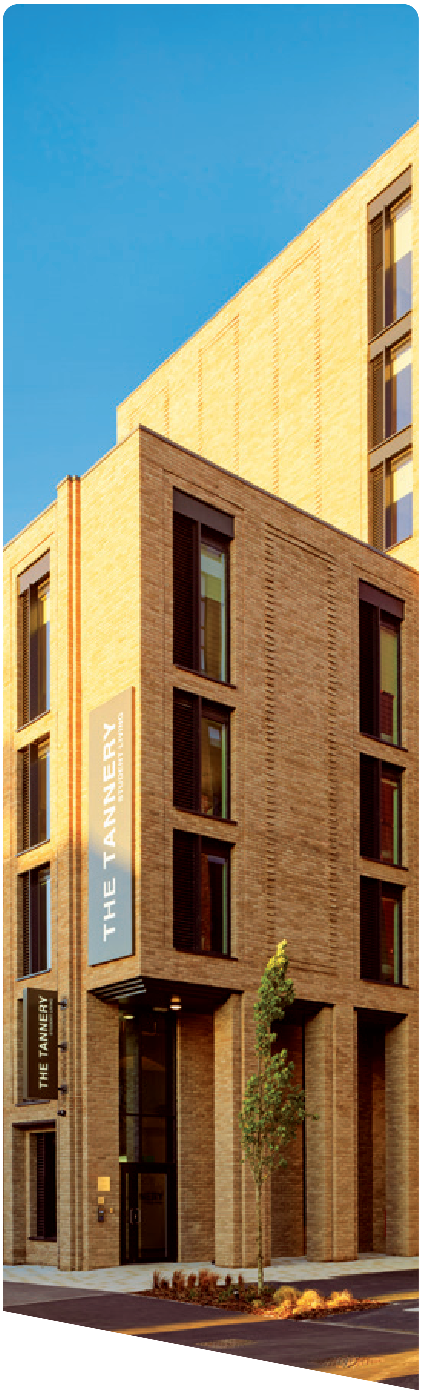
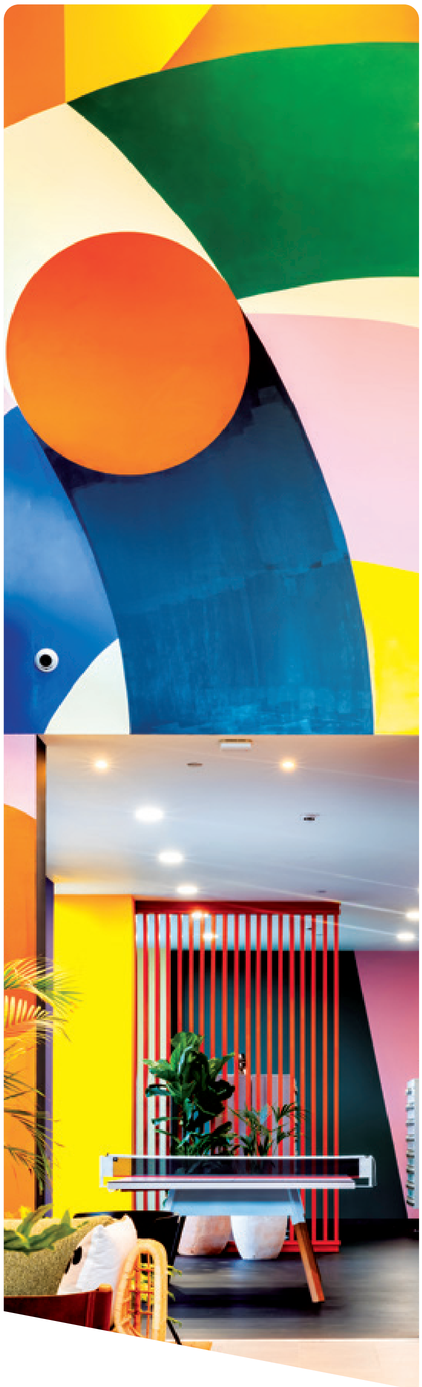


Creating the **future of living**

Annual report and financial statements 2023

Who we are

Watkin Jones is a leading developer and manager of residential for rent homes in the UK, focusing on the student accommodation and build to rent sectors. We also develop mixed-tenure schemes of affordable housing, which includes single family homes.

Our unique feature is our vertically integrated and capital-light business model. We source sites in high-quality urban locations, secure planning permission, and aim to forward sell our developments to institutional investors before we begin construction. We work with our institutional clients to achieve the right design and then deliver the project to that specification.

We operate completed developments through Fresh, our accommodation management business, which gives us an end-to-end solution for clients. Fresh also generates invaluable insight from residents, helping us to evolve our development designs to meet their changing expectations.

Our purpose

Our purpose is to create the future of living by developing and building places that people will enjoy living in for years to come. We enhance residents' lives through the quality of our homes and excellent customer service, and play a meaningful part in helping to solve the UK's housing shortage.

Our approach to sustainability

Sustainability is inherent to our purpose, as we transform mainly urban brownfield sites into new homes and communities. We continue to enhance our approach through our sustainability strategy, which encompasses the people who work with us, the places we create and our impact on the planet.

Our future people | **Our future places** | **Our future planet**

Read more on pages 41 to 52

Strategic report

Governance

Financial statements

Company information

Sienna House, Sutton

Our year in numbers

Revenue
£413.2 million
2022: £407.1m

Gross profit
£34.9 million
2022: £67.6m

Operating (loss)/profit
£(38.0) million
2022: £24.3m

Adjusted operating profit[1]
£0.2 million
2022: £54.7m

Adjusted (loss)/profit before tax[1]
£(2.9) million
2022: £48.8m

(Loss)/earnings per share
(12.7) pence
2022: 5.2p

Adjusted (loss)/earnings per share[1]
(0.6) pence
2022: 14.8p

Dividend per share
1.4 pence
2022: 7.4p

Adjusted net cash[2]
£43.9 million
2022: £82.6m

Return on capital employed[3]
0.2%
2022: 63.1%

Net assets
£130.0 million
2022: £176.9m

Alternative performance measures (APMs) have been provided where appropriate to give a view of the Group's underlying financial performance. An explanation of the APMs used and their calculation is provided on page 26.

1. Adjusted operating profit, adjusted (loss)/profit before tax and adjusted (loss)/earnings per share are calculated before exceptional items.
2. Adjusted net cash is stated after deducting interest-bearing loans and borrowings, but before deducting IFRS 16 lease liabilities at 30 September.
3. Return on capital employed is calculated as operating profit before exceptional items, divided by average capital employed, being net assets excluding intangible assets, lease assets and liabilities, and net cash.

Chair's statement

Alan Giddins
Chair

Dear shareholder

Last year I wrote that Watkin Jones and indeed the wider property industry in the UK were facing into an extremely challenging market, and that we did not expect the forward sales market to open up in the short term. Unfortunately, those market challenges have not receded. A combination of continued build cost inflation, high interest rates and geopolitical instability has resulted in significant economic uncertainty and a resulting lack of market liquidity.

The forward sales market did open up briefly in the middle of the year, and we successfully completed the forward sales of a build to rent (BTR) scheme at Titanic Quarter in Belfast and a major purpose build student accommodation (PBSA) scheme in Bedminster, Bristol. However, for much of the rest of the year the market has remained closed. Significant build cost inflation has also put pressure on our Delivery teams. The fact that we successfully reached practical completion on five projects (four in FY23 and one following the year end) is testament to the commitment and skill of our on-site teams.

In light of market challenges, management has focused on the realignment of our cost base and ensuring that cash and working capital are carefully managed.

Financial performance

Revenue for the year was £413.2 million (FY22: £407.1 million) and operating loss was £38.0 million (FY22: profit of £24.3 million). Adjusted operating profit, excluding the exceptional charges for building safety remediation and restructuring costs, was £0.2 million (FY22: £54.7 million). Year end adjusted net cash was £43.9 million (FY22: £82.6 million) and gross cash was £72.4 million (FY22: £110.8 million).

Building safety

As the legislation has evolved and we have had fuller access to the relevant properties, we, like the rest of the housebuilding and construction industry, have had to continually reassess the level of our financial exposure. As you would expect, this has been a key focus for the Board. We also appointed an external consultant to provide an independent assessment of the scope and costs of our remedial works.

During the year, we increased our exceptional provision by £35.0 million. We have a current balance sheet provision of £54.7 million, net of client contributions agreed in the period.

People

In a challenging market, it is particularly important to listen to our employees' views and we ran our third employee engagement survey this year. Our overall engagement score dropped slightly from 75% to 73%, which was not unexpected given the challenging year that Watkin Jones has faced. Encouragingly, it remained above the score in our inaugural survey in 2021.

As an organisation, we also continue to focus on how we can improve diversity across the Group. Following on from the launch of our diversity charter last year, this year we introduced equity, diversity and inclusion (EDI) champions to support our EDI activities.

Board

In October 2022, we announced that Francis Salway would be joining the Board as a Non-Executive Director. Francis was previously Chief Executive Officer of Land Securities plc, formerly the UK's largest commercial property company. Since joining, Francis' contribution has been invaluable to the Board.

In July 2023, Richard Simpson stepped down as Chief Executive Officer and from the Board. Following Richard's departure, we asked Alex Pease, Chief Investment Officer, to take on the role of Interim Chief Executive Officer. The Board appointed Teneo to run a full search process, to include Alex. While we met a number of strong external candidates, the Board considered that Alex was the outstanding candidate for the role. During his period as Interim Chief Executive Officer, Alex showed himself to be a very effective leader, capable of taking clear and decisive actions and able to think strategically around the longer-term direction of the Group. I feel confident that Watkin Jones is in good hands under Alex's leadership.

ESG

We launched our sustainability strategy, Future Foundations, in November 2021. This has now become embedded within our normal business practices and is an integral part of how we do business. We report against our targets in our sustainability report on pages 41 to 52.

During the year, we assessed the resilience of the Company's business model and strategy in the face of climate change. As part of this process, we also considered our climate-related risks and opportunities. You can read our report on this on pages 54 to 61.

Dividend

The Board proposed an interim dividend of 1.4 pence which was paid in June 2023. Since then we have continued to face into a very challenging end market. As such, your Board has decided that no further dividend be paid in respect of FY23.

Outlook

As I write this letter, we have started to see a reduction in inflation. While this should lead to a gradual fall in interest rates, the trajectory of this fall remains hard to call. For our institutional investors, a sense of downward momentum in rates is absolutely critical to sentiment. PBSA and BTR remain two of the most attractive asset classes within real estate, and when appetite for the forward sales market does return, we have a number of highly attractive assets which we will look to bring to market. At the same time, your Board will remain focused on maintaining a strong balance sheet and continuing to look at whether and how we might adapt our model to best suit the requirements of our institutional investors.

Finally, I would like to thank my Board colleagues and all of my colleagues at Watkin Jones. When a business is facing into a challenging market it needs everyone in the organisation to lean in. This is what I have observed within our business and this level of commitment, combined with our attractive end markets, is why I am confident about the medium and longer-term prospects for the Group.

Alan Giddins
Chair

23 January 2024

Sienna House, Sutton

Business overview

Our development and accommodation management businesses are highly complementary, giving us a complete solution for our institutional clients. Together, they position us to achieve our purpose of creating the future of living.

Build To Rent (BTR)

Read more on page 18

BTR is a rapidly growing sector. We completed our first purpose built BTR development in 2017, as we leveraged our capabilities in student accommodation into the BTR sector. Since then, we have completed more than 1,700 apartments.

This segment also encompasses our affordable housing developments, where we create single-family homes for purchase by institutions and housing associations, as well as other tenures such as homes for private sale.

Purpose Built Student Accommodation (PBSA)

Read more on page 19

We are the UK's leading developer of purpose built student accommodation, having operated in this sector since the 1990s. We have delivered nearly 21,000 student beds since our IPO in 2016 and have a reputation for high quality and on-time delivery, which is particularly important ahead of the start of every academic year.

Accommodation Management

Read more on page 20

Fresh is a market-leading independent manager of residential for rent assets across the UK and Ireland.

Fresh enables us to offer a complete management solution for our institutional clients, as well as creating communities for our residents, winning numerous awards for our service quality in doing so. Fresh has been voted Best Private Housing Provider for three years in a row at the Global Student Living Awards.

Our markets

We operate across BTR and PBSA, two of the most attractive asset classes within the real estate sector, both with attractive long-term growth potential. In this section, we explain the trends that underpin our confidence in the BTR and PBSA markets.

Build To Rent

Shortage of new houses being built as housing targets remain unmet

Impact: Unmet demand is driving up rents and house prices

There is a long-standing supply and demand imbalance in the housing market. In 2017, the government estimated that 300,000 new homes were needed each year in England but delivery has consistently fallen short since. This means that there is a substantial and growing housing deficit as well as significant unmet demand for much-needed modern housing stock.

The demand-supply imbalance is causing rents to rise rapidly, with annual growth to October 2023 of 9.0% in London and 9.7% across the UK as a whole. Along with high levels of occupancy, averaging 97% across the UK (source: CBRE), this makes BTR an attractive asset class for institutional investors.

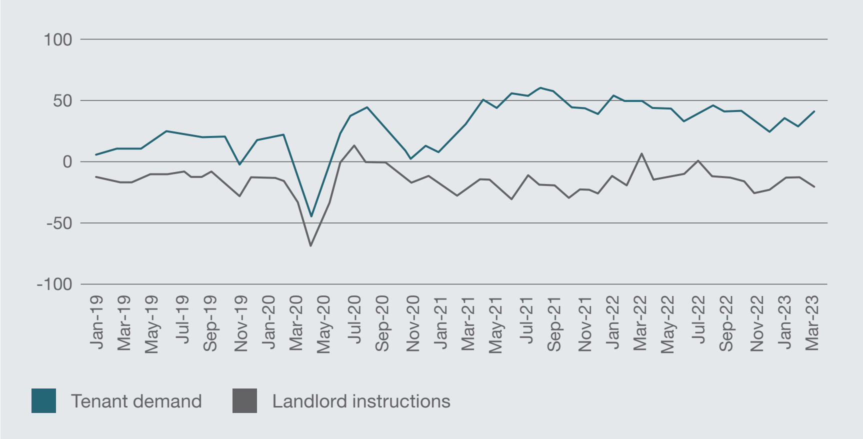
Landscape of private rental sector is changing, leading to a shortage of rental stock

Impact: Shortage of stock is driving up rents

An important factor in the decreasing availability of rental stock in particular has been the increasing regulation and less favourable tax treatment which has led many buy-to-let landlords to exit the rental market. This has contributed to the large imbalance between tenant demand and landlord instructions.

A lack of purpose built student accommodation in larger towns and cities also ties up housing that could otherwise be freed up.

Imbalance between landlord instructions and tenant demand



Source: Cushman & Wakefield

Rising interest rates

Impact: House purchases are becoming unaffordable for many, increasing the number of renters

Buying a house is increasingly unaffordable for many people. In 2022, a full-time employee in England could expect to pay 8.3 times their annual earnings when buying a home (source: ONS). Sharp rises in interest rates over the last 12 months have also materially increased the cost of mortgage payments.

According to the UK Government's most recent English Housing Survey, the average age of private renters in 2021/22 was 41 years old, with an increasing number of families having to rent. This supports the development of single-family housing assets within our BTR offering.

On-site amenities and flexibility are increasingly attractive

Impact: Renting is becoming a lifestyle choice

Many people are looking for their accommodation to provide more than a home, particularly following the pandemic. They see renting as a better and longer-term lifestyle choice, with BTR developments offering amenities such as gyms, cinema rooms and workspaces, and a ready-made community. Renting is also an attractive choice for an increasingly mobile population, with people more likely to move around for work.

In the English Housing Survey, other reasons given by private renters for not aspiring to house ownership included liking where they currently lived, preferring the flexibility of renting and not wanting the commitment or debt associated with home ownership.

Our markets continued

Purpose Built Student Accommodation

Demand for UK university places remains strong

Impact: There is a continuing and growing need for student accommodation

There are around 2.2 million full-time students in the UK and demand for places continues to outstrip supply. The student population is set to grow further, with the number of 18 year olds in the UK projected to increase by 25% between 2020 and 2030 (source: ONS). International demand also remains strong, with rising application numbers from outside the EU. In total, the Universities and Colleges Admissions Service (UCAS) predicts applications could increase from 760,000 in 2022 to more than 1 million by 2030.

This is driven by the UK's world-leading higher education sector, alongside the relative affordability of the UK compared to other key higher education markets such as the US and Australia.

There is a chronic shortage of student accommodation

Impact: Demand is pushing up rents and lack of PBSA means students are taking up houses that could otherwise be available for families

The long-term demand-supply imbalance for PBSA is expected to grow, with the predicted annual increase in the number of students exceeding the supply of new beds. Planning and viability challenges have restricted new starts, with only 12,000 new beds delivered for 2023/24 compared with 22,000 in 2021/22. Occupancy for the 2023/24 academic year was the strongest on record, with many schemes at least 98% booked by Spring 2023.

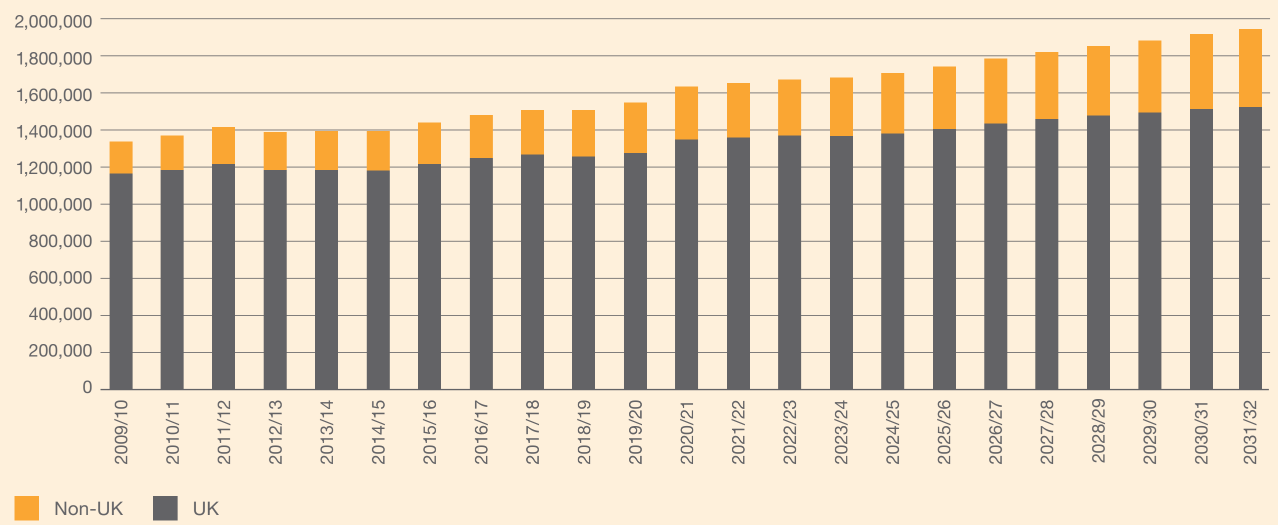
As with BTR, this imbalance is driving strong rental growth, with letting velocities and occupancy rates at historic highs.

