shares will be five years.

Whilst individuals remain employed by the Company, or one of its subsidiaries, they will generally need to leave their Free Shares within the hands of the SIP Trustee throughout the holding period.

##### 6.2.4.5 *Restrictions*

The Remuneration Committee will be able to determine, prior to the making of an award of Free Shares, that such award of Free Shares will be subject to restrictions. In the event that the Remuneration Committee determines that Free Shares will be subject to any restrictions, the terms of the restrictions will need

to be notified to the participant. The same restrictions must apply to all Free Shares awarded at the same time.

The Initial Award of Free Shares will be made subject to restrictions including forfeiture on cessation of employment for stated reasons.

#### 6.2.5 **Partnership Shares**

The Company will be able to provide employees with the opportunity to enter into an agreement with the Company to enable such employees to use part of their pre-tax salary to acquire Partnership Shares ("Partnership Share Agreement").

##### 6.2.5.1 *Deductions*

An employee may allow the Company to make deductions from his salary up to a maximum of 10 per cent. of his salary in any tax year or £1,800 in any tax year (or such other maximum amount as specified in the relevant legislation relating to Schedule 2 Share Incentive Plans), whichever is less, for the purpose of acquiring Partnership Shares. The Company may impose lower maximum limits. In addition, the Company may set a minimum deduction (but such minimum cannot exceed £10 per month).

The money deducted from an employee's salary will be held by the SIP Trustee and shall be applied by the SIP Trustee in purchasing Partnership Shares.

##### 6.2.5.2 *Accumulation Period*

If the Remuneration Committee so chooses, deductions in relation to Partnership Shares may be accumulated over an accumulation period not exceeding 12 months.

If no accumulation period is set, any deduction from salary must be used by the SIP Trustee to acquire Partnership Shares within 30 days from the date on which it was deducted. Any surplus money remaining after the acquisition of Partnership Shares may be added to the next deduction or paid over to the participant.

If an accumulation period is set, the deductions from salary will be accumulated throughout the period. At the end of the period, the accumulated deductions from salary must be used by the SIP Trustee to acquire Partnership Shares within 30 days from the end of the accumulation period. Partnership Shares will be allocated to participants using one of three methods which will be set out in the rules of the SIP which accord with the legislation relating to Schedule 2 Share Incentive Plans and which will be specified in the Partnership Share Agreement. Any surplus money remaining after the acquisition of Partnership Shares may be carried forward or paid over to the participant.

##### 6.2.5.3 *Qualifying Period*

In relation to each award of Partnership Shares, the Remuneration Committee will (at its discretion) be able to set a qualifying period during which an individual must have been employed in order to be eligible to participate in the award.

If there is an accumulation period, the qualifying period cannot exceed six months before the starting date of the accumulation period.

If there is no accumulation period, the qualifying period cannot exceed 18 months before the deduction of money from the individual's salary in respect of the award (and, for these purposes, each individual acquisition of Ordinary Shares will constitute an award).

#### 6.2.5.4 *Forfeiture*

Partnership Shares shall not be subject to forfeiture and may be withdrawn from the SIP at any time.

Notwithstanding the fact that Partnership Shares shall not be subject to forfeiture, Partnership Shares may be subject to a provision requiring Partnership Shares acquired on behalf of an employee to be offered for sale provided that the consideration at which the Partnership Shares are required to be offered for sale must be at least equal to the amount of partnership share money applied in acquiring the Partnership Shares on behalf of the employee or, if lower, the market value of the Partnership Shares at the time they are offered for sale.

#### 6.2.6 **Matching Shares**

If employees acquire Partnership Shares, the Remuneration Committee will also (at its discretion) be able to give such employees Matching Shares. In such case, each employee will acquire Matching Shares in proportion to the number of Partnership Shares acquired by that employee. The maximum ratio for an award of Matching Shares to Partnership Shares will be 2:1 (or such other maximum ratio as specified in the SIP legislation).

##### 6.2.6.1 *Holding Period*

In relation to each award of Matching Shares, the Remuneration Committee will be required to set a holding period determined at its discretion of between three and five years from the date of the award of Matching Shares.

Whilst participants remain employed by the Company, or one of its subsidiaries, they will generally need to leave their Matching Shares within the hands of the SIP Trustee throughout the specified holding period. Once set, the holding period cannot be increased.

##### 6.2.6.2 *Restrictions*

The Remuneration Committee will be able to determine prior to the making of an award of Matching Shares that such award of Matching Shares will be subject to restrictions. In the event that the Remuneration Committee determines that Matching Shares will be subject to any restrictions, the terms of such restrictions will need to be notified to the participant. The same restrictions must apply to all Matching Shares awarded at the same time. It will therefore be possible for the Company to make awards of Matching Shares subject to forfeiture in certain circumstances, such as on the cessation of employment of the participant prior to a certain date.

#### 6.2.7 **Dividends and Dividend Shares**

In relation to any dividends paid on Ordinary Shares held within the SIP, the Remuneration Committee will be able to direct that:

- they are all paid out in cash;
- some or all are re-invested in Dividend Shares; or
- the participants are given an individual choice to take either cash or Dividend Shares or a combination of shares and cash.

##### 6.2.7.1 *Amount to be reinvested*

There will be no limit on the amount of dividends that may be reinvested in Dividend Shares.

##### 6.2.7.2 *Surplus Cash Dividends*

Any surplus cash after Dividend Shares have been acquired may be retained by the SIP Trustee and carried forward to acquire further Dividend Shares in the future.

#### 6.2.7.3 *Holding Period*

The rules for the SIP will provide that Dividend Shares must be held in the SIP for a period of three years from acquisition.

#### 6.2.7.4 *Forfeiture*

Dividend Shares shall not be subject to forfeiture.

Notwithstanding the fact that Dividend Shares shall not be subject to forfeiture, Dividend Shares may be subject to a provision requiring Dividend Shares acquired on behalf of an employee to be offered for sale provided that the consideration at which the Dividend Shares are required to be offered for sale must be at least equal to the amount of cash dividends applied in acquiring the Dividend Shares on behalf of the employee or, if lower, the market value of the Dividend Shares at the time they are offered for sale.

#### 6.2.7.5 *SIP Limits*

The rules of the SIP will provide that in any 10 year period, the number of Ordinary Shares issued pursuant to awards granted under the SIP, when aggregated with the number of Ordinary Shares issued or issuable pursuant to any other employees' share scheme operated by the Company, shall not exceed more than 10 per cent. of the Company's issued share capital from time to time.

For the purposes of the limits set out above:

- any Ordinary Shares which were subject to an option or other right (whether granted under the SIP or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limits set out above;
- any Ordinary Shares issued or then capable of being issued pursuant to any options or rights obtained on or prior to Admission under any other employees' share scheme adopted by the Company shall not count towards the limits set out above (for the avoidance of doubts any Ordinary Shares subscribed by employees on Admission shall also not count towards these limits);
- where Ordinary Shares are acquired or may be acquired pursuant to an award (or pursuant to an option or other right granted under any other employees' share scheme operated by the Company), such Ordinary Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to an employee benefit trust established by the Company or to some other person for the purposes of the SIP or any other employees' share scheme operated by the Company; and
- Ordinary Shares held in treasury which are used to satisfy awards or other rights (whether under the SIP or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Management Association to be so included for the purposes of such limits.

#### 6.2.7.6 *Other Award Terms*

Awards under the SIP will not be pensionable.