Much PBSA stock is outdated

Impact: Demand for modern PBSA is strong from both institutional investors and students

Around one quarter of total PBSA is unrefurbished, first-generation stock.

Projected increase in full-time undergraduates



Source: Knight Frank, UCAS, HESA.

Newly built PBSA aligns with investor requirements for strong ESG credentials, limited legacy issues and best-in-class product. Modern developments are more likely to achieve operational efficiencies and lower running costs for asset owners. They are also likely to offer better amenities, thus commanding higher rents and occupancy rates.

While activity has been suppressed in 2023 given wider economic factors, 2022 was a record year for investment in PBSA.

Our response to the BTR and PBSA opportunities

We continue to see good prospects in the PBSA market, with selectivity remaining key. We look to build in the towns and cities which are aligned with high-performing universities and most in-demand with students. We use student feedback gained via Fresh to keep our developments attractive to future occupants.

We are continuing to seek attractive locations for BTR developments, leveraging our expertise and supply chain to capitalise on the growth opportunities in this market. To help address affordability, we bring forward schemes which include a substantial element of affordable housing.

Given the combination of the ongoing housing shortage, growing population of students and renters, and investor focus on energy efficient buildings with lower running costs, we expect the demand for modern BTR and PBSA developments to remain resilient in the long term.

Market conditions in FY23

While the long-term market trends are favourable, in the short term conditions can vary significantly and FY23 was a challenging year for the property sector.

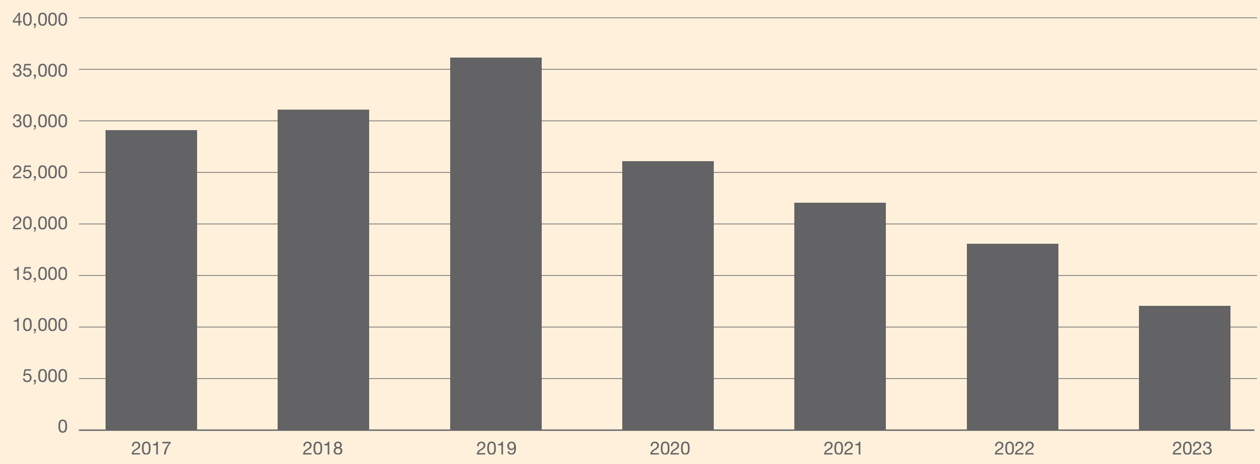
In particular, the impact of the sharp increase in interest rates on funding costs and the increases in gilt/risk-free rates over the past 12 months, together with ongoing economic uncertainty, have had a significant effect on investment market liquidity. In the first three quarters of 2023, total transaction volumes were £2.5 billion in BTR against £3.5 billion in the same period in 2022 (source: Savills), and £2.2 billion in PBSA, 48% lower than the same period in 2022. This materially affected our ability to complete forward sales in FY23. Given the strong underlying demand, we expect investor appetite to recover in the latter half of FY24, although the extent and timescale of that recovery will be dependent on the interest rate environment.

Build cost inflation has been a major challenge, particularly for projects completing in FY23, which we have managed carefully in conjunction with our supply chain. As the level of cost increases has started to moderate, we have begun to see some buying gains against our previous budgets.

Planning remains a barrier to entry in residential to rent. Local planning authorities are under-resourced and the assessment process is increasingly complex, with an emphasis on design, quality, ESG and building safety. These factors are delaying decisions and reducing applications and consents, leading to supply shortfalls.

The funding and viability challenges for developers are having a knock-on effect on the land market. Urban brownfield land values are starting to fall in some locations and are likely to present opportunities for us to rebuild our pipeline during 2024. Margins on new site acquisitions support our long-run target margins.

New PBSA beds added



Source: StuRents Annual Report 2023/Cushman & Wakefield, StuRents at Student Housing Conference May 2023.

Our business model

Our business model leverages our key strengths and provides our institutional clients with a solution that ranges from identifying sites to managing the finished buildings.

1 Identify development sites

Know-how and insights:
Our in-house knowledge of markets, the planning environment and client demand is crucial to making the right investments. Our target locations are informed by data analysis, insights from our institutional partners and Fresh, which interacts with thousands of students and residents every day.

Regeneration and community:
We generally target urban brownfield sites, close to transport and amenities, which we can bring back to life with energy efficient homes and vibrant communities.

Strong relationships and track record:
Our extensive network of relationships enables us to source many sites off-market, at attractive prices. Our track record, strong reputation and financial standing then help us to close these transactions, since we can offer vendors greater certainty of completion.

Disciplined selection:
We regularly review our target markets and product to ensure they are fit for purpose. We subject site acquisitions to our rigorous investment approval process before we proceed.

2 Site procurement and planning

Risk mitigation:
We typically reduce risk by making site purchases conditional on receiving satisfactory planning consent. Occasionally we buy sites unconditionally, where the potential margin outweighs the additional risk and we are confident of planning approval.

In-house expertise:
Our specialist in-house planning team is a key advantage for us. The team has a strong track record, with an extremely high success rate over the last ten years, which helps to minimise planning delays.

Strict ESG criteria:
Our planning proposals assess environmental and social impact and consider stakeholder views on matters such as amenity space, affordable housing and the environment. We target industry standards for environmental efficiency and residents' wellbeing, which would benchmark our developments as best in class.

3 Transaction and funding

Capital-light model:
We generally aim to forward sell each scheme to an investor before we start construction, reducing our risk and working capital requirements. We may decide not to immediately forward sell a development, when we can earn a higher sale price by waiting.

Excellent visibility:
Forward sales give us excellent visibility of our earnings and cash flow, so we can plan our working capital requirements effectively.

Strong partnerships:
Selling our developments means we do not compete with our institutional clients and can forge stronger relationships with them. We partner with investors who share our vision of creating communities and constructing better, environmentally friendly homes that people are proud to live in.

4

Construction and delivery

Construction expertise:
Unlike many developers, we self-build most of our developments. This gives us greater control and ensures we maintain our very high standards for quality and health and safety. Our expert and experienced construction directors and project managers know what good looks like and hold our supply chain to our high standards. We may also employ third-party contractors to give us additional capacity and flexibility.

Strong partnerships:
We have long-term relationships with key suppliers, who understand our requirements and standards, and share our focus on health and safety, sustainability and doing business responsibly.

Continual improvement:
Initiatives such as design standardisation and increasing the use of modern methods of construction help us to improve efficiency and maintain high quality. Advances in our build and quality assurance processes maintain the highest standards of building safety.

5

Accommodation management

Complete solution:
Fresh manages PBSA and BTR schemes, enabling us to offer a complete property development and management solution to our institutional clients. We focus on repeat business with institutions, with a view to managing portfolios of assets for them.

High barriers to entry:
We have invested significantly in systems tailored to residential for rent. The required investment, plus the need to employ experts ranging from health and safety to customer experience, mean that accommodation managers need significant scale and barriers to entry are high.

Focus on wellbeing:
Fresh has invested in a resident wellbeing programme, which has won industry awards.

Resident feedback:
Insight from residents enables us to drive product innovation in the right areas and inform our site identification and planning processes.

Chief Executive Officer's review

Alex Pease
Chief Executive Officer

This has been a challenging year and while we performed well operationally, tough conditions in the investment market combined with build cost inflation, a third-party contractor liquidation and acceleration costs to complete certain developments contributed to weaker financial results.

Although we faced severe headwinds this year, we remain a resilient business with leadership positions in highly attractive markets. The supply and demand dynamics in both BTR and PBSA are more attractive than ever, with a genuine shortage of accommodation. This is resulting in very high occupancy levels, good letting and retention rates, and robust rental growth. At the same time, economic conditions and planning challenges mean less stock is being delivered. In PBSA for example, only 12,000 new beds have been delivered for 2023/24, well down on previous years.

Higher interest rates and economic uncertainty resulted in the investment market being effectively closed for much of the year but there is still significant institutional capital waiting to be allocated to residential for rent. Asset values have remained relatively steady, as higher rental income has compensated for softer yields. Combined with less new stock coming through, these factors should help the investment market gradually rebound.

Performance

We delivered a good operational performance in FY23, completing four schemes to our high quality standards. One further development completed following the year end. We also continued to acquire sites and progress them through planning.

Build cost inflation was a significant challenge. Although it has eased as the year progressed, several projects completing this year had been priced and forward sold prior to the unprecedented build cost inflation and this caused erosion of margin. We worked in partnership with our supply chain to manage this and limit its impact on our developments as far as possible. In addition, we incurred additional costs at our co-living scheme in Exeter, where the main contractor went into liquidation during 2023. This required us to step in, which our self-build expertise enabled us to do quickly and effectively. The scheme reached practical completion in September 2023. We also decided to exercise caution in the prevailing market conditions and not accelerate the development of some pipeline assets.

Overall, revenue was £413.2 million (FY22: £407.1 million), up 1.5%. Gross profit declined to £34.9 million (FY22: £67.6 million), while adjusted operating profit before exceptional items was £0.2 million (FY22: £54.7 million), reflecting lower margins across certain in-build schemes, the reduction in forward sales, the impairment of our non-core land bank and certain pipeline assets and the book loss on disposal of the non-core private rented sector assets. At the year end, we had adjusted net cash of £43.9 million and total cash and available facilities of £103.6 million, meaning the Group remains soundly financed. We were also pleased to extend the maturity of our bank facility to November 2025.

BTR was the largest contributor to our results, reflecting progress with the developments under construction and modest revenues from a forward sale. PBSA saw revenue decline, due to the number of sites in-build and the stage of their development, and the completion of only one forward sale in the year. Fresh, our accommodation management business, performed well, with higher revenues and an attractive gross margin.

Strategy

Our strategic focus is on growing our presence in residential to rent, driving operational efficiency and ensuring we are a responsible business. While our strategic direction is the right one, we also recognise the need to adapt it to the conditions we face.

We are therefore looking at every aspect of our business to ensure we optimise our margin and performance. For example, we have further improved the way we manage procurement to maximise buying benefits, revamped our design guides for schemes to ensure efficiency and consistency, and continued to build the connections between our teams to increase operational effectiveness.

We are also determined to be well positioned to rebuild our pipeline when market conditions turn, as we did successfully coming out of both the global financial crisis and the pandemic. We will be very disciplined in doing so and expect to see good opportunities to acquire sites as land prices reduce. Alongside securing sites on our usual subject-to-planning basis, we will explore the potential to partner with capital providers on land with existing planning. This has the dual advantage of lower risk and increased speed for bringing developments forward.

The two forward sales we completed in the year demonstrated our ability to act quickly in the brief periods the market was open, but we also want to be entrepreneurial and creative in our approach to the investment market. This means looking at more innovative transaction structures, while still delivering a high return on capital employed.

More broadly, we see potential in opening up additional revenue streams. Examples include helping our institutional clients to refurbish their older housing stock to meet residents' needs, while also making the buildings safer and more environmentally efficient. This has the benefit of generating revenue without additional investment, and leveraging our existing skill set.

Sustainability

We have continued to successfully implement our Future Foundations sustainability strategy, which sets out our approach to our people, the places we build and our impact on the planet.

We look to maintain a positive culture and our people approach is informed by our employee engagement survey. During the year, we focused on providing better training and development opportunities, recognising people's efforts and celebrating inspirational performance. Our Star Awards are one such initiative. These reward exceptional contributions from colleagues across a range of categories. I am also pleased that we have maintained our exceptional health and safety record, with an incident rate of just 4.9% of the industry average in FY23.

The places we develop continue to evolve. We are designing buildings to higher environmental standards than ever before, and we have evolved our specification both to standardise our products and to take account of feedback from institutional clients and residents. In particular, the feedback we receive from Fresh residents is an important advantage for us.

From an environmental perspective, we are on a journey to net zero and have further refined our understanding of our carbon emissions during the year. We have published our assessment of the climate-related risks and opportunities facing the Company and our climate-related financial disclosure statement can be found on pages 54 to 61.

Building safety

It goes without saying that the safety of our buildings is paramount. We increased our building safety provision during the year, following the evolution of government initiatives, greater access to properties identified as being at risk, the receipt of fire safety reports, related cost estimates, the evolution and conclusion of legal proceedings, and settlement and contribution agreements with building owners.

The remedial works for properties included in our building safety provision are progressing well. We remain committed to working collaboratively with building owners and leaseholders to address issues with these legacy buildings.

Outlook

We continue to operate in the most attractive segments of the residential for rent market, with strong tenant demand and rental growth in our core PBSA and BTR sectors.

In the short term, current secured revenue of circa £300 million from previously sold developments is expected to cover our FY24 cost base. All developments under construction are on track, supported by continuing moderation in build cost inflation. Our secured development pipeline stands at £1.5 billion.

Encouragingly, the forward fund market is showing early signs of recovery as interest rates stabilise. Should interest rates trend downwards, we anticipate that there will be growing investor demand and capital allocations for high quality assets in our sectors.

While we remain focused on our core forward fund model, we will look at potential opportunities to diversify our revenue streams through development partnerships and refurbishment opportunities for institutional clients. This should generate revenue and margin without requiring significant capital investment.

Finally, on a personal note, I would like to thank the Board for giving me the opportunity to lead this Company. I have worked at Watkin Jones for 13 years and can confidently say that it is a fantastic business with extremely dedicated and talented colleagues. I am incredibly proud to be its Chief Executive Officer.

I would also like to thank my colleagues for their support, both to me personally as I have taken on my new role, and to the business during what has been a challenging year. I am confident that we are well placed to take advantage of a recovery once markets improve.

Alex Pease
Chief Executive Officer

23 January 2024

Q&A: Alex Pease

Q

What actions did you take during the year to address the challenges faced by the Company?

A

We've taken a number of actions during the year, mainly focused on efficiencies, cash preservation and cash generation.

Early in FY23, we undertook some restructuring in the workforce – partly to make savings and partly to ensure we were working more efficiently. We carried out a further restructuring exercise in the summer of 2023.

We also looked at savings we could make through our procurement processes, and made good progress in the year.

While we generally don't build out schemes that haven't been forward sold, we sometimes carry out some enabling works to sites to prepare them for development. We paused expenditure on such sites until we were clearer on their viability.

We also decided to accelerate the sale of three non-core private rented sector assets which generated cash of £11 million in the year.

Q

What are your reflections since taking over as Chief Executive Officer?

A

First and foremost, I have been really impressed by the commitment of colleagues across the business – they have gone above and beyond in a tumultuous and difficult year.

The Delivery team has really demonstrated its value to the business in the face of unprecedented build cost inflation and disruption in the construction sector. As well as having achieved targeted cost savings, we were also able to step in to complete our scheme in Exeter when our third party contractor went into administration. It showed that, while third party contractors can be a useful flex to our model, our in-house expertise is irreplaceable.

Without a doubt, we are in the right sectors. Investor allocations for residential assets have increased significantly in the last five years and the end market dynamics of a housing shortage, rising student numbers and increasing rents help to underpin asset values even in a higher interest rate environment. Once we see more stability in interest rates, we should start to see investors returning to the market.

Q

Looking ahead, what are your priorities for 2024?

A

My mantra for the last few months has been to focus on controlling the controllables. We can't control what the markets do but we can control how we react.

My priorities for 2024 are to make sure we're maximising and monetising our expertise as market leaders across our sectors. We're also looking at ways to enhance our resilience through diversifying our revenue streams, for example through development partnerships and Refresh, our building improvement business, which will refurbish clients' older housing stock to make it safer, more environmentally efficient and with better amenities.

We also need to ensure we're well placed to take advantage of the market recovery when it comes. That means making sure our operations are as efficient as possible, capitalising on our sector knowledge and leveraging our relationships, both with institutional investors and our supply chain.

The Arches, Leicester

Our strategy

Our strategy aims to deliver sustainable growth and operational effectiveness, while ensuring we are a responsible business.

1 Growing our presence across the residential for rent sector

Strategic focus
- Leveraging our market leadership in PBSA and building further momentum in BTR, by securing high-quality locations and using investor and resident insights to develop our products.
- Developing selected mixed-tenure schemes of affordable housing, including single-family housing.
- Offering institutional-grade accommodation management services.

Our progress in FY23
- Completed schemes in Colchester, Edinburgh, Swansea and Exeter. We also completed one further scheme in Hove after the year end.
- Forward sold one BTR development and one PBSA development.
- Continued to assess opportunities in the land market and to progress sites through planning, with planning received on three sites, with the potential for 987 PBSA beds.
- Developed Fresh branding, to give distinctive identity in both PBSA and BTR markets and create a white-label offer for clients.

Priorities for FY24
- Complete further forward sales and the potential for innovative transaction structures.
- Look to rebuild our BTR and PBSA pipelines, taking a highly disciplined approach to site acquisitions and exploring development and land partnership models with existing and new capital partners.
- Explore growth opportunities for recurring income streams such as refurbishments to update clients' existing assets.

Link to risk
- Economic cycle
- Increased competition
- Land availability
- Liquidity

2 Driving operational excellence

Strategic focus
- Optimising our business structure, to support cross-functional working and empower our teams.
- Investing in our systems, processes and technology, to increase efficiency and effectiveness.
- Continuing to embed our desired culture.