#### 6.2.7.7 *Corporate Events and Share Reorganisations*

A participant will be able to direct the SIP Trustee at any time whilst the SIP Trustee holds Ordinary Shares on the participant's behalf to:

- accept any offer for such shares, if the acceptance of such offer would result in a new holding of shares being equated with the original Ordinary Shares for capital gains tax purposes;

- agree to a transaction which would if entered into be a scheme, compromise or arrangement applicable to all the Ordinary Shares (or all the shares of a particular class which have been appropriated to the participant) or all Ordinary Shares (or shares of the class in question) held by a class of shareholders identified otherwise than by reference to their employment or participation in a Schedule 2 Share Incentive Plan; or
- accept an offer for cash (with or without other assets) or accept an offer for a qualifying corporate bond (whether alone or with other assets or cash or both) for such shares if such offer forms part of a general offer which is made on the condition that if satisfied will result in the person making the offer obtaining control of the Company.

In the event of a rights issue in respect of any Ordinary Shares, each participant will be able to instruct the SIP Trustee in respect of all or any of the Ordinary Shares appropriated to him and held by the SIP Trustee to exercise the rights in respect of all or any of such Ordinary Shares or to exercise some of the rights and sell the remainder of the rights nil paid (the sale proceeds to be used to take up the rights exercised) or to sell all of the rights in respect of some or all of such Ordinary Shares.

In the event that the SIP Trustee is offered the opportunity to acquire Ordinary Shares pursuant to rights attaching to Ordinary Shares which it holds on behalf of any participant, it shall take up such opportunity only on the instructions of the participant concerned.

#### 6.2.7.8 *Administration and Amendments*

The SIP will be administered by the Remuneration Committee. The Remuneration Committee will be able to amend the provisions of the SIP. However, no amendment to a key feature of the SIP shall have effect if the effect of such amendment would cause the requirements of Parts 2 to 9 of the SIP Legislation not to be met in relation to the SIP. Furthermore, the rules of the SIP which relate to:

- the persons to whom awards may be made under the SIP;
- the limitations on the number or amount of Ordinary Shares which may be used under the SIP;
- the maximum entitlement of any one participant under the SIP; and
- the basis for determining a participant's entitlement to Ordinary Shares or awards and the adjustment of awards under the SIP following any increase or variation in the share capital of the Company;

shall not be amended to the advantage of any participant or potential participant without the prior approval of the shareholders of the Company in general meeting, except for minor amendments to benefit the administration of the SIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or potential participant in the SIP or for the Company or any of its subsidiaries.

In addition, no amendments shall be made which adversely affect the rights of subsisting participants without the prior written consent of three-quarters of such participants (by number) or, where in the reasonable opinion of the Board the amendments do not affect all the rights of subsisting participants, the prior written consent of three-quarters of the participants (by number) as hold subsisting rights that are affected, unless the amendments are minor amendments to benefit the administration of the SIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or potential participant in the SIP or for the Company or any of its subsidiaries.

#### 6.2.7.9 Termination

The rules of the SIP will allow the SIP to be terminated at any time by a resolution of the Remuneration Committee and shall provide that in any event the SIP will terminate on the tenth anniversary of its adoption. Following termination of the SIP, no further Ordinary Shares may be awarded to individuals pursuant to the SIP.

- 6.3 As the employees of Fresh will not be Eligible Employees for the purposes of the SIP, it has been decided that the Company will issue Ordinary Shares, at par to Fresh employees outside of the SIP. In total it is proposed that 26,325 Ordinary Shares be issued to Fresh employees on Admission.

## 7. DIRECTORS' AND OTHER INTERESTS

- 7.1 As at the date of this Document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director, are as follows:

<i>Director</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Ordinary Share Capital</i>
Grenville Turner	–	–	250,000	0.10
Mark Watkin Jones	17,850,000	10.53	7,650,000*	3.00
Philip Byrom	–	–	4,167,891	1.63
Simon Laffin	–	–	100,000	0.04

\* Mark Watkin Jones' personal shareholdings in his sole name are included in this table. In addition, Mark Watkin Jones is a trustee of and a potential beneficiary of each of the Trusts. Details of such additional interests are included in paragraph 7.4 of this Part V, below.

- 7.2 As at the date of this Document, Philip Byrom holds 12,000 A1 ordinary shares of £1 each, 8,000 B ordinary shares of £1 each and 12,000 C shares of £1 each in the capital of Watkin Jones & Son Limited. Philip has agreed to sell these shares to Watkin Jones Holdings Limited on Admission for £5,483,000 in aggregate, pursuant to an agreement referred to in paragraph 9.3 of this Part V of this Document. Philip Byrom also has an option over 12,500 G Shares in the capital of Watkin Jones Group Limited which is to be surrendered on Admission pursuant to an agreement referred to in paragraph 9.5 of this Part V of this Document.
- 7.3 Save as disclosed in paragraphs 7.1 and 7.2 above and 7.4 below, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor does any member of his or her family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non-beneficial.



- 7.4 As at 16 March 2016 (being the last practicable date prior to the publication of this Document) and so far as the Directors are aware, the only persons (other than any Director) who are or will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company prior to and immediately following Admission are as follows:

<i>Shareholder</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Ordinary Share Capital</i>
Glyn Watkin Jones	17,850,000	10.53	–	0.00
Jennifer Watkin Jones	17,850,000	10.53	–	0.00
Will Trust*	27,857,985	16.43	27,857,985	10.92
1992 Trust**	88,151,422	51.99	88,151,422	34.57
1999 Trust***	100	0.00	–	0.00
Miton Asset Management	–	–	12,500,000	4.90
Schroder Investment Management	–	–	11,756,965	4.61
GLG	–	–	9,000,000	3.53
BlackRock Investment Management	–	–	8,538,881	3.35

\* Joan Megan Jones (Mark Watkin Jones's grandmother) has a life interest in the shares registered in the name of the Will Trust, of which Mark Watkin Jones, Glyn Watkin Jones and Jennifer Watkin Jones are trustees and in relation to which Mark Watkin Jones has a beneficial interest comprising a successive life interest which vests on the death of Joan Megan Jones.

\*\* Mark Watkin Jones has a life interest in the shares registered in the name of the 1992 Trust, of which Mark Watkin Jones, Glyn Watkin Jones and Jennifer Watkin Jones are trustees.

\*\*\* Mark Watkin Jones, Glyn Watkin Jones and Jennifer Watkin Jones are potential beneficiaries of the shares registered in the name of the 1999 Trust, of which Mark Watkin Jones, Glyn Watkin Jones and Jennifer Watkin Jones are trustees.

- 7.5 Save as disclosed in paragraph 7.4 above, the Company and the Directors are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.
- 7.6 The voting rights of the persons listed in paragraph 7.4 above do not differ from the voting rights of any other holder of Ordinary Shares.
- 7.7 Save in respect of the aggregate sum of £85.4 million due from the Company to the trustees of each of the 1992 Trust and the 1999 Trust, such amount to be paid in full immediately following Admission from the proceeds of the Placing, there are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.
- 7.8 Excluding in respect of Mark Watkin Jones and Philip Byrom, the Group's 100 per cent. owned subsidiaries (which are listed in paragraph 3.1 of this Part V), the Directors hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the date of this Document. Dormant wholly owned group companies are denoted with “\*”:

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Grenville Turner	Aldycott Ventures Limited Capital Professional Limited Countrywide Plc Department for Communities and Local Government English National Ballet Titlestone Equity Limited Titlestone Real Estate Limited Titlestone Real Estate Stratford Limited	Balanus Limited Castle Holdco 5 Limited Countrywide Estate Agents Countrywide Group Plc Countrywide Holdings, Limited Elite Property (Berks) Limited Hamptons Estates Limited Hamptons Franchising Limited Hamptons Group Limited

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Grenville Turner (cont)	Titlestone Property Finance Limited Titlestone Property Lending Limited Titlestone Structured Finance Limited Zoopla Property Group Plc	Hamptons International Mortgages Limited Imagine No.1 LLP Imagine No.2 LLP Lambert Smith Hampton Limited Lambert Smith Hampton Group Limited Life And Easy Limited Mortgage Intelligence Limited Mortgage Intelligence Holdings Limited Mortgage Next Limited Mortgage Next Network Limited Mortgage Next Packaging Limited The London Residential Agency Limited ZPG Limited
Mark Watkin Jones	Amber 9 Limited* Athena Hall Limited* Awel Y Mor Pwllheli Management Company Limited Bangor Student Accommodation Limited Baybreeze Limited* Belle Vue Road Leeds Limited* Blackhorse Lane Student Limited* Fresh Management (Portsmouth) Limited Bristol Student Limited Broadsale Limited* Bryn Adda Phase 3 Management Company Limited Carlton (Heritage Park) Limited Carlton (North Wales) Limited Castle Hotel (Bangor) Limited Celtic Centre Caernarfon Limited Chambers 51 Student Limited Chester Student Limited Coralblend Limited* Curlew Student Incentive Limited D.R. (Student) Limited* Deiniol Developments Limited Dizzy 9 Limited* Extraneat Limited* Fairleague Limited* Falmer Student Brighton Limited Fresh Student Living Limited Freshers PBSH Chester (General Partner) Limited Ger Y Nant Management Company Limited Goldcharm Student Lettings Limited* Hafod Elfyn Management Company Limited HDCO2 Limited Heritage Holdings (North Wales) Limited Ipswich Student Limited* Jumby Holdings Limited Lacuna Belfast Limited Lacuna Dublin Road Limited	Carlton Management (North Wales) Limited Chooseplain Limited Coolmode Limited Earlyscoop Limited Fineflair Limited Fresh Commercial Limited Fresh Key Worker Limited Fresh Management Limited Fresh Residential Management Limited Freshers PBSH (General Partner) Limited Gorse Stacks Rufus Limited Nestan Management Company Limited Nicolson Street Limited Oatengrove Limited Pureluck Limited Tensell (Ground Rents) Limited The Townhouse (Ealing) Management Company Limited Tilesign Limited Watkin Jones (Bradford 1) Limited Watkin Jones (Salford 1) Limited Watkin Jones Ground Rents Limited WJ Student Property Finance Limited

<i>Director</i>	<i>Current</i>	<i>Previous</i>	
Mark Watkin Jones ( <i>cont</i> )	Lacuna Edinburgh Limited (In Liquidation)		
	Lacuna Hanwell Limited		
	Lacuna WJ Limited		
	LNE (Kingston) Limited*		
	Majorblend Limited		
	Manana Manana Limited*		
	Marblelodge Limited*		
	Megaleague Limited*		
	New Bridewell 1 Limited*		
	New Bridewell 2 Limited*		
	New Bridewell Limited*		
	Newcastle Student Limited*		
	Old Dumbarton Road Limited*		
	Oxford Student Limited*		
	Planehouse Limited		
	Planehouse Residential Limited		
	Quarter House Studios Limited*		
	Rockingham House Student Accommodation Limited		
	Ruby 99 Limited*		
	Rufus Estates Limited		
	Smoothsale Limited*		
	Spiritbond Elephant & Castle Limited		
	Spiritbond Finsbury Park Limited		
	Sugarhouse Close Student Limited*		
	Supersmooth Limited		
	Supertry Limited*		
	Tableward Limited*		
	Tensell Limited		
	The Wharf (Droylsden Marina) Management Company Limited		
	Top Laser Limited*		
	Toplocation Limited		
	Toplocation 2 Limited		
	Toplocation 3 Limited		
	Toplocation 4 Limited		
	Urbancloud Limited*		
	Vitalshift Limited*		
	W J Hafod Elfyn Limited		
	W.J. Developments (Gwynedd) Limited		
	Warmshade Limited		
	Watkin Jones (Leicester 1) Limited*		
	Watkin Jones (Sheffield 1) Limited*		
	Watkin Jones Bournemouth Student Limited*		
	Watkin Jones Liverpool Student Limited*		
	Watmor Limited		
	Whitechapel Student Limited*		
	Wolfpark Limited		
	Y Bae Management Company Limited		
	Philip Byrom	Amber 9 Limited*	Brabco 723 Limited
		Athena Hall Limited*	Chooseplain Limited
		Awel Y Mor Pwllheli Management Company Limited	Freshers PBSH (S) General Partner Limited
Baybreeze Limited*		Neston Management Company Ltd	
Belle Vue Road Leeds Limited*		Oatengrove Limited	
Blackhorse Lane Student Limited*		Pureluck Limited	

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Philip Byrom (cont)	Broadsale Limited* Coralblend Limited* Deiniol Developments Limited Dizzy 9 Limited* D.R. (Student) Limited* Extraneat Limited* Fairleague Limited* Fresh Student Living Limited Goldcharm Student Lettings Limited* HDCO2 Limited Ipswich Student Limited* Lacuna Belfast Limited Lacuna Dublin Road Limited Lacuna Hanwell Limited Lacuna WJ Limited LNE (Kingston) Limited* Manana Manana Limited* Marblelodge Limited* Megaleague Limited* New Bridewell 1 Limited* New Bridewell 2 Limited* New Bridewell Limited* Newcastle Student Limited* Old Dumbarton Road Limited* Oxford Student Limited* Quarter House Studios Limited* Ruby 99 Limited* Rufus Estates Limited Smoothsale Limited* Spiritbond Elephant & Castle Limited Spiritbond Finsbury Park Limited Sugarhouse Close Student Limited* Supertry Limited* Tableward Limited* The Wharf (Droylsden Marina) Management Company Limited Top Laser Limited* Urbancloud Limited* Vitalshift Limited* Watkin Jones (Leicester 1) Limited* Watkin Jones (Sheffield 1) Limited* Watkin Jones Bournemouth Student Limited* Watkin Jones Liverpool Student Limited* Whitechapel Student Limited*	W J Hafod Elfyn Limited Watkin Jones (Bradford 1) Limited
Simon Laffin	Assura Group Limited Assura Plc Flybe Group Plc Simon Laffin Business Services Limited	Ashspring Limited Aegis Group plc Quintain Estates & Development PLC Rasindeck Limited Thistlehaven Limited

7.9 Mark Watkin Jones is a director of Lacuna Edinburgh Limited, a company which is 50 per cent. owned by the Group. Lacuna Edinburgh Limited is in solvent liquidation and it is anticipated that all liabilities of this company will be satisfied in full.

7.10 Save as set out in paragraph 7.9 above, as at the date of this Document no Director:

7.10.1 has any unspent convictions in relation to any indictable offences; or

- 7.10.2 has been bankrupt or entered into an individual voluntary arrangement; or
- 7.10.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- 7.10.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- 7.10.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- 7.10.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

## 8. DIRECTORS' SERVICE AGREEMENTS

- 8.1 Each of the executive Directors has a service agreement with the Company. Details of these service agreements are set out below:

<i>Director</i>	<i>Date of agreement</i>	<i>Current salary (per annum)</i>
Mark Watkin Jones	16 March 2016	£300,000
Philip Byrom	16 March 2016	£180,000

- 8.2 The salary of an executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. At the absolute discretion of the Remuneration Committee, an executive Director may be entitled to participate in an annual discretionary performance related bonus scheme on such terms and subject to such conditions as may be decided from time to time by the Remuneration Committee. Ancillary benefits include the reimbursement of all reasonable and authorised out of pocket expenses, provision of a company car (or alternatively a car allowance) and private healthcare cover.
- 8.3 The Company contributes to pension plans in respect of the executive directors at a rate of 7 per cent. of basic salary.
- 8.4 Each service contract may be terminated by either party serving 12 months' written notice. At its discretion, the Company may make a payment in lieu of such notice or place the executive Director on garden leave. The service contracts also contain provisions for early termination in the event, *inter alia*, of: (i) incapacitation due to illness, injury or an accident resulting in 26 or more weeks in any 12 consecutive months; (ii) non-compliance with directions from the Board; (iii) serious or repeated breaches of the service contract; (iv) an act of gross or serious misconduct or wilful neglect in the discharge of his duties; (v) being found guilty of any bribery, corruption, fraud, dishonesty or conduct tending to bring himself or the Group into disrepute; (vi) committing a breach of any legislation which may affect or relate to the business of the Group; (vii) bankruptcy; (viii) becoming prohibited by law from being a director of a company; (ix) voluntary resignation; (x) material breach of the articles of association of the Company; (xi) any breach of the AIM Rules; or (xii) refusing or failing to transfer the service contract following a company having acquired not less than 50 per cent. of the equity share capital of the Company.