Our progress in FY23
- Reduced our supplier base from 1,500+ to a core of around 180, formalised partner relationships with them and improved engagement, supporting our management of build cost inflation.
- Reviewed and standardised our building specifications across all product lines to reduce cost and time and increase quality.
- Disposed of non-core private rented sector assets.
- Used consultants to benchmark costs of self-build versus third-party contractors, demonstrating a 5-10% cost benefit from self-build.
- Introduced a new delivery model in Fresh and continued to refine the Yardi property management system.

Priorities for FY24
- Continue to review all aspects of the business, to deliver continuous improvement.
- Continue to innovate, for example through use of more modern methods of construction.
- Review our processes to enhance cost forecasting and management for live projects.
- Manage the delivery of remedial works for properties included within our building safety provision.

Link to risk
- Project delivery
- Build quality
- Capacity and capability

3 Ensuring we are a responsible business

Strategic focus

- Being a company that is great to work for, celebrates diversity and inclusion, and prioritises health and wellbeing.
- Enhancing resident and client satisfaction, by delivering the highest-quality buildings and services.
- Minimising our environmental footprint by reducing carbon emissions and waste.

Our progress in FY23

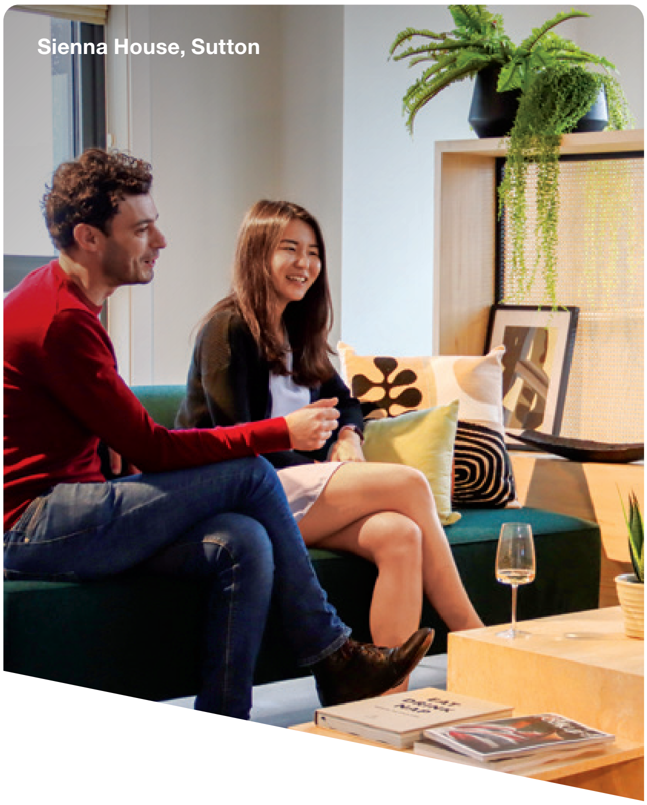
- Maintained our excellent health and safety record, with an incident rate at 4.9% of industry average.
- Employee engagement score of 73% (FY22: 75%).
- Fresh net promoter scores: residents +35 (FY22: +34), clients +37 (FY22: +47).
- 100% of PBSA schemes submitted for planning were rated BREEAM Excellent.
- 98.8% of waste diverted from landfill.

Priorities for FY24

- Continue to improve our health and safety performance.
- Maintain focus on employee engagement, communication, reward and recognition, learning and development, and diversity and inclusion.
- Continue to innovate to improve the environmental credentials of our developments.
- Reduce waste production and increase percentage diverted from landfill.

Link to risk

- Health and safety
- Capacity and capability
- Increased competition



Sienna House, Sutton

Key performance indicators

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

Financial KPIs:

Gross margin (%)

FY23	8.4%
FY22	16.6%
FY21	19.7%

Purpose
Measures our ability to maintain and improve the quality of our earnings over time, by selecting the right development projects and continually improving our operational effectiveness.

Definition
Gross profit as a percentage of revenue.

Performance
Gross margin reduced during the period as a result of reduced trading performance and impairments to land assets during the year.

Trading performance was impacted by the reduction in forward sales compared to the prior year, supply chain pressures and build cost inflation, and acceleration costs required to achieve completion on certain of our schemes, along with reduced margins on schemes forward sold in the second half of FY22.

Basic EPS (adjusted) (pence)

FY23	(0.6)p
FY22	14.8p
FY21	16.4p

Purpose
Measures our ability to deliver profitable growth and underpins our progressive dividend policy.

Definition
Profit from continuing operations attributable to ordinary shareholders, excluding exceptional items, divided by the weighted average number of shares in issue in the year.

Performance
Adjusted basic earnings per share reduced to a loss of 0.6 pence as a result of reduced trading performance, impairments to land assets, and the impact of the book loss on disposal of a portfolio of non-core private rental sector (PRS) assets on an accelerated timetable ahead of the completion of remedial works, to allow the business to recycle cash back to the balance sheet.

Return on capital employed (ROCE) (%)

FY23	0.2%
FY22	63.1%
FY21	72.1%

Purpose
Demonstrates how efficiently our working capital-light, forward sales model utilises the capital employed in the business, which in turn underpins our dividend payout and our strong financial position.

Definition
Operating profit before exceptional items, divided by average capital employed, being net assets excluding intangible assets, lease assets and liabilities, and net cash.

Performance
Our ROCE performance fell to 0.2%, reflecting the reduced trading performance noted previously.
In addition, the volatile forward sales market resulted in certain newly acquired land assets remaining on balance sheet for a longer period than anticipated.

Non-financial KPIs:

Secured BTR pipeline (apartments)

FY23	3,602
FY22	4,380
FY21	4,012

Purpose
Shows our ability to build a strong pipeline of BTR developments.

Definition
The number of BTR apartments expected to be delivered from development sites which are secured.

Performance
The Group continued to identify opportunities to develop the secured BTR pipeline, although no new sites were acquired in the year. The reduced number of apartments reflected completions in the year. The future estimated revenue value of the secured pipeline is £0.6 billion (FY22: £1.0 billion), of which £447 million is currently forward sold (FY22: £517 million).

Secured PBSA pipeline (beds)

FY23	6,030
FY22	6,457
FY21	7,806

Purpose
Shows our ability to maintain our PBSA development pipeline.

Definition
The number of PBSA beds which are expected to be delivered from development sites which are secured.

Performance
Progress in evolving the secured PBSA pipeline was maintained, with 590 beds added in the period. The future estimated revenue value of the secured pipeline is £0.9 billion (FY22: £1.0 billion) of which £60 million is forward sold (FY22: £130 million).

Student beds and BTR units under management

FY23	23,064
FY22	22,896
FY21	22,155

Purpose
Shows our ability to expand our high-margin Accommodation Management business, which provides an ongoing regular income and cash flow.

Definition
The number of student beds and build to rent units that Fresh is contracted to manage on behalf of our institutional clients.

Performance
Fresh maintained a good increase in the number of units under management, taking management of two additional schemes during the year.

Operational review

Build To Rent

	BTR apartments by estimated year of practical completion				
	Total pipeline	FY24	FY25	FY26	FY27
Forward sold	**2,907**	672	809	1,110	316
Forward sales in the market	**70**	—	—	70	—
Sites secured subject to planning	**625**	—	—	230	395
Total secured	**3,602**	672	809	1,410	711

Total revenues for the year were £207.7 million (FY22: £191.2 million), up 8.6%.

Revenues included the build-out of our forward sold developments in Hove, Lewisham, Birmingham and Leatherhead, and a development partnership scheme in Cardiff. Subsequent to the year end Hove reached practical completion and we handed over one block at Lewisham to the client.

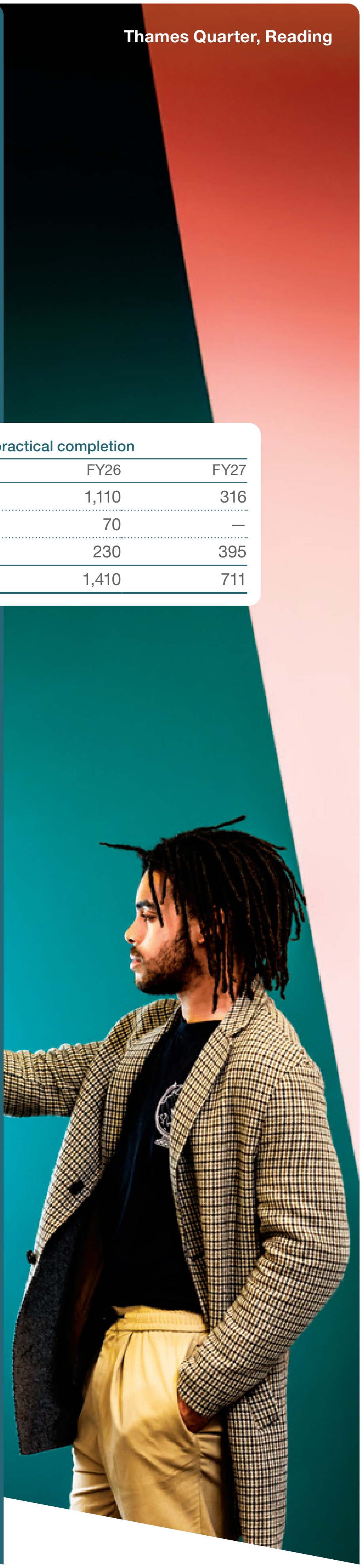
We also forward sold a development in Belfast, which includes 627 BTR units and 81 social rent affordable homes. Construction on this development will start meaningfully in FY24 and the contribution to FY23 was restricted to a small profit on the land transaction, as expected.

In FY23, we did not acquire or secure planning on any sites. The current secured development pipeline for BTR is shown in the table above.

The secured development pipeline has an estimated future revenue value to us of c.£0.6 billion (FY22: £1.0 billion), of which c.£447 million is currently forward sold (FY22: £517 million).

Gross profit for the year was £19.8 million (FY22: £32.8 million), a decrease of 39.6%. The gross margin was 9.5% (FY22: 17.2%), reflecting the lower margin of the schemes we forward sold towards the end of FY22 and the impact of build cost inflation.

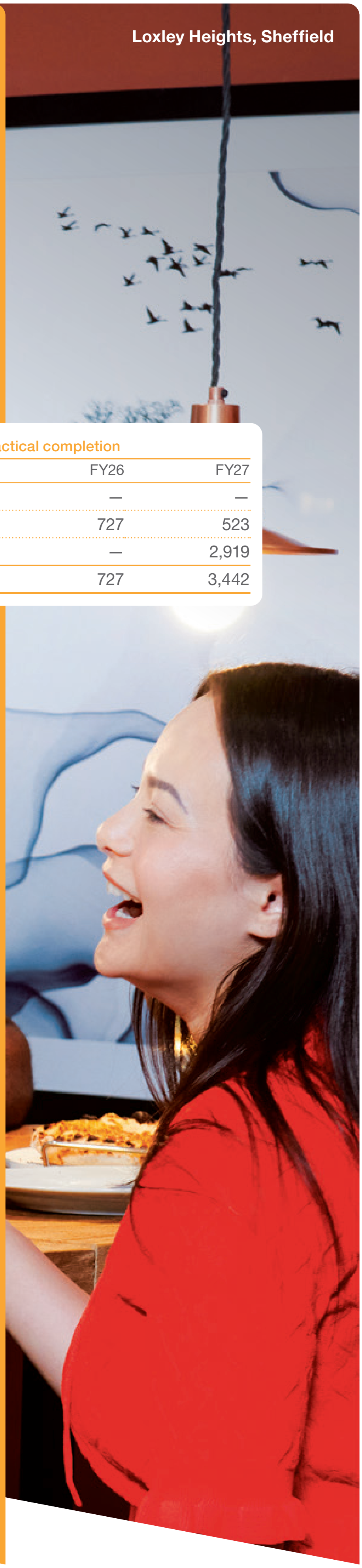
The affordable housing business, which relates to single-family homes, achieved 36 sales completions (FY22: 40) and delivered revenue of £19.6 million (FY22: £14.5 million) and gross profit of £1.9 million (FY22: £1.9 million), as we continued to progress our developments in Crewe and Preston.



Thames Quarter, Reading

Operational review

Student Accommodation



Loxley Heights, Sheffield

	PBSA beds by estimated year of practical completion				
	Total pipeline	FY24	FY25	FY26	FY27
Forward sold	1,601	1,601	—	—	—
Forward sales in the market	1,510	—	260	727	523
Sites secured subject to planning	2,919	—	—	—	2,919
Total secured	6,030	1,601	260	727	3,442

Revenues from PBSA were £175.7 million (FY22: £180.0 million), down 2.4%. During the year, we delivered four developments, comprising student schemes in Edinburgh, Colchester and Swansea, and a 133-unit co-living scheme in Exeter.

We also forward sold one development, an 819-bed scheme in Bedminster, Bristol, for delivery in FY24. The development is in a key regeneration area and has strong environmental credentials, with a target BREEAM rating of Excellent.

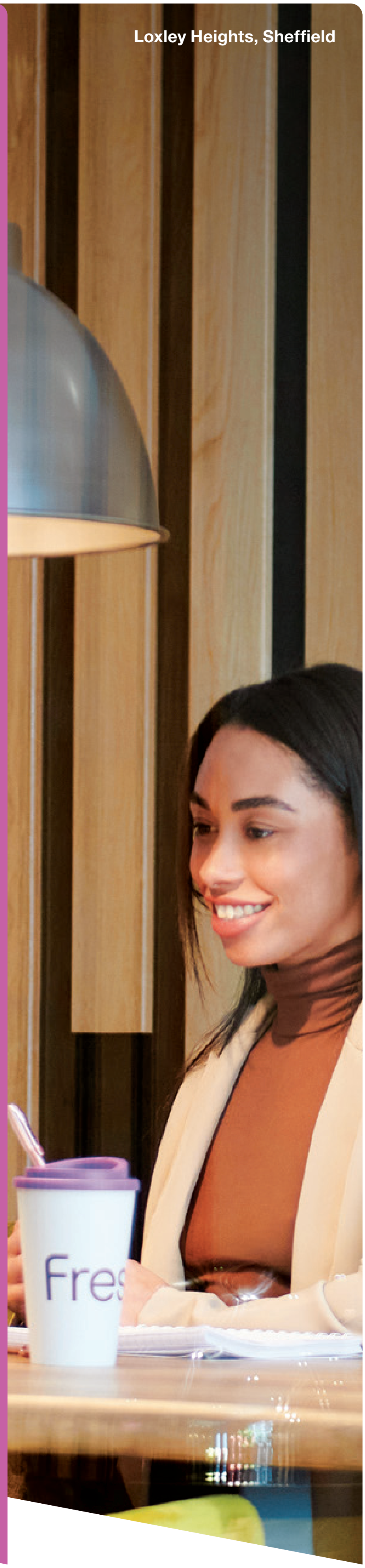
Gross profit for the year was £11.4 million (FY22: £26.4 million), resulting in a gross margin of 6.5% (FY22: 14.7%). The reduction in margin was in part due to additional build costs on the Exeter scheme, where the third-party main contractor went into liquidation, and acceleration costs required to achieve completion on certain schemes. In Exeter our self-build capabilities enabled us to step in quickly and effectively, to minimise the delay and deliver to the revised timetable agreed with the client. Build cost inflation also reduced the margin on some schemes during the year.

In FY23, we acquired two sites and secured planning on two sites, with the potential to deliver around 590 beds. The current secured development pipeline for PBSA is shown in the table above.

The secured development pipeline has an estimated future revenue value to us of c.£0.9 billion (FY22: £1.0 billion), of which c.£60 million is currently forward sold (FY22: £130 million).

Operational review

Accommodation Management


Loxley Heights, Sheffield

Key statistics

Student beds and BTR apartments under management		Net promoter scores	
23,064 FY23	22,896 FY22	+35 FY23	+34 FY22

Revenues in Fresh were £9.5 million (FY22: £9.1 million). The growth reflects increased variable fee income related to higher student occupancy, as well as the number of student beds and BTR apartments under management at the start of FY23 (22,896) compared to FY22 (22,155).

Gross profit rose to £6.0 million (FY22: £5.9 million), at a margin of 63.2% (FY22: 64.8%).

Fresh took on two new student schemes with 500 beds in the year and finished FY23 with 23,064 units under management across 71 schemes. However, 6,800 student beds left Fresh management in October 2023, to be managed in-house by clients. These losses are partially offset by new contract wins, leaving Fresh with approximately 19,000 units under management across 71 schemes at the start of FY24.

During the year, Fresh introduced a new delivery model to enhance its focus on residents and clients, ensure clear accountability within the organisation, support the ability to scale, and offer career paths to retain talent. Fresh also continued to develop the Yardi property management software introduced in the prior year, in particular to refine it for the student market.

The business has developed its branding, putting in place the Fresh Student and Fresh Renting brands, to support online searches and reflect the differing needs of the two sectors. Fresh has also created a white-label offering, which is seeing strong interest from clients and allows, for example, the development of branding for individual buildings for BTR clients.

Fresh has continued to support its student residents, focusing on the Be wellbeing programme. This is reflected in its record net promoter score of +35 (FY22: +34) and the award of Platinum status in the Global Student Living Index and winning Best Student Private Housing Provider for the third year in a row. The Be wellbeing programme won the prestigious Health and Wellbeing Award at the Property Week Student Housing Awards.

Sienna House, Sutton

Financial review

Sarah Sergeant
Chief Financial Officer

The contribution from our BTR business increased to half of Group revenues, reflecting the growth of its popularity within the private rented sector.

Revenue

Revenue of £413.2 million was delivered in the year, increasing 1.5% from £407.1 million in FY22, despite the subdued market conditions for forward sales. Our position was however cushioned by secured revenues from forward sales completed in prior years.

BTR development revenues grew by 8.6% to £207.7 million (FY22: £191.2 million), with revenues from our existing portfolio of developments supplemented by the forward sale of our new project at Titanic Quarter, Belfast during the year.

Revenues from our PBSA development business were £175.7 million (FY22: £180.0 million), a decrease of 2.4%, with four schemes completed and our new development in Bedminster forward sold during the year. PBSA revenues also include the rental income from our four leased student accommodation assets. The rental income on these was £9.0 million (FY22: £13.6 million), a decrease of 33.8%, with the impact of the prior year disposal of two assets offset by continued strong student occupancy at our remaining sites.