Each service contract also contains typical restrictive covenants for a period of 12 months following termination of employment.

- 8.5 Grenville Turner was appointed a non-executive director and Chairman of the Company, by letter of appointment dated 26 February 2016. The appointment is for a period of three years from Admission (subject to re-election at the next annual general meeting) and is terminable on three months' notice

by either the Company or the non-executive director. The fee payable for Mr Turner's services as a non-executive director is £125,000 per annum and is subject to annual review.

- 8.6 Simon Laffin was appointed a non-executive director of the Company, by letter of appointment dated 26 February 2016. The appointment is for a period of three years from Admission (subject to re-election at the next annual general meeting) and is terminable on three months' notice by either the Company or the non-executive director. The fee payable for Simon's services as a non-executive director is £52,000 per annum and is subject to annual review.
- 8.7 Save as disclosed in paragraphs 8.1 to 8.6 above, there are no existing or proposed service agreements or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company without payment of compensation within 12 months.
- 8.8 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this Document.

## **9. RELATED PARTY TRANSACTIONS**

- 9.1 **Purchase of 32 per cent. in Watkin Jones Group Limited.** Pursuant to an agreement dated 15 March 2016, between the Company, Glyn Watkin Jones, Jennifer Watkin Jones, Mark Watkin Jones and the Will Trust, the Company purchased 319,247 shares of various share classes in the capital of Watkin Jones Group Limited, amounting to approximately 32 per cent. of this company's total issued share capital. The Company issued and allotted, credited as fully paid, an aggregate of 81,407,985 Ordinary Shares to the relevant sellers in consideration for such purchase.
- 9.2 **Subscription for Ordinary Shares by the 1992 Trust.** Pursuant to an agreement dated 15 March 2016 between the trustees of the 1992 Trust and the Company, the Company issued, in aggregate, 88,151,322 Ordinary Shares to the trustees of the 1992 Trust at an aggregate subscription price of £88,151,322. Pursuant to a further agreement dated 15 March 2016, the Company acknowledged receipt of the consideration by set-off against the Company's liability to pay an equivalent amount to the 1992 Trust arising from the agreement referred to in paragraph 9.8, below.
- 9.3 **Purchase of minority interest in Watkin Jones & Son Limited from Philip Byrom.** Pursuant to an agreement dated 15 March 2016 between Watkin Jones Holdings Limited and Philip Byrom, Philip Byrom irrevocably agreed, with effect from Admission, to sell the 12000 A1 shares of £1 each, the 8,000 B shares of £1 each and 12,000 C shares of £1 each in the capital of Watkin Jones & Son Limited for an aggregate consideration of £5,483,000. Philip Byrom has irrevocably instructed that £3,788,696 of such consideration shall be paid on his behalf to the Company by way of subscription for 3,788,696 of the Placing Shares, at the Placing Price. Other members of the senior management team have entered into similar agreements for the sale of their A1, B and/or C shares in the capital of Watkin Jones & Son Limited (as further detailed in the summary of the Pre-Admission Reorganisation in paragraph 10 of Part I).
- 9.4 **Acquisition of c.78 per cent. of Fresh Student Living Limited.** Pursuant to an agreement dated 25 February 2016 between (1) Glyn Watkin Jones, (2) Mark Watkin Jones and (3) Founded Living Limited, Founded Living Limited acquired c.78 per cent. of the issued share capital of Fresh Student Living Limited from Glyn Watkin Jones and Mark Watkin Jones for an aggregate consideration of £11,835,512, which was paid in cash on completion. This agreement include warranties as to title and capacity from the sellers.
- 9.5 **Settlement of Options.** Pursuant to an agreement dated 15 March 2016 between Philip Byrom and Geraint Morgan (1) and Watkin Jones Group Limited (2), each of Philip Byrom and Geraint Morgan exercised, conditional upon Admission, their right to each acquire 12,500 G ordinary shares of £1 each in the capital of the company. Rather than issuing the new G ordinary shares Watkin Jones Group Limited agreed to satisfy the options by a payment to each of Philip Byrom and Geraint Morgan of £1,000,000 and £800,000 respectively being the value of the relevant shares calculated pursuant to the articles of association of Watkin Jones Group Limited. Each of Philip Byrom and Geraint Morgan have agreed to subscribe for 379,195 and 303,356 Placing Shares respectively at an aggregate

subscription price of £379,195 and £303,356 respectively. The balance of the funds due to them will be paid in cash from the proceeds of the Placing.

- 9.6 **Blackfriars Leicester student accommodation development.** Pursuant to a transfer dated 10 March 2016, Watkin Jones & Son Limited and Goldcharm Limited (both companies in the Group) sold a 601 bed student accommodation development, with retail space, at Blackfriars, Leicester to Toplocation 4 Limited a company owned by the Glyn Watkin Jones 1999 Hybrid Trust, of which Glyn Watkin Jones has a life interest in 34/35th of the assets and the other 1/35th is held for members of the Watkin Jones family, for £34 million less agreed funding costs plus overage of up to £500,000 by reference to the performance of the development in the third year following completion of the development. Mark Watkin Jones is also a director of Toplocation 4 Limited. An initial sum of £20 million was paid for this development. In addition, Toplocation 4 Limited appointed Superscheme Limited and Watkin Jones & Son Limited (both members of the Group) as developer and contractor (respectively) to complete the development of this site at a cost of £14 million less agreed funding costs. The Group have entered into a 3 year lease of the development for a term commencing on 1 September 2016 at an initial rent of £2,446,864. Toplocation 4 Limited proposes to appoint Fresh to manage this accommodation from practical completion (scheduled for June 2016) on the standard terms adopted by Fresh Student Living Limited and on the standard pricing adopted by Fresh. The terms upon which the Group sold this development and were appointed as developer and contractor reflects terms that had been agreed with a third party investor who did not proceed with the acquisition of this development and therefore the Directors consider the terms to be arm-length terms.
- 9.7 **Sale of Developed Property (Gorse Stacks Block 2).** Pursuant to a transfer dated 12 February 2016, Gorse Stacks Development Limited, a Group company transferred the leasehold land known as Gorse Stacks Block 2, to Planehouse Limited, a company owned by the Glyn Watkin Jones Discretionary Settlement No 3 in respect of which Mark Watkin Jones is a director and a potential beneficiary, for £6 million cash. Planehouse Limited has also undertaken to meet certain incentives (including rent free periods and a reverse premium payment of £125k to the tenants of such development). The proceeds realised by the Group from the sale of this property was more than had been offered by independent third party purchasers.
- 9.8 **Agreement to acquire 68 per cent. of Watkin Jones Group Limited.** Pursuant to an agreement dated 28 September 2015 between (1) the Company and (2) the trustees of each of the 1992 Trust and the 1999 Trust, the Company agreed to acquire from such Trusts, all of the shares in the capital of Watkin Jones Group Limited owned by such Trusts, for market value, such value to be determined at the time of exercise of such right by the Company to acquire such shares. This agreement was amended by an agreement dated 15 March 2016, whereby the time period for completion of the sale and purchase of such shares was reduced and provision was included to permit the payment of the consideration to be deferred. The parties agreed that the market value of such shares was £173.6 million and the Company completed the acquisition of the 680,753 ordinary shares of £1 each (of various share classes) in the capital of Watkin Jones Group Limited on 15 March 2016. The consideration payable under the agreement was left outstanding and will be settled as to £85.4 million in cash from the proceeds of the Placing. The balance of the consideration has been offset against the subscription monies due pursuant to the agreement referred to in paragraph 9.2 above.
- 9.9 **Management Agreements with Fresh Student Living Limited.** Fresh Student Living Limited is party to management agreements in respect of student accommodation properties owned by the following parties related to Mark Watkin Jones:
- 9.9.1 in respect of the property known as Llys Y Deon, Bangor owned by Toplocation 3 Limited, a company owned by the Glyn Watkin Jones 1999 Hybrid Settlement Trust, of which Glyn Watkin Jones has a life interest in 34/35th of the assets and the other 1/35th is held for members of the Watkin Jones family. Mark Watkin Jones is also a director of this company. The management agreement has been entered into on standard terms adopted by Fresh Student Living Limited with payments from Toplocation 3 Limited to Fresh Student Living Limited for the financial year ended 30 September 2015 amounting to £6,460 (incl. VAT). The development came into operation from 1 September 2015;
- 9.9.2 in respect of the property known as Neuadd Castell, Bangor owned by Toplocation 2 Limited, a company owned by the Glyn Watkin Jones 1999 Hybrid Settlement Trust, of which Glyn Watkin Jones has a life interest in 34/35th of the assets and the other 1/35th is