Highlights

Revenue
£413.2m
FY22: £407.1m — Change 1.5%

Gross profit
£34.9m
FY22: £67.6m — Change (48.4)%

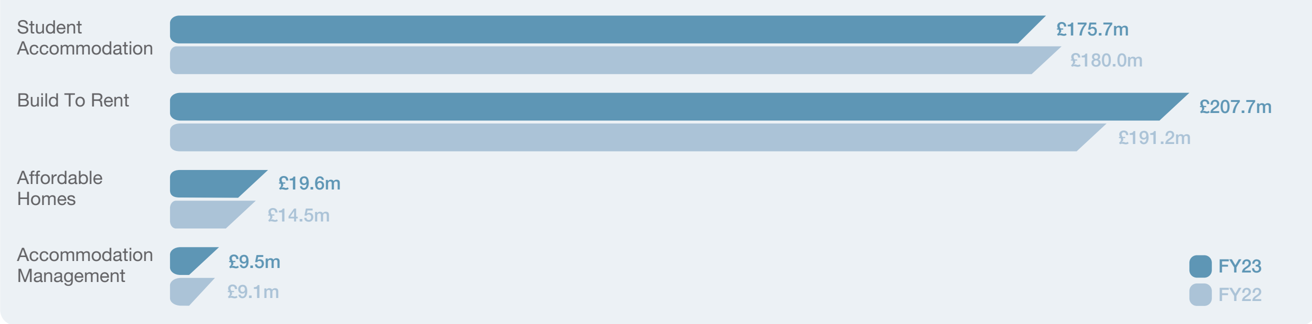
Adjusted operating profit
£0.2m
FY22: £54.7m — Change (99.6)%

Adjusted net cash
£43.9m
FY22: £82.6m — Change (46.7)%

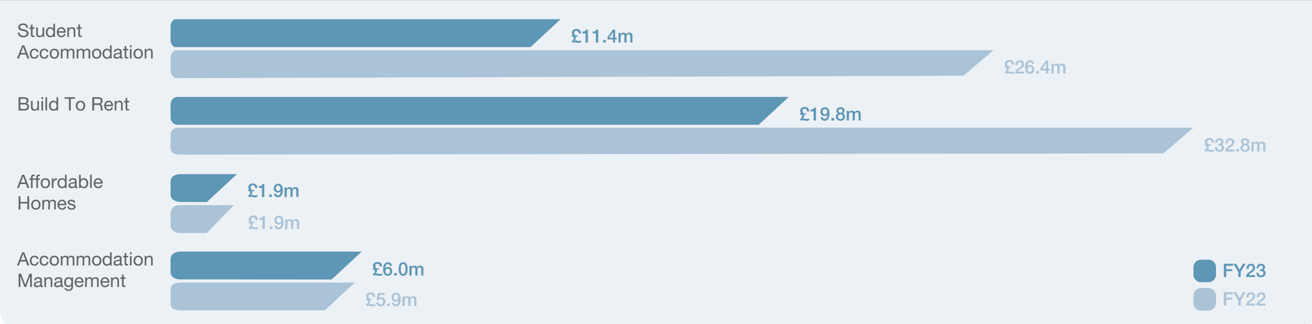
Operating (loss)/profit
£(38.0)m
FY22: £24.3m — Change (256.4)%

Dividend per share
1.4p
FY22: 7.4p — Change (81.1)%

Revenue by operating segment



Gross profit by operating segment



The Affordable Homes business delivered revenues of £19.6 million, up 35.2% on the £14.5 million recorded in FY22 as plots reach completion at both our Preston and Crewe developments.

Fresh, our Accommodation Management business, achieved record revenues of £9.5 million (FY22: £9.1 million), with further increases to occupancy levels across its portfolio.

Operating profit

Gross profit for the year was £34.9 million (FY22: £67.6 million), a decrease of 48.4%, both as a result of trading performance described below and the impact of impairments to land assets in the period of £5.5 million. We re-assessed the carrying value of our non-core land bank as well as certain pipeline assets on the balance sheet, where early stage development opportunities were strategically aborted in response to volatile market conditions. This resulted in a decreased gross margin of 8.4% (FY22: 16.6%).

Both our BTR and PBSA segments have been impacted by the reduction in forward sales compared to the prior year, supply chain pressures and build cost inflation, and acceleration costs required to achieve completion on certain of our schemes.

BTR development gross profit decreased by 39.6% in the year to £19.8 million (FY22: £32.8 million), with gross margin softening to 9.5% (FY22: 17.2%). Gross profit from PBSA development was £11.4 million (FY22: £26.4 million), with gross margin of 6.5% (FY22: 14.7%). The decrease reflected incremental costs at our scheme in Exeter due to the main contractor going into liquidation, as well as acceleration costs to physically complete a number of schemes in the summer.

In Affordable Homes, gross profit was £1.9 million (FY22: £1.9 million), with a reduced gross margin of 9.7% (FY22: 13.2%) reflecting the impact of build cost inflation and an increase in the sales mix of affordable units.

Fresh generated a gross profit of £6.0 million (FY22: £5.9 million) with the gross margin remaining broadly flat at 63.1% (FY22: 64.8%).

During the year, we completed the disposal of a portfolio of non-core private rental sector (PRS) assets on an accelerated timetable ahead of the completion of remedial works, to allow the business to focus on its strategic priorities.

This disposal resulted in gross anticipated cash receipts of £17.2 million before repayment of associated borrowings, of which £1.9 million is deferred to next year. A book loss on disposal of £4.6 million was recorded within administrative expenses.

Administrative expenses increased to £72.8 million (FY22: £43.4 million) with the effect of this disposal and exceptional items recorded in the year.

Excluding the impact of the above loss on disposal and the profit on disposal of investment properties in the year ended 30 September 2022, administrative expenses before exceptional items decreased by 3.5% to £30.1 million (FY22: £31.2 million), reflecting the impact of the cost out programme implemented during the year.

Adjusted operating profit of £0.2 million (FY22: £54.7 million) reflects the reduction in new forward sales across the BTR and PBSA segments, and both the impairment of land assets and the loss on disposal of the PRS assets. The Group's operating loss was £38.0 million (FY22: operating profit of £24.3 million) including the impact of exceptional items in the year.

Financial review continued

Exceptional items

An in-year exceptional provision of £35.0 million has been made for remedial costs associated with building safety matters; further details are included in note 4 to the financial statements. This is in addition to provisions made in prior years as a consequence of:

- the introduction of secondary legislation and the evolution of government initiatives during 2023, bringing a further four properties into the provision.
- further access to and intrusive surveys conducted on relevant buildings, the receipt of fire safety reports and related cost estimates, alongside further experience of completing the works.
- the evolution and conclusion of legal proceedings and settlement and contribution agreements with building owners during the year.

This is a highly complex area with significant estimates in respect of the cost of remedial works, the quantum of any legal expenditure associated with the defence of the Group's position in this regard, and the extent of those properties within the scope of the applicable government guidance and legislation, which continue to evolve. All our buildings were signed off by approved inspectors as compliant with the relevant building regulations at the time of completion. The investigation of the works required at many of the buildings is at an early stage and therefore it is possible that these estimates may change over time or if government legislation and regulation further evolves.

One of the areas we also looked at during the year was management of the Group's cost base. This resulted in a reduction in our headcount and £3.1 million of one-off restructuring costs in the year.

Finance costs

Finance costs for the year were £5.0 million (FY22: £6.0 million). These costs relate to the finance cost of capitalised leases under IFRS 16, which totalled £1.8 million (FY22: £4.5 million) which decreased following the disposal of the Dunaskin and New Bridewell student leasehold properties in the prior year, and the impact of the exceptional charge of £1.5 million (FY22: £nil) for the unwind of the discounting of the building safety provision made in prior periods. The balance of our finance costs represents the fees associated with the availability of our revolving credit facility (RCF) with HSBC and the interest cost of the loans previously held with Svenska Handelsbanken AB (see 'Bank facilities' on page 26).

Loss before tax

Loss before tax for the year was £42.5 million (FY22: profit before tax of £18.4 million). Adjusted loss before tax, which excludes the impact of the exceptional items, was £2.9 million (FY22: adjusted profit before tax of £48.8 million).

Taxation

The corporation tax credit was £9.9 million (FY22: charge of £5.0 million). The effective tax rate of 23% (FY22: 27%) was more than the standard UK corporation tax rate of 22% for the year, primarily as a result of the remeasurement of deferred tax assets to the future UK corporation tax rate of 25% which will be effective when those assets are expected to unwind.

Information on our tax strategy can be found in the Investor section of our website, **watkinjonesplc.com**.

Earnings per share

Basic earnings per share from continuing operations for the year was a loss of 12.7 pence (FY22: earnings of 5.2 pence). Adjusted basic earnings per share, which excludes the impact of the exceptional items, was a loss of 0.6 pence (FY22: earnings of 14.8 pence).

Dividends

The Board proposed an interim dividend of 1.4 pence per share (FY22: 2.9 pence per share) which was paid in June 2023.

Since then, we have continued to face into a very challenging end market. As such, the Board decided that there will be no further dividend paid in respect of FY23. This gives a total dividend for the year of 1.4 pence per share (FY22: 7.4 pence per share).

At 30 September 2023, the Company had distributable reserves of £41.1 million available to pay dividends.

EBITDA

EBITDA, which is calculated as set out on page 27, was a loss of £21.0 million (FY22: profit of £14.5 million) after the inclusion of exceptional items of £38.1 million (FY22: £30.4 million). Adjusted EBITDA, which excludes exceptional items, was £17.2 million (FY22: £44.8 million), with an adjusted EBITDA margin of 4.2% (FY22: 11.0%).

Return on capital employed

The return on capital employed (ROCE) for the year, calculated as set out on page 1, was impacted by the lower operating profit in the period at 0.2% (FY22: 63.1%).

Statement of financial position

At 30 September 2023, non-current assets amounted to £60.2 million (FY22: £49.6 million), with the most significant item being the carrying value of the leased student accommodation investment properties amounting to £24.2 million (FY22: £27.3 million).

The deferred tax asset, predominantly relating to carried forward losses from the year ended 30 September 2023, amounted to £12.1 million (FY22: £1.9 million) and is expected to be fully utilised in the short to medium term.

Right-of-use assets relating to office and car leases amounted to £5.3 million (FY22: £4.7 million). Intangible assets relating to Fresh amounted to £11.6 million (FY22: £12.2 million) and were reduced by the amortisation charge of £0.6 million in the year.

Reimbursement assets related to agreed client contributions towards building safety remedial costs of £10.9m have been recognised in the period (FY22: £nil).

Inventory and work in progress was £123.5 million (FY22: £147.1 million), with the decrease reflecting the forward sale during the period of our Bedminster PBSA site and the disposal of our PRS assets, offset by investment in new land sites for development in Guildford and Bristol.

Contract assets increased significantly in the year to £66.4 million (FY22: £50.8 million). These mainly relate to the final payment balances which are received on completion of developments in build. The increase in the year reflects the increased contributions from BTR developments which typically have a longer construction period and don't reach practical completion dates just prior to the Group's year end as PBSA developments typically do. Contract liabilities reduced by £3.6 million during the year to £1.5 million.

The Building Safety provision of £65.6 million is predominantly classified as non-current liabilities, based on our anticipated expenditure over the next five years. The increase in the provision of £32.2 million includes an additional exceptional provision made in the year (considered in the review of 'Exceptional items' above) and the utilisation of the brought-forward provision.

Interest-bearing loans and borrowings stood at £28.5 million at 30 September 2023 (FY22: 28.3 million) (see 'Bank facilities' on page 26).

Cash and net debt

	FY23 £m	FY22 £m
Operating profit before exceptional items	0.2	54.7
Profit on disposal of fixed assets	(0.3)	(20.9)
Depreciation and amortisation	11.5	8.4
Increase in working capital	(28.6)	(61.7)
Finance costs paid	(2.8)	(5.8)
Tax paid	(11.5)	(1.6)
Net cash outflow from operating activities	(31.5)	(26.9)
Sale of fixed assets	15.0	11.6
Dividends paid	(15.1)	(21.8)
Payment of lease liabilities	(6.8)	(4.7)
Cash flow from borrowings	—	16.3
Decrease in cash	(38.4)	(25.5)
Cash at beginning of year	110.8	136.3
Cash at end of year	72.4	110.8
Less: borrowings	(28.5)	(28.2)
Net cash before deducting lease liabilities	43.9	82.6
Less: lease liabilities	(45.2)	(49.1)
Net (debt)/cash	(1.3)	33.5

Total cash and available facilities

	FY23 £m	FY22 £m
Cash and cash equivalents	72.4	110.8
Revolving credit facility (RCF)	50.0	100.0
Drawn balance on RCF	(28.8)	(24.8)
Overdraft	10.0	10.0
Total cash and available facilities	103.6	196.0

Financial review continued

Statement of financial position continued

Lease liabilities arising from the adoption of IFRS 16 ‘Leases’ in the prior year were reduced by £3.9 million to £45.2 million (FY22: £49.1 million), reflecting capital repayments made in the year offset by indexed rent increases on our student leased investment properties.

At the year end, we had a cash balance of £72.4 million and loans of £28.5 million, resulting in a net cash position of £43.9 million. At 30 September 2022, we had a cash balance of £110.8 million and loans of £28.2 million, resulting in a net cash position of £82.6 million.

Net cash balances are stated before deducting the lease liabilities of £45.2 million (30 September 2022: £49.1 million), arising as a result of applying IFRS 16.

The lease liabilities relate primarily to several historic student accommodation sale and leaseback properties, for which the future lease rental liabilities are expected to be substantially covered by the future net student rental incomes to be received.

In a typical year, the Group’s cash balance peaks around the year end, as we receive the final payments on student accommodation developments completing ahead of the new academic year, as well as initial proceeds from the latest forward sales.

The Group is then a net user of cash until the following year end, as a result of outflows such as tax and dividend payments, overhead costs and land purchases. However, in FY24, as a result of the physical completions of some of our BTR developments, we will be receiving these final payments throughout the year and therefore the profile will be more evenly spread than in previous years.

The cash balance at the year end is still important for funding our day-to-day cash requirements and for putting the Group in a strong position when bidding for new sites.

The Group’s net cash outflow from operating activities for the year was £31.5 million (FY22: outflow of £26.9 million), reflecting investment in new development sites and the stages of development of sites under construction.

Net finance costs paid totalled £2.8 million (FY22: £5.8 million), including the finance charges on the capitalised lease liabilities of £1.8 million (FY22: £4.5 million), which substantially reduced following the disposal of certain leased student accommodation investment properties in the prior year.

Dividends paid in the year totalled £15.1 million (FY22: £21.8 million). Dividends paid in FY23 comprised the final dividend for FY22 and the interim dividend for FY23.

Bank facilities

During the year the Group extended its RCF with HSBC for a further six months to run to November 2025 in order to allow the borrowings and forward sales markets time to stabilise following recent volatility. It has a maximum available facility of £50.0 million (30 September 2022: £100.0 million), of which £28.8 million was drawn against the facility at the year end (30 September 2022: £24.8 million), giving headroom of £21.2 million. This facility can be accessed to fund land acquisitions and development works. The total facility was reduced during the year, given the anticipated volume of land acquisitions, and to benefit from lower non-utilisation fees.

We also have an undrawn overdraft facility of £10.0 million. Total cash and available facilities at 30 September 2023 therefore stood at £103.6 million (FY22: £196.0 million).

On disposal of the PRS assets during the year ended 30 September 2023, the Group repaid its associated loan facilities with Svenska Handelsbanken AB. The outstanding balance at the year end was therefore £nil (30 September 2022: £4.0 million).

Going concern

We have undertaken a thorough review of the Group’s ability to continue to trade as a going concern for the period to 31 January 2025. The basis of the review and an analysis of the downside risks is set out in the section on ‘Risk management and principal risks’ on pages 39 and 40.

Alternative performance measures (APMs)

We use APMs as part of our financial reporting, alongside statutory reporting measures. These APMs are provided for the following reasons:

1) to present users of the annual report with a clear view of what we consider to be the results of our underlying operations, enabling consistent comparisons over time and making it easier for users of the report to identify trends;
2) to provide additional information to users of the annual report about our financial performance or position;
3) to show the performance measures used by the Board in determining dividend payments; and
4) to show the performance measures that are linked to remuneration for the Executive Directors.

The following APMs appear in this annual report

	Reason for use	Reconciliation	FY23 £'000	FY22 £'000
Adjusted operating profit	1	Operating (loss)/profit	(37,970)	24,319
		Add: exceptional items in administrative expenses	38,140	30,365
		Adjusted operating profit	170	54,684
Adjusted (loss)/profit before tax	1,4	(Loss)/profit before tax	(42,459)	18,393
		Add: exceptional items	39,598	30,365
		Adjusted (loss)/profit before tax	(2,861)	48,758
Adjusted basic earnings per share	1,3,4	(Loss)/profit after tax	(32,547)	13,414
		Add: exceptional items	39,598	30,365
		Less: tax on exceptional items	(8,716)	(5,769)
		Adjusted (loss)/profit after tax	(1,665)	38,010
		Weighted average number of shares	256,434,903	256,385,882
		Adjusted basic (losses)/earnings per share	(0.649) pence	14.825 pence
EBITDA	1	**Operating (loss)/profit**	(37,970)	24,319
		Add: share of loss in joint ventures	(13)	(16)
		Add: impairment of land assets	5,496	—
		Add: loss/(profit) on disposal of non-core assets	4,584	(18,253)
		Add: depreciation	6,388	7,852
		Add: amortisation	559	559
		EBITDA	(20,956)	14,461
Adjusted EBITDA	1	EBITDA	(20,956)	14,461
		Add: exceptional items in administrative expenses	38,140	30,365
		Adjusted EBITDA	17,184	44,826
Adjusted net cash	2	Net cash/(debt)	(1,294)	33,454
		Add: lease liabilities	45,195	49,099
		Adjusted net cash	43,901	82,553
Return on capital employed	1,2	**Adjusted operating profit**	170	54,684
		Net assets at 30 September	130,005	176,953
		Less: adjusted net cash	(43,901)	(82,553)
		Less: intangible assets	(11,606)	(12,165)
		Less: investment property (leased)	(24,240)	(27,331)
		Less: right-of-use assets	(5,276)	(4,738)
		Add: lease liabilities	45,195	49,099
		Adjusted net assets at 30 September	90,177	99,265
		Adjusted net assets at 1 October	99,265	73,972
		Average adjusted net assets	94,721	86,619
		Return on capital employed	0.2%	63.1%

Sarah Sergeant
Chief Financial Officer

23 January 2024

Risk management and principal risks

The effective management of risk is essential to the successful delivery of our strategy.

Risk management process

The Board has established a formal risk management process, under which it identifies, evaluates and monitors the principal risks facing the Group and the effectiveness of the controls and procedures in place to mitigate against them. This includes:

- the Board's approval of a detailed corporate risk register, which identifies the principal risks and is prepared and kept under review by the Risk Committee, which meets regularly as a sub-committee of the Executive Committee;
- the review of assurance and information about the management of those risks, including specific reviews carried out by KPMG as our outsourced internal audit provider; and
- an assessment of the Group's risk appetite for particular categories of risk, as a basis against which to assess whether the principal risks are being mitigated against to an acceptable level.

The Audit Committee reviews the risk register annually. The review includes:

- any substantial changes to the principal risks, including new or emerging risks;
- material changes to the control framework in place;
- changes in risk scores;
- changes in risk appetite; and
- progress with any additional mitigating actions which have been agreed.

The Audit Committee also provides appropriate challenge to the effectiveness of mitigating controls, including the review and testing of mitigating controls for selected risks by KPMG as part of the annual internal audit plan.

In November 2023, the Group's strategic risk register was reviewed at a joint meeting of the Board and Audit Committee. This meeting acknowledged the work done during 2023 in progressing the Group's corporate risk management, and approved the risk appetites and current assessments for each of the Group's principal risks.

Risk categories and risk appetite

The Board has identified risk categories into which to allocate its principal risks. Against each of these risk categories the Board has considered the level of risk it is willing to accept in order to achieve the Group's business objectives.

We have no appetite for risk in relation to health and safety matters, financial crime and compliance with legislation, so these have been allocated our lowest level of risk appetite.

While we also have minimal risk appetite in relation to liquidity, cyber security and build quality, the appetite for these risks is slightly higher in acknowledgement of the high levels of inherent risk in these areas. We have a moderate risk appetite in relation to our remaining principal risks.

The Group's risk categories, assessed risk appetites and principal risks are set out in this section along with the Board's assessment of the effectiveness of the controls and procedures in place to mitigate against them.

Principal risks

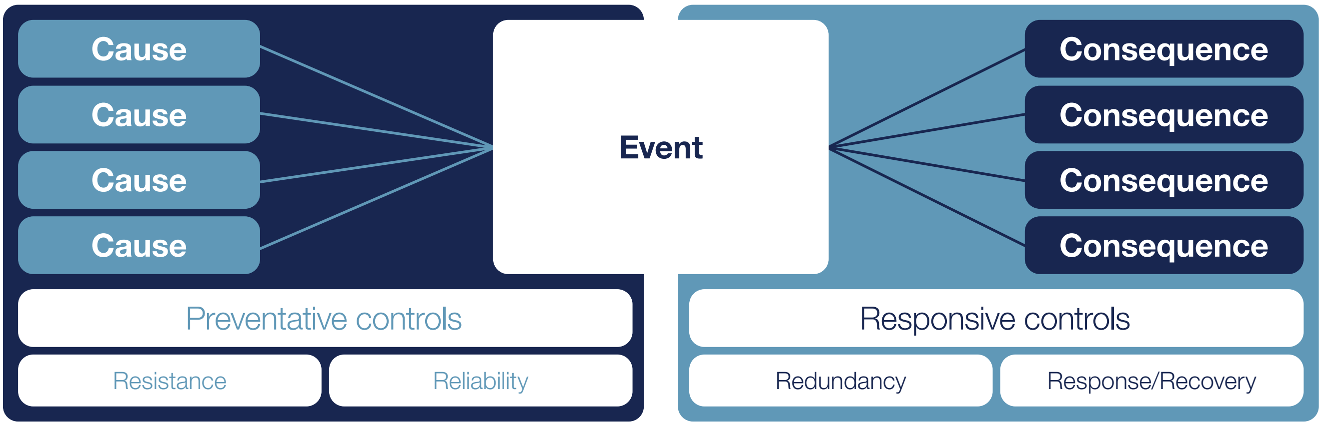
A principal risk is a risk that is considered material to the delivery of the Group's strategy or its performance, position or future prospects. The Board, through the Audit Committee, has undertaken a robust review of the principal risks facing the Group. The principal risks which the Board considers are relevant to the Group are summarised by risk category and considered more fully on pages 30 to 39.

Having conducted a detailed climate scenario analysis during the year, it was concluded that climate risk is not currently a principal risk. However, it remains a key consideration for the Group and will be kept under review. Our climate-related financial disclosure can be found on pages 54 to 61.

Heat map

The heat map summarises our exposure to our principal risks by considering the likelihood of a risk event occurring and its potential impact on the Group in the medium term. It shows the gross risk assessment before mitigating factors and controls are taken into account and the net risk assessment after taking into account relevant mitigating factors and controls.

Bow-tie model



The Board's appetite for risk for each risk category is also shown, with the aim that after taking into account mitigating factors and controls, the net risk is reduced to a level that sits within or below the Board's appetite for risk.

The principal risks and risk appetite have been assessed using the following scoring matrix. Using this matrix, the gross and net risk assessment score for a principal risk is the product of the assessed likelihood and impact scores.

Likelihood	Score	Impact	Score
Highly probable	5	Extreme	5
Probable	4	Major	4
Possible	3	Moderate	3
Unlikely	2	Minor	2
Remote	1	Insignificant	1

Changes in year

The Group actively monitors emerging risks and changes to the profile of existing principal risks. The risk assessment for the following principal risks has increased during the period:

Economic cycle

Despite the short-term dislocation of our traditional forward funding market, we consider that the sectors in which we operate continue to be the most appropriate for the Group, given its available land bank, experience in delivery and strong relationships with key funders. To respond to the changes in this sector, we consider that the Group's appetite for risk surrounding the economic cycle has now increased to 'moderate' from 'cautious' in order to best leverage the opportunities available in the market.

The potential for continued dislocation of the forward funding market reduces the Group's ability to mitigate threats from changes in the economic cycle. Whilst we have responded to this risk proactively, including the exploration of alternative deal structures to expand our addressable market, and the implementation of a centralised procurement function to reduce the impact of ongoing inflation, we consider the net impact risk to the Group to have increased from the prior year.

Land availability

Macroeconomic factors have also influenced the availability of land, with vendor expectations slow to align to the current conditions during the year, limiting the number of sites coming to market. Planning delays and local authority under-resourcing have compounded this issue to increase our assessment of the gross risk from the prior year, although the Group remains well placed to overcome these challenges with its in-house planning team and record of effectively navigating the planning process.

Liquidity

Whilst the Group's appetite for risk surrounding liquidity remains consistent, the Board considers that the gross risk has increased from the prior year, reflecting the impact of continued high interest rates on borrowing costs, and the reduced short-term customer appetite for forward sales for existing developments, requiring in certain cases that they are instead developed on balance sheet. We consider that our existing mitigations, including the time extension to the Group's RCF during the period, are sufficiently robust to maintain the net risk at the prior year level.

Building safety and quality assurance

In response to the substantial regulatory changes affecting the Group, including the introduction of the Building Safety Act 2022 (BSA), the Board considers that the gross risk has increased from the prior year. Whilst the Group has introduced a number of key mitigating controls to respond to these changes, including a proactive programme of fire safety remediation for historic projects, and the creation of a working group to co-ordinate the Group's training, compliance and response to the requirements of the BSA, the Board considers that the significance of the changes are such that the net risk has also increased from the prior year.

Reinforced autoclaved aerated concrete (RAAC)

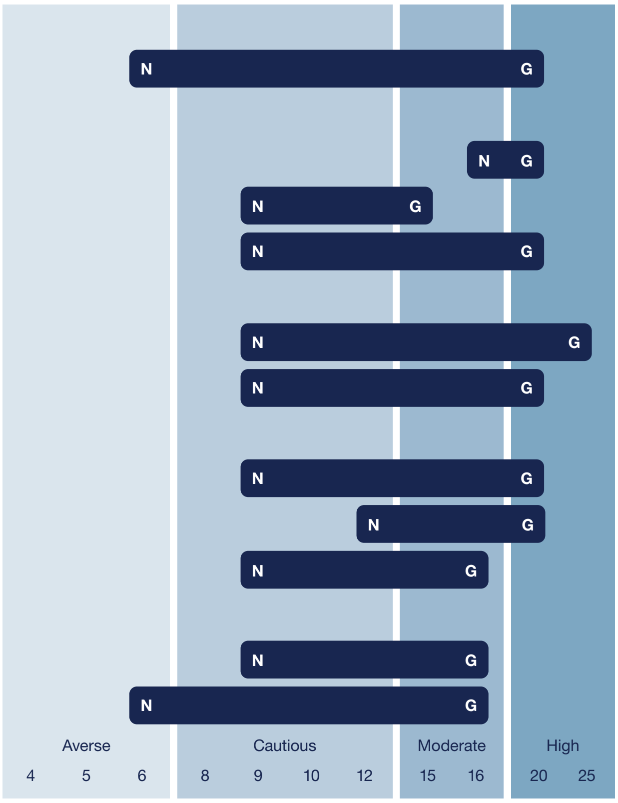
During the year, the government updated its guidance on RAAC, a lightweight but less durable form of concrete which was used primarily from the 1950s to the mid-1990s.

The Group operated mainly as a general contractor pre-2000. Internal enquiries of available records (although not generally retained for buildings out of contract) and long-serving employees indicate that the Group did not historically utilise RAAC in its developments.

Risk management and principal risks
continued

Risk heat map

Principal risk:	Risk appetite:
Health and safety:	
Health and safety	Averse
Strategic:	
Economic cycle	Moderate
Increased competition	Cautious
Land availability	Cautious
Financial:	
Liquidity	Cautious
Cyber security/GDPR	Cautious
Operational:	
Project delivery	Cautious
Building safety and quality assurance	Cautious
Widespread business interruption and continuity	Cautious
People:	
People – capacity and capability	Cautious
Financial crime and failure to comply with legislation	Averse



Gross risk score = **G**
Net risk score = **N**

People – capacity and capability

Change: Link to business model:

Threats

Threats	Preventative barriers
Uncompetitive remuneration packages.	Salary benchmarking undertaken to ensure our remuneration packages are competitive.
Failure to improve diversity and inclusion in under-represented groups.	Promotion of the 'People' pillar in the Group's Future Foundations initiative; introduction of equity, diversity and inclusion charter.
Absence of succession and talent plans.	Formal executive succession plan and senior management talent plan reviewed annually.
A misaligned employee culture, including the impact of hybrid working.	Employee engagement is a core personal objective for all senior employees across the organisation.
Increasing awareness of employee wellbeing.	Promotion of mental health wellbeing through training programmes and internal communications.

Consequences

Responsive controls	Consequences
Use of counter-offers or use of succession plans to cover responsibilities.	Loss of key personnel.
Identify those at risk and put in place additional short-term incentives.	Increased strain on personnel.
Use of external contractors or consultants to cover prolonged periods of absence.	Inability to maintain key functions within the business.

Escalation factors	Preventative barriers
Pressure on people from stress of achieving business objectives.	Access to internal or external support via our Employee Assistance Programme.

Risk that the Group finds it difficult to attract, recruit, motivate and retain employees, which could have an adverse impact on its ability to deliver its strategic objectives

Key

Identify potential developments	Site procurement and planning	Transaction and funding	Construction and delivery	Accommodation management
Increase	Decrease	No change		

Health and safety

Change: No change

Link to business model: Construction and delivery; Accommodation management

Threats

Threats	Preventative barriers
Major fire on site.	Quality assurance procedures and fire risk assessments.
Crane collapse/failure of lifting equipment.	Robust procedures for erection, use and dismantling of major equipment with works undertaken by suitably qualified personnel.
Falls from height.	Work at height procedures and use of prefabrication off site to avoid work at height where possible.
Lack of appropriate skills or experience.	Formal process in place to assess individuals on site for appropriate skills. Detailed role profiles for staff include health and safety requirements.
Collapse of excavation or temporary work structure.	Risk assessments and evaluations of competence of contractors.
Unauthorised access to site.	Security protocols set for different types of sites using hoardings, security staff, CCTV etc., based on the assessed risk.
Severe adverse weather conditions as climate changes.	Additional risk assessments in place for scaffolding, crane and plant use and working at height procedures during high winds, heavy rain, ice or extreme temperatures.
Significant infection outbreak.	Risk assessments and inductions at each site, sanitisation facilities provided, social distancing introduced where necessary.
Employee mental health concerns, including stress.	Trained mental health first-aiders available to provide assistance; wellbeing and Employee Assistance Programmes in place.

Consequences

Responsive controls	Consequences
Regular audits and reviews of incidents to identify improvements.	Loss of life or serious injury.
Maintenance of appropriate levels of insurance cover.	Damage to property leading to financial loss.
Formal accident/incident reporting procedures.	Breach of legislation leading to prosecution and reputational damage.
Internal and external communication plans developed.	Reputational damage leading to financial loss.

Escalation factors	Preventative barriers
Unrealistic build programmes create pressures to cut corners.	Management's tone from the top and influence over development programme.
Rapid climate change leading to increased risk of severe adverse weather conditions.	ESG strategy in place to mitigate the Group's contribution to climate change.

Risk that failure to follow established health and safety procedures could result in a serious incident or fatality

Risk management and principal risks
continued

Building safety and quality assurance

Change: ↑

Link to business model:

Threats

Threats	Preventative barriers
Cladding safety, in particular fire safety.	Proactive programme of fire safety remediation for historic projects carried out by the Group, see note 4 to the financial statements. Group design standards requiring the selection of certified products, with the selection informed by input from specialist consultants, assessed in line with PAS 9980.
Defects and safety issues identified on completed buildings.	Specialist in-house building safety team reviews historic portfolio of projects, and takes a proactive approach to remediating any issues identified.
Selected subcontractors do not have the necessary expertise or capability.	Pre-qualification questionnaire process for the selection of subcontractors with a focus on technical capabilities.
Budgetary pressures lead to selection of poor quality materials or subcontractors.	In-house construction expertise used to inform cost estimates when appraising land opportunities.
Failure to comply with statutory requirements, including the Building Safety Act 2022.	Regular reviews of legislation by in-house planning and technical teams and use of suitably qualified consultants. Introduction of Building Safety Act working group to ensure compliance.
Lack of clarity on government policy, or rapidly changing legislation.	Emerging policy and legislation is regularly reviewed by in-house and external legal advisers.

Consequences

Responsive controls	Consequences
Customer Care team aims to address any defects promptly and ensure a good customer experience.	Damage to reputation.
QA procedures in place with progress captured on construction management software, including post-completion reviews.	Significant defects leading to remedial costs and the risk of personal harm.

Escalation factors	Preventative barriers
Labour shortages in the construction industry, in particular fire safety engineers.	Long-term relationships with the Group's nationwide supply chains.

Risk that poor build quality could result in personal harm, financial and/or reputational loss

Key

Identify potential developments · Site procurement and planning · Transaction and funding · Construction and delivery · Accommodation management

Increase · Decrease · No change

Economic cycle

Change: Increase · Link to business model: Identify potential developments, Site procurement and planning, Transaction and funding, Construction and delivery

Threats

Threats	Preventative barriers
Major disruption to the forward funding market, or reduction in available capital.	Alternative funding and partnership structures explored with potential clients, including joint venture arrangements, to increase routes to market.
Input cost inflation.	In-house construction expertise and supply chain relationships, quarterly Inflation Committee reviews to mitigate impact.
Short-term market turbulence including increased interest rates.	Forward funding sales model reduces impact of interest rate movements in the short to medium term.
Increases in investment yields.	Forward funding sales model and use of sensitivity analysis when appraising developments.
Changes in employment, demographics or immigration controls.	Target cities selected on the basis of their strong economic and demographic characteristics to help insulate them from any nationwide downturn.
Political risks in occupier markets including controls over rent setting or lease termination.	Diversification across different property classes/forward funding model means completed properties are not retained.

Consequences

Responsive controls	Consequences
Control over land usually conditional and construction costs typically procured in advance to fix prices.	Increased costs reduce profits or render developments unviable.
The Group's strong liquidity position gives it the flexibility to look through short-term disruption.	Short-term economic turbulence leads to a closure of the forward funding market.
Forward funding model insulates the Group from short-term yield movements. Consideration of other funding structures.	Increase in the yield expectations of institutional clients reduces the value of developments.

Escalation factors	Preventative barriers
'Black Swan' event causing a sharp economic deterioration and sustained closure of forward funding market.	Stress testing in liquidity forecasts to help ensure adequate contingencies are maintained.

Risk that macroeconomic factors impact the Group's ability to achieve the business plan through reduced margins or failure to fund developments through forward sales

Increased competition

Change: No change · Link to business model: Identify potential developments, Site procurement and planning, Transaction and funding, Construction and delivery

Threats

Threats	Preventative barriers
Competition in the land market from direct competitors or a competing use.	Rigorous site appraisal process underpinned by the Group's integrated structure which provides enhanced letting and construction information.
Planning – an increased number of planning applications in one area may lead to refusals regardless of their merits.	Planning due diligence measures prior to contracting to acquire sites and early interaction with local planning authorities during applications.
Increased competition leads to gazumping of land acquisitions.	The Group's strong track record can demonstrate to vendors its ability to perform and transact.
Divestment – increased supply might increase the difficulty of forward funding developments.	Dedicated Divestment team in place with a network of agents to help promote disposals.
Increased competition in construction market.	Strong existing supply chain for in-house construction and expanding relationships with third-party main contractors.

Consequences

Responsive controls	Consequences
Capital structure provides the flexibility to progress selected developments on a turnkey basis to increase sales value.	Forecast margins are not achieved due to suppressed sales prices.
In-house construction capability provides an advantage compared to competitors reliant on third-party main contractors.	Forecast margins are not achieved due to increased construction costs from supply chain shortages.
Specialist in-house planning team and promotion of high quality design and sustainability standards.	Increase in the yield expectations of institutional clients reduces the value of developments.

Escalation factors	Preventative barriers
Attractive market leads to significant new capital invested in new entrants.	Barriers to entry through client expectations for a strong track record.

Risk that increased competition could increase land prices or reduce demand for the Group's schemes

Risk management and principal risks
continued

Land availability

Change:

Link to business model:

Threats

Threats	Preventative barriers
Finite supply of land increases the risk of accepting sites with more development constraints.	Due diligence procedures in place for assessing the financial and technical viability of developments.
National or local political factors delay the planning process or result in planning refusals.	In-house planning expertise helps to identify locations with higher planning risk, with early interaction with LPAs during applications.
Alternative uses for land become more viable than the Group's core markets.	Regular reviews of our core markets and the property market in general to identify emerging trends.
The land market closes in response to a significant economic event.	The Group has the experience to structure deals in different ways to adapt to the expectations of vendors.
Reduction in land availability due to adverse climate impacts or environmental restrictions.	Group ESG strategy in place to achieve net zero ambitions by 2030. Working closely with supply chain to monitor compliance with ISO 14001, with all suppliers to be accredited by 2025.
Increased competition reduces our success rate in bidding for land.	Credible market presence due to track record of bringing land through planning and competitive pricing due to in-house construction capability.