held for members of the Watkin Jones family. Mark Watkin Jones is also a director of this company. The management agreement has been entered into on standard terms adopted by Fresh Student Living Limited with total payments from Toplocation 2 Limited to Fresh Student Living Limited for the financial year ended 30 September 2015 amounting to £8,448 (incl. VAT);

- 9.9.3 in respect of the property known as Neuadd Kyffin, Bangor owned by Toplocation Limited, a company owned by the Glyn Watkin Jones 1999 Hybrid Settlement Trust, of which Glyn Watkin Jones has a life interest in 34/35th of the assets and the other 1/35th is held for members of the Watkin Jones family. Mark Watkin Jones is also a director of this company. The management agreement has been entered into on standard terms adopted by Fresh Student Living Limited with total payments from Toplocation Limited to Fresh Student Living Limited for the financial year ended 30 September 2015 amounting to £37,248 (incl. VAT);
- 9.9.4 in respect of the property known as Ty Ni, Bangor owned by Carlton (North Wales) Limited, a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones, Jennifer Anne Watkin Jones, The Glyn Watkin Jones No 2 Discretionary Settlement, 1992 Trust, The 1999 Trust and the J M Jones 1994 Discretionary Settlement. Mark Watkin Jones is also a director of this company. The management agreement has been entered into on standard terms adopted by Fresh Student Living with total payments from Carlton (North Wales) Limited to Fresh Student Living Limited for the financial year ended 30 September 2015 amounting to £6,912 (incl. VAT);
- 9.9.5 in respect of the property known as Falmer, Brighton owned by Falmer Student Brighton Limited, a company owned and controlled by the Watkin Jones family and their related trusts. Mark Watkin Jones is also a director of this company. The management agreement has been entered into on standard terms adopted by Fresh Student Living Limited with total payments from Falmer Student Brighton Limited to Fresh Student Living Limited for the financial year ended 30 September 2015 amounting to £48,348 (incl. VAT);
- 9.9.6 in respect of the property known as Deiniol Road, Bangor owned by the Glyn Watkin Jones 2004 Settlement No. 1, of which members of the Watkin Jones family are potential beneficiaries. The management agreement has been entered into on standard terms adopted by Fresh Student Living Limited with total payments from Glyn Watkin Jones Discretionary Settlement to Fresh Student Living Limited for the financial year ended 30 September 2015 amounting to £2,565 (incl. VAT);
- 9.9.7 in respect of the property known as Abbeygate, Chester owned by Freshers PBSH Chester Limited Partnership, a limited partnership in which Carlton (North Wales) Limited is a partner. Carlton (North Wales) Limited is a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones, Jennifer Anne Watkin Jones, The Glyn Watkin Jones No 2 Discretionary Settlement, 1992 Trust, The 1999 Trust and the J M Jones 1994 Discretionary Settlement. Mark Watkin Jones is also a director of this company. The management agreement has been entered into on standard contractual terms adopted by Fresh Student Living Limited (save for reduced payment terms) with total payments from Freshers PBSH Chester Limited Partnership to Fresh Student Living Limited for the financial year ended 30 September 2015 amounting to £19,731 (incl. VAT).
- 9.10 **Service recharges at cost.** Watkin Jones & Son Limited, a member of the Group, historically provided certain services, at cost, to Heritage Holdings Limited (a company controlled by the Watkin Jones family and their related family trusts) and to Planehouse Limited a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones No 3 discretionary settlement of which Mark Watkin Jones is a potential beneficiary and their respective subsidiaries. Pursuant to separate agreements dated 29 February 2016 between Watkin Jones & Son Limited and each of Heritage Holdings Limited and Planehouse Limited, the Group will continue to provide mobile telephones, company cars, contract hire of vehicles and fuel at cost plus an uplift of five per cent and will provide payroll services at an aggregate cost of £500 per month and permit use of part of the Group's offices for £5,000 per annum, pending Planehouse Limited and Heritage Holdings Limited making their own direct arrangements for such services. Either party may terminate these arrangements on giving 3 months' notice in writing.



9.11 **Sale and Overage Agreement – Plas Y Coed Limited.** Purchase to a transfer dated 30 September 2015 between Watkin Jones & Son Limited and Plas Y Coed Limited, a company which Glyn Watkin Jones and Jennifer Watkin Jones (parents of Mark Watkin Jones) control, Plas Y Coed Limited transferred its rights to the freehold property at Plas Y Coed, Bangor, to Watkin Jones & Sons Limited for an initial sum of £500,000. On 30 September 2015 the same parties entered into a supplemental deed pursuant to which Watkin Jones & Son Limited undertook, amongst other things, to pay overage to Plas Y Coed Limited, calculated as being the value of the undeveloped site with planning permission for residential development and 20 per cent. of the sales proceeds of developed plots, to the extent they exceed the sums already paid to the Plas Y Coed Limited and a further minimum sum of £500,000, if the development has not been completed within 3 years of 30 September 2015.

9.12 **Leases with related parties.** The Group is party to leases of properties from the companies owned or controlled by the Watkin Jones family or the related trusts as follows:

9.12.1 offices at St Asaph Business Park, St Asaph, Denbigshire are leased pursuant to a 15 year lease which commenced on 25 March 2008 at an annual rent of £176,000 per annum to Watkin Jones & Son Limited by Planehouse Limited, a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones No 3 discretionary settlement of which Mark Watkin Jones is a potential beneficiary; There are rent reviews on 25 March 2013, 25 March 2018 and 25 March 2023. The reviewed annual rent is the greater of the annual rent immediately prior to the relevant review date or (if greater) the best open market rent for the property at the relevant review date (as agreed or determined in accordance with the lease). The lease does not contain a break clause.

9.12.2 plots 21, 22, 23 and 29 Llandegai Industrial Estate are leased to Watkin Jones & Son Limited as follows:

(a) Part of plot 21 and 22 are leased pursuant to a lease which commenced on 1 October 2013 and ends on 31 December 2021 at an annual rent of £27,500 per annum, by Planehouse Limited, a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones No 3 discretionary settlement of which Mark Watkin Jones is a potential beneficiary. The annual rent is subject to review on 30 September 2013 and 30 September 2018. The reviewed annual rent shall be the greater of (1) the annual rent payable immediately before the relevant rent review date and (2) the open market annual rent of the property as at the relevant rent review date on the basis of the assumptions and disregards referred to in the lease. The lease does not contain a break clause.