Consequences

Responsive controls	Consequences
Established macro and micro economic analysis used to identify target cities and locations, leveraging on-the-ground knowledge from Fresh.	Land acquired in secondary locations or with significant technical and environmental challenges.
Robust investment appraisal methodology and governance structure.	Overpaying for land.
Vendor and agent relationships and credibility in the market.	The Group does not acquire enough land to meet its growth plan.

Escalation factors	Preventative barriers
Significant unexpected change in planning policy.	Maintenance of a strong pipeline of developments provides visibility of earnings and the opportunity to absorb and adapt to changes.

Risk that an inadequate supply of available land or delays in the planning process would inhibit the Group's ability to deliver its growth strategy

Key

Identify potential developments
Site procurement and planning
Transaction and funding
Construction and delivery
Accommodation management

Increase
Decrease
No change

Liquidity

Change: Increase

Link to business model: Identify potential developments, Site procurement and planning, Transaction and funding

Threats

Threats	Preventative barriers
Major disruption to, or sustained closure of, the forward funding market.	Alternative funding and partnership structures explored with potential clients including joint venture arrangements, to increase routes to market.
Credit and counterparty risk.	Counterparty risk appraised before entering into sale agreements with clients which are typically blue-chip institutions.
Capital structure – over-gearing leads to financial distress.	The Group's capital-light forward sales model helps to significantly reduce the Group's cash requirements, with financing provided by its clients rather than using its own balance sheet.
Maintaining adequate debt facilities and covenant compliance to support long-term growth plans.	The Group's £50 million RCF runs to November 2025 and there is currently significant headroom against its covenants.
Continued high interest rates reducing available funding for developments.	Alternative funding and partnership structures explored with potential clients including joint venture arrangements, to increase routes to market.
Short-term liquidity issues due to high value of the Group's transactions.	Cash flow forecasting with site acquisitions typically structured on a subject-to-planning basis providing good visibility of future commitments.

Consequences

Responsive controls	Consequences
Existing forward sold pipeline combined with debt facilities provides insulation from short-term market disruption.	Unable to sell developments on a forward funded basis.
Maintenance of overdraft and undrawn debt facilities.	Inability to meet short-term commitments.
£50 million RCF, of which only £28.8 million was drawn at 30 September 2023, with funding options considered in each development appraisal. Periodic review of non-core operational assets to determine whether divestment to release funds is appropriate.	The Group does not acquire enough land to meet its growth plan.

Escalation factors	Preventative barriers
'Black Swan' event causing a sharp economic deterioration and sustained closure of forward funding market.	Stress testing in liquidity forecasts to help ensure adequate contingencies are maintained.

Risk that lack of liquidity could inhibit the Group's growth strategy or in more extreme circumstances lead to severe financial distress and insolvency

Risk management and principal risks
continued

Cyber security/GDPR

Change:

Link to business model:

Threats

Threats	Preventative barriers
Failure of critical business software.	The Group's key software is hosted with robust third-party providers who have multiple backup and failover arrangements in place.
Failure of critical business hardware.	Firewalls are in place with flow control and port protection measures in place as a backup in the event of firewalls failing.
Phishing.	Email security filters are in place, supplemented by internal training and simulated attacks.
Data breach and GDPR compliance.	Multi-factor authentication and geo-fencing to prevent unauthorised access. Data protection policy and annual GDPR training in place, with external advice received on emerging threats. Bespoke policies in place for Fresh to address increased risk from holding resident data.
Malware/ransomware.	Firewall and web filter measures alongside anti-virus software and external penetration testing. During the year an external Security Operations Centre (SOC) has been implemented to monitor threats on a real-time basis.
Insider threats.	Internal monitoring measures alongside limits to email sizes and restrictions to access.

Consequences

Responsive controls	Consequences
Separate hosting of critical systems to reduce the risk of a widespread loss of systems, with backup and disaster recovery arrangements.	Loss of access to critical business systems.
Delegated limits and controls in place for payments.	Financial loss due to a phishing attack.
Breach prevention controls including network firewalls, malware protections and training alongside formal breach management procedures.	Major personal data breach leading to reputational damage and possible financial penalties.
Detailed scenario plans in place for cyber attacks and data breaches, including rapid response frameworks.	Delayed response leading to further financial loss or data breach.

Escalation factors	Preventative barriers
Development of new malware which can evade existing security measures.	Monitoring of emerging threats.

Risk of loss of access to the Group's systems through a cyber attack

Key

Identify potential developments
Site procurement and planning
Transaction and funding
Construction and delivery
Accommodation management

Increase
Decrease
No change

Financial crime and failure to comply with legislation

Change: No change   Link to business model: Identify potential developments, Site procurement and planning, Transaction and funding, Construction and delivery, Accommodation management

Threats

Threats	Preventative barriers
Poor or absent tone from the top.	Compliance given a high priority as evidenced by the matters considered by the Board and Executive Committee.
Lack of or inadequate policies and procedures.	Comprehensive set of policies which are well embedded in the business, including bespoke policies for Fresh, to help ensure compliance with relevant legislation.
Lack of awareness of regulations and expectations.	Initial compliance training for all new employees which is reinforced by annual refresher modules. Procurement process enhanced to ensure subcontractors are aligned to the Group's expectations for compliance.
Inadequate control environment.	Formal delegated authorities matrix in place which is enforced by processes and controls.
Poor management practices which accept non-compliance.	Key individuals in the Finance and Commercial teams have relevant professional qualifications. A third-party whistleblowing hotline is also in place.

Consequences

Responsive controls	Consequences
Specific Group policies reinforced by annual training.	Failure to comply with ABC or anti-slavery legislation leading to reputational damage or possible financial penalties.
Well-established DSAR and DPIA process and input from retained specialist GDPR consultants.	Significant data breach of personal data leading to reputational damage or possible financial penalties.
Controls framework governing bank payments.	The Group is a victim of financial crime.

Escalation factors	Preventative barriers
Shortages in subcontractors increases pressure to appoint subcontractors with poor compliance controls in place.	Pre-qualification questionnaire implemented for appointments.
Climate-related legislation implemented in response to rapid climate change.	ESG strategy in place to mitigate the Group's contribution to climate change. Regular review of climate-related legislation that would be relevant to the Group.

Risk that failure to comply with legislation could lead to financial and/or reputational damage

Risk management and principal risks
continued

Project delivery

Change: ⊖

Link to business model:

Threats

Threats	Preventative barriers
Unrealistic build programmes and increasing build costs.	The Group's business model means that it is involved in planning for most of its developments, giving it a greater ability to ensure a suitable programme.
Failure to obtain necessary statutory approvals.	Experienced in-house Delivery teams use the Group construction management methodology which seeks early engagement and discharge of statutory conditions.
Poor quality workmanship.	Management processes on site for ensuring build quality with QA procedures in place for monitoring and capturing QA data.
ESG strategy not implemented.	Work closely with supply chain to monitor compliance with ISO 14001, with all suppliers to be accredited by 2025.
Poorly drafted or unclear specification documents, or failure to build what is consented or contracted.	Construction management software utilised to ensure all parties are working to the latest drawings and documents. Regular project management review of compliance with planning and contractual requirements.
Business failures or significant disruption in the supply chain.	Robust financial checks on subcontractors and monitoring of the workload, performance and capacity of key contractors. In the event of market delays in the sourcing of materials, liaising with subcontractors to order materials in advance of requirements.

Consequences

Responsive controls	Consequences
Monitoring of performance against programme in monthly senior management review meetings to ensure early intervention.	Project is delivered late, leading to financial penalties and reputational damage.
QA data collated and monitored in monthly senior management review meetings.	Poor quality workmanship.
Monitoring of progress against compliance with discharge of statutory requirements in monthly senior management review meetings.	Completed properties do not comply with statutory requirements.
Monitoring of progress against ESG targets, with regular reporting to the Board.	ESG commitments not met, leading to reputational damage.

Escalation factors	Preventative barriers
Pressures to meeting financial and delivery targets may lead to compromises on programme and quality.	Governance procedures for project approval require Executive Committee approval for all developments with input from all key disciplines.

Risk that a scheme is delivered late or to a poor quality, which could result in significant financial costs, reputational damage and potential legacy issues

Key

Identify potential developments | Site procurement and planning | Transaction and funding | Construction and delivery | Accommodation management

Increase | Decrease | No change

Widespread business interruption and continuity

Change: No change

Link to business model: Transaction and funding, Construction and delivery, Accommodation management

Threats

Threats	Preventative barriers
Natural disaster, including those as a result of climate change.	Geographically diverse locations for the Group's revenue-generating activities reduces concentration of risk, alongside due diligence when appraising sites to identify heightened risks for specific locations.
Man-made disaster.	Robust design and specification of materials alongside well-established HS&E management framework.
Widespread employee absences due to illness, team defection or pandemic.	Agile working practices can reduce level of face-to-face interaction to stop spread of disease. Experienced and well-embedded H&S practices to monitor latest government guidance.
Significant market volatility affecting investor confidence.	Capital-light model, well-managed liquidity position and regular and open contact with stakeholders allows the Group to respond to short-term volatility. A broad range of internal experience and external advice sought to gain early sight of upcoming market challenges.
Widespread loss of access to IT infrastructure or key SaaS systems.	Core systems are cloud based, with backup and failover arrangements in place. The Group uses a range of IT security measures including firewalls, web filters and anti-virus software.
Failure of a key supplier.	Tendering due diligence considers suppliers' technical expertise and financial position.

Consequences

Responsive controls	Consequences
For support services, widespread homeworking can be deployed in the event of the loss of an office.	Loss of access to physical support infrastructure such as offices.
Formal business continuity plan to inform initial crisis response. Maintenance of a comprehensive suite of insurance policies.	Significant damage to construction sites.
Remuneration benchmarking to ensure employees are appropriately rewarded and reduce the risk of defections and use of consultants to cover.	Absence or loss of key employees for prolonged periods.

Escalation factors	Preventative barriers
Additional pressure placed on employees during recovery period from a significant adverse event.	Access to external and internal support services.

Risk that a major nationwide incident causes a significant reduction or cessation in the Group's business activities

Going concern

The Directors have undertaken a thorough review of the Group's ability to continue to trade as a going concern for the period to 31 January 2025 (the 'forecast period'). This review has been undertaken taking into consideration the following matters.

Liquidity

At 30 September 2023, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £103.6 million, as set out below.

	£m
Cash balances	72.4
RCF headroom	21.2
Overdraft facility	10.0
Total cash and available facilities	**103.6**

Strong liquidity has been maintained through the first quarter of the year ending 30 September 2024, providing the Group with a good level of cash and available banking facilities for the year ahead.

During the year the Group extended its RCF with HSBC for a further six months to run to November 2025 in order to allow the borrowings and forward sales markets time to stabilise following recent volatility. The total facility was reduced during the year, given the anticipated volume of land acquisitions, and to benefit from lower non-utilisation fees. All financial covenants under the RCF were met at 30 September 2023 and are forecast to be met throughout the period to 31 January 2025. This facility can be accessed to fund land acquisitions.

Business model

Our forward sale business model is capital light. By forward selling the majority of our build to rent and purpose built student accommodation developments, we receive payment for the land either at the same time as or shortly after we complete the purchase, and before we commit to any significant development expenditure.

Once forward sold, we receive payment for the development works as they progress. By being in control of our development pipeline we are able to ensure that we only commit construction expenditure to developments that are either forward sold or to undertake a modest level of enabling works. In certain circumstances we may decide to continue construction activities beyond the initial enabling phase, without a forward sale agreement in place, but we take this decision based on our available liquidity and can suspend the works should it prove necessary. This greatly limits our exposure to development expenditure which is not covered by cash income.

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Risk management and principal risks continued

Going concern continued

Business model continued

Sites are normally secured on a subject to satisfactory planning basis, which gives us time to manage the cash requirements and to market them for forward sale.

We also take a cautious approach to managing our land acquisition programme to ensure that we have sufficient liquidity available to complete the acquisition of the sites without any new forward sales being secured.

The Fresh business receives a regular contractual monthly fee income from its multiple clients and the short to medium-term risk to its revenue stream is low.

For our Affordable Homes business, which is currently relatively small and only has a few sites in build, we manage our development expenditure so that, other than for infrastructure works, we only commit expenditure where it is supported by a significant proportion of the site having achieved a forward sales position. In addition, a significant portion of our largest site has been forward sold such that we will receive payment for development works as they progress.

We also receive rental income from tenants on our leased PBSA assets. The occupancy levels for the PBSA assets have recovered well following the negative impact of the pandemic and are close to being fully occupied for the academic year 2023/24.

Our business model and approach to cash management therefore provides a high degree of resilience.

Counterparty risk

The Group's clients are predominantly blue-chip institutional funds and the risk of default is low. The funds for a forward sold development are normally specifically allocated by the client or backed by committed debt funding.

For forward sold developments, our cash income typically remains ahead of our development expenditure through the life of the development, such that if we were exposed to a client payment default, we could suspend the works, thereby limiting any cash exposure.

Fresh has many clients and these are mostly institutional funds with low default risk.

Base case cash forecast

We have prepared a base case cash forecast for the forecast period, based on our current business plan and trading assumptions for the year. This is well supported by our forward sold pipeline of three PBSA developments and seven BTR developments for delivery during the period FY24 to FY27, as well as the reserved/exchanged and forward sales for our Affordable Homes business and the contracted income for Fresh.

Our currently secured cash flow, derived from our forward sold developments and other contracted income, net of overheads and tax, results in a modest cash utilisation over the forecast period, with the result that our liquidity position is maintained.

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

Risk analysis

In addition to the base case forecast, we have considered the possibility of continued disruption to the forward sale market given the market turbulence seen in the UK over the last 12 months. This is our most significant risk as it would greatly limit our ability to achieve any further forward sales.

We have run various model scenarios to assess the possible impact of the above risks, including an extreme downside scenario assuming no further forward sales are achieved.

The cash forecast prepared under this scenario illustrates that adequate liquidity is maintained through the forecast period and the financial covenants under the RCF would still be met.

The minimum gross cash balance under this scenario was £32.5 million (excluding the £10.0 million overdraft). In addition we have reviewed the potential impact on the Group's Tangible Net Worth Covenant of any additional increase in the provision for building safety. The headroom on this covenant under the extreme downside scenario would allow for a further four properties to be provided for, assuming an average provision per property of £2.1 million.

We consider the likelihood of events occurring which would exhaust the total cash and available facilities balances remaining to be remote. However, should such events occur, management would be able to implement reductions in discretionary expenditure and consider the sale of the Group's land sites to ensure that the Group's liquidity was maintained.

While there remains sufficient headroom under this scenario for all the financial covenants, a sale of the Group's land sites would enable the repayment of the RCF balance (as the RCF is drawn down against these assets). There would then be no requirement for the covenants to be tested.

Conclusion

Based on the thorough review and robust downside forecasting undertaken, and having not identified any material uncertainties that may cast any significant doubt, the Board is satisfied that the Group will be able to continue to trade for the period to 31 January 2025 and has therefore adopted the going concern basis in preparing the financial statements.

This strategic report, comprising pages 1 to 67, has been approved by the Board and signed on its behalf:

Alex Pease
Chief Executive Officer

23 January 2024

Sustainability

Our sustainability governance framework

Our approach to sustainability is underpinned by a robust governance framework, which ensures effective oversight of our strategy and its implementation, supported by policies and procedures embedded throughout the Group.

Audit Committee

Jointly with the Board, considers risks put forward by the Risk Committee at least annually.

Board of Directors

Endorses ESG strategy and receives updates from Executive Steering Group.

Has ultimate oversight of climate risks and opportunities through reports from the Risk Committee and ESG Steering Group.

Remuneration Committee

Considers and sets ESG objectives for the Executive Committee on an annual basis.

Risk Committee

Comprises all members of the Executive Committee

Meets regularly throughout the year to review any changes to the Company's risk profile, including climate-related risk.

ESG Steering Group

Comprises all members of the Executive Committee

Sets the ESG strategy and considers the associated costs, risks and opportunities.

Meets quarterly to assess progress against ESG targets and climate-related opportunities, and directs the work of the ESG Working Group.

ESG Working Group

Cross-functional group including Health & Safety, Procurement and Sustainability

Meets monthly to develop the Group's ESG approach, identify opportunities and ensure targets remain relevant and achievable. Recommends initiatives requiring investment to the ESG Steering Group.

Our Future People

Develops initiatives to recruit and retain the best talent, create a great place to work and keep our employees safe.

Our Future Places

Develops the design of our buildings, to create great places to live that enhance the communities around them.

Our Future Planet

Considers the design and use of materials for our developments, including environmental and social considerations.

Policies

Group policies can be found at **watkinjonesplc.com/investors/policies-procedures**

UN Sustainable Development Goals framework:

Potential for high positive impact

8 Decent work and economic growth; 11 Sustainable cities and communities

See Our Future People and Our Future Places

Potential for positive impact

5 Gender equality; 10 Reduced inequalities

See Our Future People

Responsibility to mitigate potential negative impact

6 Clean water and sanitation; 12 Responsible consumption and production; 13 Climate action; 15 Life on land; 16 Peace, justice and strong institutions

See Our Future People, Our Future Places and Our Future Planet

Sustainability continued

Our Future Foundations sustainability strategy

We have clear, measurable sustainability objectives aligned to our core business strategy, recognising that our long-term business success and sustainability are interdependent. We track these goals with performance indicators and regularly assess our progress.

Commitment

Our Future People

Create a great place to work, which celebrates diversity and inclusion, prioritises everyone's health and wellbeing and allows us to make a positive difference to the Group and society.

Key activities

- Continue work on equity, diversity and inclusion
- Expand our wellbeing curriculum
- Increase investment in learning
- Increase representation of minority groups
- Develop our community volunteering programme

Commitment

Our Future Places

Enhance customer experience and client satisfaction, by delivering buildings and services that meet their needs and are of the highest quality.

Key activities

- Focus on the use and layout of shared amenity space to enhance residents' experience
- Reduce carbon emissions (see below)
- Maintain and improve strong net promoter scores

Commitment

Our Future Planet

Minimise our environmental footprint and reduce carbon emissions by focusing on our supply chain, making our workplaces and developments more energy and water efficient, reducing waste and being innovative.

Key activities

- Reduce Scope 1 and 2 emissions by:
  - Transitioning to electric and hybrid company car fleet
  - Reviewing energy procurement
- Reduce Scope 3 emissions by:
  - Installing solar panels where suitable
  - Strengthening partnerships with key suppliers
  - Running environmental campaigns to raise awareness among Fresh residents
- Improve waste and water performance by:
  - Increasing diversion of waste from landfill
  - Reducing water consumption on sites

FY23 performance and highlights

- 73% employee engagement score (FY22: 75%)
- Voluntary staff turnover: 32%
- Group investment in learning: 9.3 days per employee
- Watkin Jones development businesses 24% female, Fresh 62% female
- Health and safety incident rate 4.9% of the national construction industry average at 131/100,000 employees (FY22: 175/100,000 employees and 6% of the average)

FY25 targets (unless specified)

- Group employee engagement rating: **80%**
- Voluntary staff turnover: **below 20%**
- Group investment in learning: **4.5 days per employee**
- Increase in under-represented groups: **to better reflect national profile**
- Inclusivity approach: **supported by recognised accreditations**
- Health and safety incident rate: **less than 5% of the national average**
- Employee volunteering: **5,000 hours annually**

FY23 performance and highlights

- Fresh customer net promoter score (NPS) of +35 (FY22: +34)
- Fresh client NPS of +37 (FY22: +47)
- 100% of PBSA schemes submitted for planning were rated BREEAM Excellent
- No BTR schemes submitted for planning in the period
- Average Considerate Constructors Scheme (CCS) score across all sites was 42 (Excellent)

FY25 targets (unless specified)

- Fresh NPS (customer): **+10**
- Fresh NPS (client): **+10**
- Design quality of student developments (BREEAM rating): **100% Excellent**
- Design quality of BTR developments (HQM): **4* by 2030**
- Wired score: **Silver**
- Considerate Constructors Scheme: **Very Good for all sites**

FY23 performance and highlights

- Scope 1 greenhouse gas emissions broadly flat on prior year
- 17% decrease in Scope 1 and Scope 2 emissions on a market basis and 16% increase on a location basis
- Sustainable heating solutions incorporated into design briefs
- 98.8% waste diverted from landfill (FY22: 97%)

FY25 targets (unless specified)

- Carbon reduction: **net zero scope 1 and 2 carbon emissions submit science-based targets, including for Scope 3 carbon emissions, in 2024**
- ISO 14001 accreditation in supply chain: **100% of main suppliers and subcontractors**[1]
- Car fleet: **full electric vehicle fleet by 2026**[1]
- Sustainable heating systems: **in all development designs by 2023**[1]
- Waste diversion from landfill (waste from construction sites diverted from landfill for reuse or recycling): **over 97.5%**[1]
- Waste produced (tonnes/m2 of gross internal area (GIA)): **continuous reduction on 2022 baseline**[1]
- Water consumption (corporate and development) (litres/m2 GIA): **10% reduction on 2021**

1. Target updated during the year, to reflect early achievement of original target or where previous target no longer aligns to our approach.

Sustainability continued

Our Future People

2023 performance

9.3
learning days per employee achieved

Zero
non-compliance events

32%
voluntary employee turnover

56
promotions

34%
reduction in minor H&S incidents

44%
female employees

We continued to implement a wide range of initiatives during the year, to enhance the way we manage and engage our people.

Engaging with our people

We have a wide range of people policies. Our employee engagement survey covers six areas: Health & Wellbeing, Irresistible Workplace, Leadership & Inspiration, Meaningful Work, Motivating Managers and Realising Potential. Our strongest scores were around good team relationships, working well together and setting high standards. Our average score was 73%, with a score above 70% being rated as positive, and our overall engagement score was 71%, down from 73% on the previous year.

As in previous years, we are holding sessions for each division and team to go through their results and their engagement drivers, as well as areas for improvement. Managers can also see the results for their area, to help them improve their own management practice. These actions support local ownership of results and drive our improvement priorities.

Health and safety

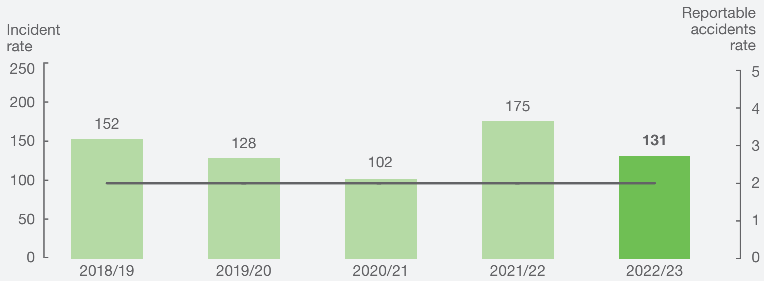
Health and safety is an absolute priority for us and our track record remains strong. We have a Group-wide health and safety policy, which provides a comprehensive description of responsibilities from Board level to the people working on sites. It also details the arrangements which form our robust health and safety management system.

Our annual incident rate was 131 per 100,000 employees (FY22: 175). This was a very good performance, at 4.9% of the industry average, compared with our FY25 target of less than 5%. We also reduced our minor (non-reportable) accident rate by 34% on the prior year.

In addition to our comprehensive business-as-usual training, we introduced courses to cater for new standards and requirements on site. We look to continuously improve our performance and highlight monthly focus areas, where we have identified the need for people to remain diligent.

During the year, we had several inspections by the Health and Safety Executive, resulting in positive feedback on our approach and processes.

For information on our approach to building safety, see page 49.



Incident rate: This is an HSE standard reporting metric, being the number of recorded incidents multiplied by 100,000 divided by the average number of full-time employees.

Reportable accidents rate: This is the absolute number of accidents reported by the Group to HSE in accordance with the RIDDOR regulations.

Gender diversity

At the year end, our gender diversity was as shown in the table below:

	2023		2022	
	Men	Women	Men	Women
Board	3	3	2	3
Senior management	48	9	50	9
Other employees	354	310	354	321
Total	405	322	386	323

Learning and development

During FY23, we considerably increased the average number of training days per employee to 9.3 days (FY22: 5.8 days), well ahead of our target of 4.5 days. This reflects our efforts to promote new apprenticeship programmes. While these have traditionally been seen as learning paths for young people, we have also taken the opportunity to upskill current employees. In FY23, the subjects being studied ranged from construction site management to accounting. Our apprenticeships also include leadership and management, building on our people's technical and professional skills by allowing them to learn about best practice and achieve a qualification.

We also created a new role of Professional Development Manager in FY23, to build awareness of relevant qualifications and frameworks, and support learners to be successful. Most of our vocational learners are engaged in construction-related qualifications but we have also enrolled colleagues in professional membership pathways, such as the Royal Institution of Chartered Surveyors and the Chartered Management Institute.

Looking forward, we are reviewing our training programmes in light of new competency requirements under the Building Safety Act, with a view to updating our induction programme and ensuring all relevant employees are appropriately trained.

We continued to run a wide range of operational and specialist training across the Group, including a new bespoke client relationship training programme in Fresh. Several other courses were introduced to help build personal effectiveness, ranging from report writing to conflict management. We also expanded our online learning to include whistleblowing, setting objectives and cyber security.

In FY24, we will launch a Group Leadership & Management Diploma and training in business continuity planning, as well as new vocational learning programmes in Fresh.

Recruitment and retention

Our voluntary turnover target is 20% by FY25. We remained above our target this year, driven principally by competition within the hospitality sector which impacts Fresh. More generally, the market for talent remains competitive, reflecting continued skills shortages in construction.

Nevertheless, we continue to attract the people we need and have used our in-house capabilities to further reduce our reliance on recruitment agencies in the last 12 months.

We also look to retain talented people by promoting from within and we were pleased to promote more than 50 colleagues during the year.

Equity, diversity and inclusion (EDI)

Fostering a diverse and inclusive workplace requires us to have accurate data on our workforce. We have therefore begun to collect EDI-related statistics.

Following improvements in FY22 to our HR policies and recruitment processes, and the launch of our diversity charter, our workforce is becoming more representative of national demographics. Of the employees who have provided their data so far, just over 11% identify as BAME (Black, Asian and Minority Ethnic).

The establishment of our EDI Champions across the business has been instrumental in supporting our activities and in FY23 we hosted more than 20 EDI events, such as celebrating International Women's and Men's Days, Pride Month, World Mental Health Day and Dyslexia Awareness Week.

Our monthly 'lunch and learn' sessions, along with other educational resources, cover a wide range of EDI topics, including menopause, mental health, testicular cancer and wellbeing.

The Group as a whole has a good gender balance, with 44% of our people being female and 56% male. This reflects the higher number of women in Fresh, including in senior roles. We continue to work to improve the gender balance in Watkin Jones, for example through our membership of Women in Construction. At the year end, our gender diversity was as shown in the table above.

We are a Disability Confident employer and a member of Stonewall.

Sustainability continued

Our Future People continued

Reward and recognition

Reward and recognition are important to having an engaged workforce. Reflecting the cost-of-living crisis, our pay reviews in FY23 often resulted in larger increases for employees who were below the average for their pay band. We also continued to provide money-saving offers through our Elevate platform. Other significant initiatives included launching a Sharesave scheme, so our people can have a stake in the business, and rolling out pension salary sacrifice to improve our reward package. Both saw strong take-up.

To improve recognition, we established the Star Awards, which recognise colleagues who have gone the extra mile. These award categories relate to business priorities such as health and safety, as well as reinforcing our aim to be a great place to work.

Wellbeing and mental health

We have continued to promote wellbeing and mental health. Initiatives during the year included launching a Wellbeing Centre on Elevate and running a busy calendar of events, covering physical, mental and financial health, and EDI topics. These activities sought to build awareness and engagement, provide learning and promote national campaigns. There were also many other informal events to help create a welcoming, friendly workplace, as well as 'lunch and learn' sessions, where our people heard from external providers and experts on wellbeing and equity, diversity and inclusion subjects.

We continued to offer on-site health checks, with ten site events taking place. Our provider has also introduced online health checks, to reach colleagues in regions where it has not been possible to arrange an on-site check.

Our people policies

We have a wide range of people policies covering maternity, paternity and adoption leave, equity and diversity, employee privacy, dignity at work, equal opportunities and grievance procedures. The aim of these policies is to ensure that we:

- have a work environment free of harassment and bullying, where everyone is treated with dignity and respect;
- provide equal employment opportunities and avoid unlawful discrimination in employment and against customers; and
- avoid any kind of discrimination on the basis of colour, race, nationality, ethnic background, language, religion, sex, age, marital status, sexuality or disability.

Our people can report policy compliance issues to their line manager or their HR manager. If the issue remains unresolved, we have a formal grievance procedure, as well as an external whistleblowing service, which allows our people to raise concerns anonymously and confidentially.

We did not identify any material non-compliance with our people policies during the year.

We give full consideration to employment applications from disabled persons. Where possible, we continue the employment of anyone who becomes disabled during employment and provide modifications to their environment where possible. Disabled employees receive equal opportunities for training, development and promotion.

Human rights

We have several policies covering human rights in our business and supply chain, including our anti-slavery and human trafficking policy.

Our Compliance Officer has primary responsibility for overseeing the anti-slavery and human trafficking policy, monitoring its use and effectiveness, dealing with any queries, and auditing internal control systems and procedures to ensure they are effective. We ensure all new and existing employees have training to understand their rights and responsibilities under our human rights-related policies. Anyone with concerns about slavery or human trafficking must raise them through their line manager, our Compliance Officer or through our whistleblowing procedures.

We are not aware of any material breaches of our human rights policies during the year.

Anti-bribery and corruption (ABC)

We have a detailed ABC policy, which is designed to give our people and third parties working for us sufficient knowledge to detect and prevent bribery and corruption, and guidance on where to seek advice. The policy is supported by practical examples of how to apply the rules.

Directors, managers and supervisors are personally responsible for monitoring compliance in respect of all business matters they manage or supervise and by everyone involved in those matters, including agents, joint ventures and contractors working for us.

Anyone with suspicions about an ABC policy violation must report it to their supervisor, manager or director, the Compliance Officer or the whistleblowing hotline. The Audit Committee receives an update on all whistleblowing submissions.

We are not aware of any breaches of the policy during the year.

Our Future Places

Steelworks, Sheffield

2023 performance

+35
resident net promoter score

+37
client net promoter score

Award wins
Health & Wellbeing Award at the Student Accommodation Awards 2023 and Best Private Student Housing Provider, Global Student Living Index, based on feedback from Fresh residents

We aim to deliver and operate the highest-quality buildings, which meet residents' and clients' evolving needs while benefiting our communities.

Delivering a great resident experience

We look to deliver a consistently great experience for residents. For students, being away from home can be stressful, so supporting their mental health and wellbeing is a key focus. Our support includes our Be wellbeing and lifestyle programme, which helps residents to settle in, make new friends and enjoy their time with us. In Fresh's BTR properties, the Belong programme provides clubs, socials and other events attuned to residents' interests and lifestyles.

The success of these programmes has helped Fresh to achieve very high net promoter scores from residents and win further national awards for its service quality.

Excellent connectivity is important for residents' lifestyles, including working from home. We were pleased to achieve WiredScore Portfolio accreditation, which acknowledges our best-in-class delivery of digital infrastructure. Watkin Jones is one of only a few developers and landlords to receive this award.

Sienna House, Sutton

Thames Quarter, Reading

Sustainability continued

Our Future Places continued

Delivering a great client experience

Maintaining a strong reputation with our clients is vital. We therefore set high standards in our Facilities Management Agreement and engage with clients to tailor our service for their needs, including ways to make properties more efficient and environmentally friendly. In our client survey, we achieved an NPS of +37 (FY22: +47).

Designing for sustainable performance

Our clients are increasingly focused on the sustainability of properties, so they remain fit for purpose for the long term.

The Building Research Establishment's Environmental Assessment Method (BREEAM) and the Home Quality Mark (HQM) assess a building's environmental performance and how it contributes to residents' wellbeing. Our design improvements mean that all new developments will now achieve either BREEAM Excellent or HQM four-star ratings, which we had originally targeted for 2025 and 2030 respectively.

During the year, we also reviewed all our architectural engineering practices, to make sure they fully understand what we are looking at from a sustainability perspective.

Innovation and continuous improvement

We embrace innovative approaches and technologies that can enhance our sustainability efforts. Some of our initiatives include:

- Continuing to adopt modern methods of construction, including prefabricating some elements of our buildings. This is quicker, safer and more efficient than traditional methods. For example, we have used bathroom pods for several years and we are currently adapting them to enhance their sustainability. We also introduced prefabricated service ducts during the year.
- Trialling the use of hydrotreated vegetable oil (HVO) fuel on one of our sites with a view to using it more widely to replace diesel. HVO fuel is made from 100% renewable and traceable raw materials such as waste cooking oil, residues and oily waste water. It can reduce carbon emissions by 90% against traditional diesel.
- Reviewing the composition of the concrete we use. Concrete is the most carbon-intensive material that we use; its main component, cement, is estimated to be responsible for at least 8% of the world's CO^2 emissions. We are exploring the use of a blended concrete which would use waste products and therefore offer a greener alternative. However, we are also conscious that these products need to be fully vetted to ensure they adhere to our safety standards.
- Exploring the use of window frames (a significant element of our building materials) which contain at least 75% of recycled post-consumer scrap. This significantly reduces carbon emissions compared to traditional frames and feeds into the circular economy.
- Developing further our use of air source heat pumps. When we developed our sustainability strategy, we targeted using air source heat pumps in all developments by FY23. The technology is moving quickly and we are adapting in response. For example, rather than using a central heat pump, we are looking at decentralised smaller units which are quicker to install and more energy efficient. We may also use other forms of sustainable heating, such as a district heating system. As a result, we have amended our target to require sustainable heating in all developments.

To ensure we continually improve and take advantage of such opportunities and innovation, we have formed a sustainability working group with representation from across the business. This group is reviewing all aspects of our products and services, as well as ensuring teams take a consistent approach and consider sustainability in everything we do. One current project involves improving the sustainability of the cabins we provide for our people on site, for example by adding photovoltaic panels, harvesting rainwater or electric vehicle charging.

More broadly, we are considering the principles of the circular economy, where materials are recovered, reused or recycled rather than being disposed of. This can take the form of reusing materials already present on our sites or assessing how the materials we purchase could be reused in future, so we can favour those with potential for circularity.

Benefiting our communities

We look to benefit the communities around our sites and minimise disruption.

BTR developments provide high-quality new homes, which help to relieve pressure on local housing. PBSA developments are also a good way of making homes previously occupied by students available for families. In addition, when obtaining planning consent for our developments, we often undertake improvements in the local area. This can range from providing affordable homes to contributions towards new schools.

To minimise disruption, we register our sites with the Considerate Constructors Scheme, which rates sites on criteria such as respecting the community, protecting the environment and worker safety. Our sites averaged an Excellent rating in FY23, well ahead of our Very Good target.

In Fresh-managed properties, local volunteering and connection with communities is a focus. In addition, we introduced our Reuse initiative this year which resulted in 75 households receiving items. Fresh continues to support the British Heart Foundation and Young Minds through fundraising and donations.

Ensuring building safety

The safety of the buildings we develop is paramount. Our developments comply with building and fire regulations, and we have rigorous fire safety management and maintenance regimes. We use consultants to conduct fire safety assessments and employ accredited subcontractors to undertake independent surveys of the work.

As regulations and guidance evolve, we proactively address issues. The Building Safety Act 2022 aims to protect leaseholders by extending developers' liability to remediate fire safety elements in buildings over 11 metres tall and up to 30 years old. In July 2023, new regulations under the Act came into force, establishing the government's Responsible Actors Scheme. This requires developers to address life-critical fire safety defects in these buildings and aims to ensure that responsible developers are not disadvantaged, compared to those who fail to do so. During the year, we signed up to the Scheme and provided a further £35 million for remedial works on legacy properties.

The Learning & Development team has also been working with our operational teams to ensure we are prepared for the Act's requirements relating to competency and training. This includes developing our capability in setting out, monitoring and assessing professional competence, and introducing an application which contains a full competence framework and a platform for recording working objectives, performance reviews and learning and development plans.

Managing our supply chain

Our supply chain is crucial to delivering our schemes. During the year, we introduced further improvements to our procurement process, including reducing our supplier base from around 1,500 companies to a core of around 180. This enables us to engage more effectively and develop long-term partnerships.

New contractors go through a rigorous pre-qualification process, including considering their quality, sustainability and financial performance. We then encourage continuous improvement by using a bespoke system to record and communicate defects directly to suppliers. This improves efficiency and ensures accountability.

We want our subcontractors and suppliers to join us on our sustainability journey. Our target is for our major supply chain partners to have ISO 14001 accredited environmental management systems by FY25. Where this is not feasible for smaller suppliers, we are signposting them to a consultancy so they can gain a better understanding of environmental management.