(b) Part of plot 21 and plot 23 are licenced to Watkin Jones & Son Limited by Carlton (North Wales) Limited, a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones, Jennifer Anne Watkin Jones, The Glyn Watkin Jones No 2 Discretionary Settlement, 1992 Trust, The 1999 Trust and the J M Jones 1994 Discretionary Settlement pursuant to a licence dated 1 February 1999 (to continue until determined). Watkin Jones & Son Limited is currently paying a monthly licence fee of £500. The licence may be determined on: (a) not less than 28 days' notice given by Carlton (North Wales) Limited or Watkin Jones & Son Limited to the other party for the licence to expire on the last day of a month; or (b) by Carlton (North Wales) Limited at any time serving notice on Watkin Jones & Son Limited following any breach by Watkin Jones & Son Limited of its obligations under the licence.

(c) Plot 29 is leased pursuant to a 7 year lease which commenced on 14 October 2014 at an annual rent of £5,000 (plus VAT) per annum, to Watkin Jones & Son Limited by Carlton (North Wales) Limited, a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones, Jennifer Anne Watkin Jones, The Glyn Watkin Jones No 2 Discretionary Settlement, 1992 Trust, The 1999 Trust and the J M Jones 1994 Discretionary Settlement. The annual rent is subject to review on the date of expiry of the first five year period of the term and thereafter each fifth anniversary of such date of expiry. The reviewed annual rent is the greater of the annual rent payable immediately preceding the relevant review date and the best open market annual rent of the property at the relevant review date on the basis of the

assumptions and disregards contained in the lease. The lease does not contain a break clause.

- (d) Part of plot 21 is leased pursuant to a lease which commenced on 1 October 2013 and ends on 31 December 2021 at an annual rent of £71,000 per annum, to Watkin Jones & Son Limited by Planehouse Limited, a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones No 3 discretionary settlement of which Mark Watkin Jones is a potential beneficiary. The annual rent is subject to review on 30 September 2013 and 30 September 2018. The reviewed annual rent shall be the greater of (1) the annual rent payable immediately before the relevant rent review date and (2) the open market annual rent of the property as at the relevant rent review date on the basis of the assumptions and disregards referred to in the lease. The lease does not contain a break clause.
- 9.12.3 Caernarfon Airport hangar is leased pursuant to a sub underlease for a term of 40 years less five days, ending on 13 February 2050 which commenced on 19 February 2010 at an annual rent of £30,000 per annum, to Watkin Jones & Son Limited by Planehouse Limited a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones No 3 discretionary settlement of which Mark Watkin Jones is a potential beneficiary. The annual rent is subject to review on every 5th anniversary of 19 February 2010. With effect from each review date, the reviewed annual rent shall be the amount payable immediately prior to the relevant review date or (if greater) the open market rent for the Property at the relevant review date as agreed or determined pursuant to the provisions of the lease. The lease does not contain a break clause.
- 9.12.4 Warehouse at Glanrafon Bangor is licenced pursuant to a licence commencing 27 July 2013 (to continue until determined) at an annual fee of £500(plus VAT) per annum, to Watkin Jones & Son Limited by Planehouse Limited a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones No 3 discretionary settlement of which Mark Watkin Jones is a potential beneficiary. Watkin Jones & Son Limited may terminate the licence by giving Planehouse Limited at least 30 days written notice.
- 9.12.5 residential properties at 2-3 Charles Street, Bristol are leased pursuant to a 3 year lease which commenced on 14 October 2014 at an annual rent of £180,000 per annum, to Watkin Jones & Son Limited by Bristol Student Limited (a subsidiary of Carlton (North Wales) Limited) a company of which Mark Watkin Jones is a director, such company being ultimately controlled by Glyn Watkin Jones, Jennifer Anne Watkin Jones, The Glyn Watkin Jones No 2 Discretionary Settlement, 1992 Trust, The 1999 Trust and the J M Jones 1994 Discretionary Settlement.
- 9.13 **Consultancy Agreement – Glyn Watkin Jones.** Pursuant to a consultancy agreement dated 16 March 2016 between the Company and Glyn Watkin Jones (Mark Watkin Jones' father), the Company appointed Glyn Watkin Jones as a consultant to the Group for a term of 6 months from Admission during which period Glyn Watkin Jones will, at the Company's request, provide consultancy services for up to 10 days per month at a daily rate of £750 per day.
- 9.14 **Relationship Agreement.** Mark Watkin Jones, the trustees of the Will Trust and the trustees of the 1992 Trust are party to the Relationship Agreement with the Company. See paragraph 15.2 of this Part V.
- 9.15 **Placing Agreement.** Mark Watkin Jones and the trustees of the 1999 Trust are party to the Placing Agreement with the Company, which includes provision for payment by the Company of all commission in respect of the Vendor Placing. See paragraph 14 of this Part V.
- 9.16 **Lock-In Deed – Will Trust and 1992 Trust.** See paragraph 15.5 of this Part V.
- 9.17 **Subscriptions for Placing Shares.** Philip Byrom, Grenville Turner and Simon Laffin will subscribe for 4,167,891, 250,000 and 100,000 Ordinary Shares (respectively) pursuant to the Placing. All such Ordinary Shares shall be issued at the Placing Price.
- 9.18 **Proposed Sale of Aircraft.** Saxonhenge Limited, a member of the Group, will, prior to the end of the current financial year, sell its aircraft to a new company to be incorporated by Mark Watkin Jones,

at its book value. The Group may, following such transfer, charter this aircraft on arms-length terms. Planehouse Limited, the landlord in respect of a hangar at Caernarfon Airport that is leased to Watkin Jones & Son Limited (as described in paragraph 9.12.3 of this Part V), shall surrender the lease of this hangar, for nil cost to the Group, on the transfer of such aircraft.

- 9.19 Save as disclosed in this paragraph 9, no Director has any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

## **10. TAXATION**

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this Document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled Shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this section. Such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non-domiciled individuals claiming the remittance basis of taxation is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. Any Shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

### **10.1 Taxation of chargeable gains**

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant Shareholder give rise to a liability to UK taxation on chargeable gains.

#### ***Individuals***

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,100, for 2015/16) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band (for 2015/16 £31,785 after the personal allowance of £10,600, subject to any gift aid payments made). To the extent that any chargeable gains, or part of any chargeable gain, when aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

## **Companies**

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (up to 20 per cent. for the financial year 1 April 2015 to 31 March 2016). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

### **10.2 Taxation of dividends**

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

#### **Individuals**

Individual Shareholders receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). Dividends paid to an individual Shareholder are subject to income tax. The liability to income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit).

Individual Shareholders whose income is within the basic rate tax band (for 2015/16 £31,785 after the personal allowance, subject to any gift aid payments made) will be subject to dividend income tax at the rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly, where income exceeds £31,785, after the personal allowance) will be subject to dividend income tax at 32.5 per cent. subject to any gift aid payments made (the rate as at the date of this Document). After allowing for the 10 per cent. notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent. on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where income exceeds £150,000) will be subject to dividend income tax at 37.5 per cent. After allowing for the 10 per cent. notional tax credit, an additional rate taxpayer suffers an effective rate of 30.56 per cent. on the net dividend received.

The taxation of dividends is being overhauled and is likely to operate in a very different way to that described above. Accordingly, the preceding paragraphs will not be applicable from 6 April 2016.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim repayment of the tax credit (or any part of it).

## **Companies**

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to UK tax on dividends from the Company subject to certain conditions being met. Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. UK resident Shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

### **10.3 Stamp duty and Stamp Duty Reserve Tax (“SDRT”)**

An exemption from stamp duty and SDRT came into effect on 28 April 2014 in respect of securities admitted to trading on a Recognised Growth Market (including AIM) and which are not listed on a Recognised Stock Exchange (“*Exemption*”). The Company anticipates that the Exemption will apply to dealings in the Ordinary Shares such that from Admission, no liability to stamp duty or SDRT should arise in respect of any transfers on sale of the Ordinary Shares.

### ***Position in lieu of the exemption from SDRT***

Should the Company seek to list its shares on a Recognised Stock Exchange in the future, then the Exemption in its current form will cease to apply. Where the Exemption does not apply, or ceases to apply, any dealings in Ordinary Shares will normally be subject to stamp duty or SDRT. The transfer on sale of Ordinary Shares will usually be liable to ad valorem stamp duty, at the rate of 0.5 per cent. (rounded up, if necessary, to the next multiple of £5) of the amount or value of the consideration paid.

Stamp duty will normally be the liability of the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. SDRT will normally be the liability of the purchaser or transferee of the Ordinary Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC by CREST.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements.

#### **10.4 Inheritance tax**

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("**IHT**") on the value of any Ordinary Shares held by them.

Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief ("**BPR**") may apply to ordinary shares in trading companies once these have been held for two years. This relief applies notwithstanding that a company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

#### **11. WORKING CAPITAL**

The Directors are of the opinion, having made due and careful enquiry, taking into account available bank and other facilities, that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

#### **12. SIGNIFICANT CHANGE**

Save as disclosed in paragraph 7 of Part I of this Document, there has been no significant change in the financial or trading position of the Group since 30 September 2015, the date to which the Group's Historical Financial Information was prepared.

### 13. LITIGATION

No member of the Group is involved in any legal or arbitration proceedings which are having or may have a significant effect on the Group's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

### 14. PLACING AGREEMENT

In connection with the Placing and Vendor Placing, the Company, the Directors, the Selling Shareholders, Zeus Capital and Peel Hunt entered into the Placing Agreement on 16 March 2016. The Placing Agreement is conditional on, *inter alia*, Admission occurring on 23 March 2016 or such later date (not being later than 8.00 am on 31 March 2016) as the Company and Zeus Capital may agree. The principal terms of the Placing Agreement are as follows:

- 14.1 Zeus Capital and Peel Hunt have agreed, as agents of the Company, to use their reasonable endeavours to procure Placees to subscribe for the Placing Shares and, as agents for each of the Selling Shareholders, to use their reasonable endeavours to procure Placees to purchase the Vendor Placing Shares, in each case at the Placing Price;
- 14.2 the Company has agreed to pay Zeus Capital, whether or not the Placing Agreement becomes unconditional, a corporate finance fee of £300,000 and, provided the Placing Agreement becomes unconditional, aggregate commissions to Zeus Capital and Peel Hunt together of up to four per cent. of the aggregate value at the Placing Price of the Placing Shares and the Vendor Placing Shares, other than Placing Shares subscribed for by management (plus any applicable VAT);
- 14.3 the Company has agreed to pay all of the costs and expenses of and incidental to the Placing and related arrangements (other than any applicable stamp duty or stamp duty reserve tax payable on the transfer of the Vendor Placing Shares to Placees which is payable by the Selling Shareholders) together with any applicable VAT;
- 14.4 the Company, the Directors and the Selling Shareholders have given certain warranties to Zeus Capital and Peel Hunt as to the accuracy of the information in this Document and as to other matters relating to the Group (and in the case of the Selling Shareholders, the Vendor Placing Shares). The liability of the Directors under these warranties is limited in time and amount. The Company has given an indemnity to Zeus Capital and Peel Hunt against any losses or liabilities arising out of the proper performance by Zeus Capital or Peel Hunt (as the case may be) of its duties under the Placing Agreement;
- 14.5 the Directors and certain Selling Shareholders have agreed that, subject to certain limited exceptions, they will not dispose of any Ordinary Shares (or any interest thereon) before the first anniversary of Admission, without the prior written consent of Zeus Capital (after consultation with Peel Hunt) and any disposal of Ordinary Shares between the first and second anniversaries of Admission will be made through Zeus Capital or Peel Hunt in such orderly manner as Zeus or Peel Hunt shall reasonably determine; and
- 14.6 Zeus Capital may terminate, and Peel Hunt may terminate its rights and obligations under the Placing Agreement before Admission in certain circumstances, including for material breach of the warranties referred to above.
- 14.7 The following table contains details of the Selling Shareholders and the Vendor Placing Shares to be sold by them pursuant to the Vendor Placing:

<i>Name</i>	<i>Business address</i>	<i>Number of Vendor Placing Shares</i>	<i>Position, office or material relationship with the Group during the past three years</i>
1999 Trust	1 St. Pauls Square Liverpool L3 9SJ	100	Mark Watkin Jones (Director) and Glyn Watkin Jones (former director of the Company) are trustees of this trust and are also potential beneficiaries

<i>Name</i>	<i>Business address</i>	<i>Number of Vendor Placing Shares</i>	<i>Position, office or material relationship with the Group during the past three years</i>
Glyn Watkin Jones	Y Glyn Bangor Gwynedd LL57 2HX	17,850,000	Former director of the Company and father of Mark Watkin Jones (Director)
Jennifer Anne Watkin Jones	Y Glyn Bangor Gwynedd LL57 2HX	17,850,000	Mother of Mark Watkin Jones (Director)
Mark Watkin Jones	21-22 Landygai Industrial Estate Llandygai Bangor Gwynedd LL57 4YH	10,200,000	Director of the Company

## 15. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this Document by any member of the Group and are, or may be, material to the Group or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this Document.

15.1 **The Placing Agreement.** See paragraph 14 of this Part V.

15.2 **The Relationship Agreement.** Pursuant to a relationship agreement dated 16 March 2016 between the Company and Mark Watkin Jones, trustees of the 1992 Trust and trustees of the Will Trust (together the Family Shareholders), the Family Shareholders have agreed to regulate their ongoing relationship with the Company, to ensure that the Group is capable of carrying on its business independently of the Family Shareholders, and that any transactions and relationships between the Group and the Family Shareholders are at arms' length and do not affect the Group's continuing appropriateness as a company quoted on AIM. The Relationship Agreement applies for as long as the Family Shareholders and any persons connected to them hold, in aggregate, an interest in 30 per cent. or more of the Company's Ordinary Shares. Under the Relationship Agreement, any transaction, arrangement or agreement between any part of the Group and any member of the Family Shareholders (or persons connected to them) must have the prior approval of a majority of the independent non-executive directors. In addition, under the Relationship Agreement, the Family Shareholders shall collectively have the power to appoint one director to the Company's Board, and to remove and replace that director as they see fit (conditional on the approval of the Company's nominated adviser at that time). At the time of Admission, the nominated director is Mark Watkin Jones.

15.3 **Nomad and Broker Agreement.** The Company entered into a nominated adviser and broker agreement dated 16 March 2016 with Zeus Capital, pursuant to which Zeus Capital has agreed to act as the Company's nominated adviser and broker for an initial period of 12 months, terminable by either party on three months' notice served after the expiry of the initial term. Zeus Capital has undertaken to provide the services of nominated adviser as required under the AIM Rules and the Company and the Directors agree to comply with their obligations under the AIM Rules. The Company will pay Zeus Capital a fee of £75,000 per annum (plus applicable VAT) pursuant to the terms of the agreement.

15.4 **Lock-in Deeds Management.** The Company has entered into lock-in deeds dated 16 March 2016 with each of Jane Crouch, Rebecca Hopewell, Ashish Meswani, Sarah Nelson, Berwyn Evans, Jim Davies, Graham Davies, Alex Pease, Andrew McDonough and Geraint Morgan pursuant to which such persons have agreed not to dispose of any Ordinary Shares (or any interest thereon) before the second anniversary of Admission, without the prior written consent of the Company and that following

this period, for a further five years, unless otherwise agreed by the Company, such persons have agreed to limit any disposal to a maximum of 20 per cent. of their holding at Admission in any one year, plus any unutilised sell down authorisation from previous years.

- 15.5 **Lock-in Deed – Will Trust and 1992 Trust.** The Company, Zeus Capital and Peel Hunt have entered into a lock-in deed dated 16 March 2016 with the trustees of each of the Will Trust and the 1992 Trust, pursuant to which the Will Trust and the 1992 Trust have agreed, subject to certain limitations, not to dispose of any Ordinary Shares (or any interest thereon) before the first anniversary of Admission, without the prior written consent of Zeus Capital (following consultation with Peel Hunt) and any disposal of Ordinary Shares between the first and second anniversaries of Admission will be made through Zeus Capital or Peel Hunt in such orderly manner as they shall reasonably determine.
- 15.6 **Agreements for the purchase of Watkin Jones Group Limited and c.78 percent of Fresh Student Living Limited.** See paragraphs 9.1, 9.4 and 9.8 of this Part V.
- 15.7 **Purchase of c. 22 per cent. of Fresh Student Living.** Pursuant to option agreements dated 24 March 2014 between Glyn Watkin Jones and Mark Watkin Jones and each of Jane Crouch, Rebecca Hopewell, Ashish Meswani and Sarah Nelson (“Fresh Shareholders”), the Fresh Shareholders agreed to transfer their respective shareholdings in Fresh (being 218 shares of £1 each, of various classes) to Glyn Watkin Jones and Mark Watkin Jones. Pursuant to a Deed of Assignment dated 25 February 2016, Glyn Watkin Jones and Mark Watkin Jones assigned their rights under the option agreements to Founded Living. By agreements dated 25 February 2016 between each of the Fresh Shareholders and Founded Living, the Fresh Shareholders irrevocably agreed to sell their shares in Fresh to Founded Living, immediately prior to and conditional on Admission for the aggregate consideration of £3,164,488, payable in cash, but directed Founded Living to pay an aggregate of £1,397,609 of such sale proceeds to the Company on behalf of the Fresh Shareholders by way of subscription for certain Placing Shares.
- 15.8 **Revolving Credit Facility with HSBC.** On 15 March 2016 Watkin Jones & Son Limited entered into a revolving credit facilities agreement with HSBC Bank plc (“HSBC”) in respect of a revolving credit facility of £40,000,000. Pursuant to the agreement the Watkin Jones & Son Limited can draw down individual loans in order to fund the purchase of specific land or fund development costs. Interest is payable on amounts drawn at the rate of 2.25 per cent. above the London interbank offered rate. In addition a commitment fee is payable of 1.0125 per cent. per annum of the daily amount of any undrawn commitment. The term of the agreement is 5 years from 15 March 2016. All amounts become immediately repayable and undrawn amounts cease to be available for drawdown in the event of a third party acquiring control of more than 30 per cent. of the Company. The agreement contains representations and warranties which are usual for an agreement of this nature together with certain financial covenants in particular in relation to the ratio of amounts outstanding to the market value of the properties which have been funded and the total costs of developments funded. An arrangement fee of £400,000 is payable pursuant to the agreement. Watkin Jones Group Limited and Watkin Jones Holdings Limited have entered into a guarantee in respect of the obligations of Watkin Jones & Son Limited under the agreement. In respect of funds used to purchase a specific property the relevant purchasing entity is required to enter into a legal charge and debenture in favour of HSBC as security for the amount drawn down.
- 15.9 **Overdraft Facility with HSBC.** On 15 March 2016 Watkin Jones & Son Limited entered into an overdraft facility letter with HSBC in respect of a £10,000,000 overdraft facility and is entered into by HSBC in reliance on the obligations of Watkin Jones & Son Limited in the revolving credit facility agreement referred to in paragraph 15.7 above. The facility is for general working capital purposes and is repayable on demand. Interest accrues on amounts outstanding at 2.25 per cent. above the base rate of the Bank of England from time to time. The facility is reviewed on the anniversary of the agreement. An arrangement fee of £100,000 is payable by the Company on entry into the agreement and further sums of 1 per cent. of the agreed limit are payable each time the agreement is renewed. No separate security is granted by the group in respect of the overdraft facility but any security entered into pursuant to the revolving credit agreement will secure amounts outstanding under the overdraft agreement.
- 15.10 **Joint Broker Agreement.** The Company entered into a joint broker agreement dated 16 March 2016 with Peel Hunt, pursuant to which Peel Hunt has agreed to act as the Company’s joint broker.



The agreement is terminable by either party on 30 days' notice. The Company will pay Peel Hunt a fee of £40,000 per annum (plus applicable VAT) pursuant to the terms of the agreement.

## **16. CONSENTS**

- 16.1 Ernst & Young LLP has given and not withdrawn its consent to the inclusion in Part III of this Document of its report and to its name in the form and context in which it appears and has authorised the contents of its report in Part III of this Document for the purposes of Schedule Two of the AIM Rules for Companies.
- 16.2 Zeus Capital has given and not withdrawn its consent to the issue of this Document with the inclusion of its name and references to it in the form and context in which they appear.
- 16.3 Peel Hunt has given and not withdrawn its consent to the issue of this Document with the inclusion of its name and references to it in the form and context in which they appear.

## **17. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES**

### **17.1 Mandatory bid**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### **17.2 Squeeze out**

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

### **17.3 Sell out**

The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## **18. GENERAL**

- 18.1 The total costs and expenses of, or incidental to, the Placing, Vendor Placing and Admission, all of which are payable by the Company, are estimated to be approximately £6 million (exclusive of value added tax) and will be met out of the Group's existing cash resources. This amount includes the commissions referred to in paragraph 14 above. The expected proceeds of the Placing are

£85,440,493. The expected proceeds of the Vendor Placing are £45,900,100. No expenses of the Placing or Vendor Placing are being specifically charged to subscribers or purchasers under the Placing.

- 18.2 Save as disclosed in this Document, no person (other than the Company's professional advisers named in this Document and trade suppliers) has at any time within the 12 months preceding the date of this Document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 18.3 The Placing Price of £1 represents a premium of 99 pence above the nominal value of 1 pence per Ordinary Share. The Placing Price is payable in full on application.
- 18.4 The auditors of the Company are Ernst & Young LLP, who have also been the auditor of Watkin Jones Group Limited for the whole period covered by the historical financial information in Part III ("Historical Financial Information").
- 18.5 The information contained in:
- (a) Paragraph 4.3.1 of Part I relating to student numbers has been sourced from HESA;
  - (b) Paragraph(s) 4.4 and 4.5 of Part I in respect of the PRS has been sourced from Jones Lang LaSalle report "Alternatives in 2016: Predictions changing the World";
  - (c) Paragraph 4.5 of Part I in respect of the PRS has been sourced from Knight Frank report dated November 2015 "UK Residential Forecast".

This information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by each of HESA, Jones Lang LaSalle and Knight Frank, no facts have been omitted which would render such information inaccurate or misleading.

- 18.6 Save as disclosed in Part I of this Document, the Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.
- 18.7 The Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Company is dependent.
- 18.8 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

## **19. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of DLA Piper UK LLP at 3 Noble Street, London EC2V 7EE for a period of 14 days from the date of this Document:

- 19.1 the memorandum of association of the Company and the Articles; and
- 19.2 the historical financial information of Watkin Jones Group Limited for the years ended 30 September 2015, 2014 and 2013, together with the related Accountant's Report from Ernst & Young LLP, set out in Part III of this Document.

Dated: 16 March 2016





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