We are increasingly focused on transparency in our supply chain, to ensure that sustainable practices are upheld throughout. We regularly audit key suppliers and engage with them to understand where they are sourcing their products and review the supporting certifications. In addition, we are introducing a code of conduct for suppliers, to formalise the standards we expect from them.

Sustainability continued

Our Future Planet

Sienna House, Sutton

2023 performance

17%
decrease in scope 1 and 2 emissions on a market basis energy consumption (kWh)

98.8%
waste diverted from landfill

Improving our environmental performance is important to our long-term success.

Future planet

The environmental impacts of our corporate, development and management activities mainly occur through waste disposal, water and energy use, and carbon emissions. Our development activities can also impact local habitats.

Our institutional clients are increasingly focused on their environmental responsibilities as well as operational running costs and they want buildings that are energy efficient that will remain fit for purpose for the long term. Their growing focus on sustainability helps to underpin demand for our products, as they replace older and less sustainable buildings.

We are looking at leveraging our experience in building safety and design to offer a refurbishment solution for asset owners. This would create more energy efficient, better quality, safer buildings which meet residents' needs.

Improving performance through design

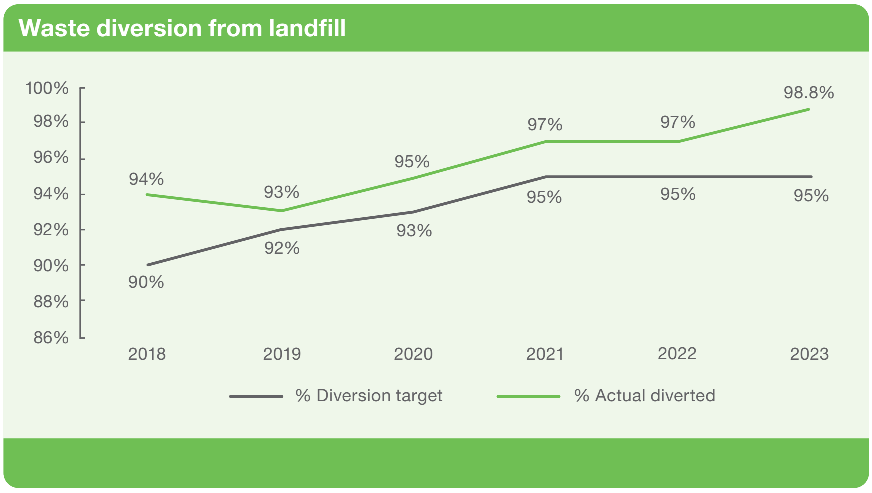
Where possible, we also use options such as combined heating and power supplies, solar photovoltaic cells, air source heat pumps and other sustainable heating solutions, to keep energy use as low as possible.

Waste

We monitor waste management on site and carry out checks on our own and our contractors' waste carriers and environmental permits. We recycle timber on site and segregate and divert timber waste for recycling away from landfill sites. We only use sustainable sources for our timber used on sites.

In addition, we focus on ways to reduce waste production in the first place. For example, increased use of off-site assembly and other modern methods of construction will help to reduce waste production on site.

Our target was to increase the amount of waste diverted from landfill to 95% by FY25. Having already exceeded this, we have increased our FY25 target to 97.5%. In FY23, 98.8% of our waste was diverted from landfill; we will reconsider our target further if we can maintain this improvement.



Sienna House, Sutton

Water

We continually monitor our water use so we can address any increase. We use water-efficient components in our offices and temporary facilities on sites and use water recycling technology where possible.

Our buildings are designed in accordance with BREEAM Wat 01. Bathroom pods are fitted with dual flush toilet cisterns, aerated basin taps and eco showerheads which are all fully compliant with BREEAM water-saving design standards. We also install leak detection systems and surface water attenuation (a sustainable drainage system) on some of our projects.

Biodiversity

The majority of our developments are on brownfield sites, which reduces their potential impact on biodiversity. However, we still commission ecological appraisals of our development sites, to ensure we do not negatively affect existing habitats, and produce an environmental impact report for each project, detailing specific measures to be taken to protect the surrounding environment.

While our developments often have limited space around them for enhancing biodiversity, we look to design our buildings to maximise the biodiversity benefits, such as using roof space for planting.

Our environmental policies

Our environmental policy statement sets out our commitment to protecting the environment, preventing pollution, and monitoring and reducing the impact of our operations on the environment and local communities. The policy requires us to work with our clients to promote best-practice environmental management techniques and with our suppliers to ensure strong environmental supply chain management and to promote sustainable sourcing of products and materials.

We also have a separate policy covering our approach to waste management. This details our process for minimising waste production and requires us to use registered and approved contractors for waste management services.

We ensure compliance with our environmental policies by:

- implementing environmental management systems, in accordance with our ISO 14001 accreditation;
- developing objectives, supported by detailed targets, to manage potentially significant environmental aspects;
- developing meaningful key performance indicators to measure resource use, waste and emissions, and to promote environmental best practice; and
- providing training to staff and subcontractors.

As an ISO 14001 accredited company, our environmental policy and waste monitoring procedures are well established and we are regularly audited by the British Standards Institute to ensure we comply.

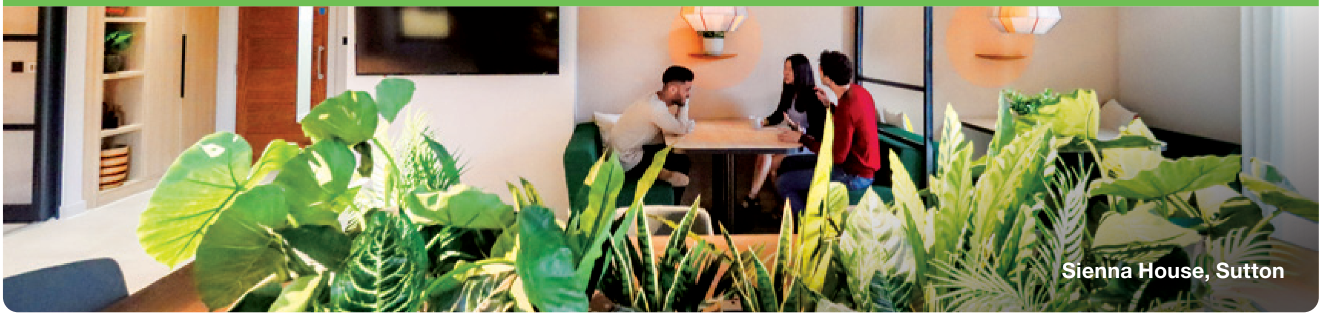
Streamlined Energy and Carbon Reporting

Energy consumption (kWh)[1]		2022/23	2021/22	Variance
Scope 1: Combustion of fuel and operation of facilities	Natural gas	276,609	123,278	+124%
	Direct transport	2,916,860	3,060,176	-5%
	White diesel	3,188,320	1,573,824	+103
	Red diesel	—	1,367,268	—
	Hydrotreated vegetable oil	91,604	—	—
	Total scope 1	6,473,393	6,124,546	+6%
Scope 2: Electricity purchased	Total electricity	2,550,189	1,306,475	+95
Total scope 1 and 2 energy consumption		9,023,582	7,431,021	+21%

1. Energy from electricity, natural gas, white diesel, red diesel (used for off-road equipment such as cranes and generators), hydrotreated vegetable oil and direct transport fuel have been included. We have used the conversion factors published in the 2023 Defra GHG conversion factors for company reporting.

Sustainability continued

Our Future Planet continued



Sienna House, Sutton

Streamlined Energy and Carbon Reporting continued

Greenhouse gas (GHG) emissions (tonnes CO_2e)[1]		2022/23	2021/22	Variance
Scope 1: Combustion of fuel and operation of facilities	Natural gas	51	23	+122%
	Direct transport	663	723	-8%
	White diesel	762	380	+101%
	Red diesel	—	355	—
	Hydrotreated vegetable oil	0.3	—	—
	Total scope 1	1,476	1,481	—
Scope 2: Electricity purchased and heat and steam generated	Location based	528	253	+109%
	Market based	1	289	—
Location based	Total scope 1 and 2 emissions	2,004	1,733	+16%
Market based	Total scope 1 and 2 emissions	1,477	1,769	-17%

Intensity metric assessment (tonnes CO_2e/£m revenue)	2022/23	2021/22	Variance
Intensity ratio[1]	4.9	4.4	+11%

1. We have used the GHG Protocol Corporate Accounting and Reporting Standards (Revised) methodology to calculate our emissions. No mandatory emissions have been excluded.

The Company launched its Future Foundations programme in November 2021. This brings together all our activities into one strategy to help make us a more sustainable and responsible business. The three pillars of our Future Foundations strategy are: Future People, Future Places and Future Planet. We review how we build and what we build to ensure we are minimising our environmental impact, and are further assessing ways to reduce carbon emissions across our business.
For example:

- our company car list has been revised to hybrid and electric vehicles;
- our Procurement function continues to rationalise our supplier base, set out a supplier framework and select suppliers with suitable environmental accreditations;
- we have outsourced our plant supply to take advantage of more environmentally friendly items of plant and equipment;
- we are trialling hydrotreated vegetable oil as an alternative to diesel;
- we have sourced alternatives to red diesel; and
- we are increasing our use of renewable energy sources for our site accommodation and task lighting.

Non-financial and sustainability information statement

The table below sets out the information required to be disclosed under sections 414CA and 414CB Companies Act 2006 and where it can be found in this annual report.

Reporting requirement	Policies and standards	Relevant information necessary to understand our business and its impact	Page

Environmental matters	• Environmental policy statement[1]
	• Waste management policy[1]
	• ISO 14001 accreditation
		• Sustainability report
		  • Carbon emissions
		  • Waste diversion from landfill
		• Section 172 statement
			Pages 41 to 52 and 62 to 67

Employees	• Health and safety policy[1] • Equity, diversity and inclusion policy • Whistleblowing policy[1] • Dignity at work policy • Family friendly policy • Agile working policy • Employee handbook	• Sustainability report • Section 172 statement	Pages 41 to 52 and 62 to 67
Social matters	• Corporate social responsibility policy • Health and safety policy[1]	• Sustainability report • Section 172 statement	Pages 41 to 52 and 62 to 67
Human rights	• Anti-slavery and human trafficking policy[1] • Code of conduct • Anti-bribery and corruption policy[1] • Equity, diversity and inclusion policy	• Sustainability report	Pages 41 to 52
Anti-corruption and anti-bribery matters	• Anti-bribery and corruption policy[1] • Gifts and hospitality policy	• Sustainability report	Pages 41 to 52
Principal risks and impact on business activity	N/A	• Principal risks and uncertainties	Pages 28 to 40
Description of business model	N/A	• Our business model	Pages 8 and 9
Non-financial key performance indicators	N/A	• Key performance indicators • Sustainability report • Section 172 statement	Pages 16 and 17, 41 to 52 and 62 to 67

1. Our latest policies are available at **watkinjonesplc.com/investors/policies-procedures**

Non-financial and sustainability information statement continued

We recognise the global climate emergency and the risks and opportunities posed by climate change to the Group's business model and strategy.

In this report, we disclose for the first time how we manage our climate-related financial risks and opportunities and what impact these risks and opportunities could have on the Company. This follows the implementation of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (CFD). The CFD contains eight disclosure requirements related to governance, strategy, risk management, and metrics and targets.

The climate-related disclosures set out below are consistent with the disclosures required by the CFD, although we aim to refine our CFD report over time.

We recognise that climate change poses a growing challenge for our business. We take seriously our role in tackling climate change, noting that while our ultimate purpose of providing residential housing fulfils a social need, construction activities and energy inefficient buildings can have a significant impact on the environment.

We are in the process of submitting our science-based targets for validation by the Science Based Targets initiative and this, together with the refinement of our climate-related risks and opportunities, will further inform the next stage of our roadmap to net zero and our strategic resilience to climate change.

01. Governance

Describe the Company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.

At an operational level, the ESG Working Group identifies climate-related opportunities to improve the Group's operations. The ESG Working Group is cross-functional and includes attendees from Group Procurement, Health & Safety, Building Specification and Design, Sustainability and Fresh. It generally meets monthly to review progress.

The ESG Working Group's activities are directed and overseen by the ESG Steering Group, which comprises all members of the Executive Committee. The ESG Steering Group meets quarterly.

The Risk Committee, which comprises all members of the Executive Committee, is responsible for identifying and considering climate-related risks.

The Risk Committee oversees the Company's risk management process and puts forward the Company's principal risks, including climate-related risks as appropriate, for review by the Audit Committee and subsequently for approval by the Board. The Risk Committee meets regularly throughout the year.

The Board has ultimate oversight of climate-related risks and opportunities through reports from both the Risk Committee and the ESG Steering Group. The Board receives a specific update on ESG matters at least every six months which details the output from the ESG Steering Group. As stated above, it also considers and approves the climate-related risks put forward by the Risk Committee at least annually.

Our sustainability governance framework is set out on page 41.

02. Strategy

Describe:

i) the principal climate-related risks and opportunities arising in connection with the operations of the company and the time periods by reference to which those risks and opportunities are assessed; and

ii) the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company and analyse the resilience of the business model and strategy, taking into consideration different climate-related scenarios.

Our review of risks and opportunities

We reviewed our climate-related risks and opportunities during the year. As part of our review, we considered the transitional and physical risks and opportunities presented by rising temperatures, climate-related policy and emerging technologies. Physical risks arise out of the physical aspects of climate change. These can be event-driven (acute) or long-term shifts (chronic) in climate patterns.

Transition risks are those which arise from the transition to a lower-carbon economy, such as policy changes or the costs of transitioning to lower emission equipment. Opportunities relate to benefits arising from new policies or operational efficiencies, capitalising on the low-carbon market and technological drivers.

Time horizons

We considered climate-related risks and opportunities over the short, medium and long term. For the purposes of our assessment, the time horizons we used were as follows:

- Short term: present day to 2027
- Medium term: from 2028 to 2033
- Long term: from 2034 to 2050

We selected these time horizons to assess climate risk as they allow for slow emerging climate-related risks to be captured. The timeframes for the short and medium terms were chosen to align with our project lifecycles from site identification to end of construction, allowing for the prioritisation of risks and opportunities to be included within operational and financial planning.

The long-term timeframe allows for longer-term planning of key climate-related risks.

Climate scenario analysis

To further understand and explore how potential climate risks and opportunities could evolve and impact our business over the medium to longer term, we then undertook a climate scenario analysis, considering three scenarios. Climate scenarios provide a plausible forward-looking view of how different types of climate-related risks and opportunities may impact the Company under different levels of global warming and states of transition to a low-carbon world. Using climate-related scenarios developed by the Network for Greening the Financial System (NGFS), we considered the resilience of our business model and strategy by stress-testing key climate-related risks and opportunities.

Scenario	Description	Impact on business model and strategy	Assumptions
Net Zero 2050 (1.5°C)	Sudden shift towards low-carbon economy that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050.	Physical risks are relatively low, but transition risks are high.	Ambitious climate policies are introduced immediately. Net CO_2 emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century.
Delayed Transition (2°C)	Global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited.	Transition and physical risks are higher than the Net Zero 2050 scenario.	New climate policies are introduced in 2030. The availability of carbon dioxide removal technologies is low, pushing carbon prices higher than in the Net Zero 2050 scenario. Emissions decline after 2030 to ensure a 67% chance of limiting global warming to below 2°C.
Current Policies (3°C)	This tests our resilience under a world with high warming and physical change as current measures are insufficient. Current Policies assumes that only currently implemented policies are preserved.	High physical risks and little transitional risks.	We continue on our current path to a hothouse world without any significant mitigation. Emissions grow until 2080, leading to about 3°C of warming and severe physical risks. This includes irreversible changes such as rising sea levels.

Non-financial and sustainability information statement continued

Climate-related risks

The most relevant climate-related risks identified are summarised below.

Risk type	Risk	Potential impact	Most impactful time horizon/climate scenario	Mitigation/response
Physical – chronic	Reduction in land availability for future development due to climate change impacts, e.g. rising sea levels and flooding.	• Higher land prices due to increased competition for land, in particular greenfield sites.	**Current Policies scenario** Land availability is likely to be reduced most in the medium to long term by more extreme flooding and competition for greenfield sites.	• Stringent review by Investment Committee on environmental risks and mitigations. • Generally developments are in city centre locations rather than greenfield sites.
Physical – acute	Extreme weather events may disrupt our supply chain, meaning we are unable to source raw materials.	• Reduced revenue, increased costs and financial penalties as a result of project delays. • Increased cost of raw materials. • Reputational damage.	**Current Policies scenario** Without significant climate action, extreme weather events become increasingly frequent and severe in the medium to long term which means supply chain disruption is more likely.	• We have assessed and rationalised our supplier base to reduce our exposure to single points of failure and ensure that we have appropriate coverage in all areas, with a view to building long-term partnerships with preferred suppliers. This should reduce the risk of disruption in our supply chain and enable us to achieve cost and efficiency savings. • Our supply chain is predominantly domestic, with limited reliance on non-UK manufacturing. We are also able to ringfence stock due to our partnership arrangements. • Our internal delivery model means we can flex programmes in response to certain delays without penalty.
Physical – acute	Extreme weather events such as flooding or heatwave may damage our sites, prevent site access or disrupt/delay construction, and/or cause disruption in energy and fuel supply.	• Reduced revenue, increased costs and financial penalties as a result of project delays. • Increased costs of keeping sites safe. • Site insurance premiums are increased. • Reduced availability of insurance on assets in higher-risk locations. • Reputational damage.	**Current Policies scenario** Without significant climate action, extreme weather events become increasingly frequent and severe in the medium to long term which means increased disruption to our construction operations.	• Development is based solely in the UK. • Our developments have a level of contingency in place to cover (amongst other things) weather-related delays, most commonly for weather-sensitive works such as working at height.

Risk type	Risk	Potential impact	Most impactful time horizon/climate scenario	Mitigation/response
Transition – policy	Reduction in land availability for future development due to factors such as: • Governmental policies. • Environmental restrictions.	• Higher land prices due to increased competition for land, in particular greenfield sites. • Higher cost of complying with environmental and planning regulations.	**Net Zero 2050 scenario** Stringent government policy to protect greenfield sites reduces land available for construction in the long term.	• Development is generally on brownfield sites which are less likely to be subject to development restrictions. • Stringent review by Investment Committee on environmental, political and planning risks and mitigations. • Development of more efficient specification will help unlock developments that may otherwise be cost prohibitive.
Transition – policy	Introduction of stricter UK environmental laws, regulations and reporting standards.	• Increased costs of raw materials as suppliers pass on costs of compliance. • Increased costs of resourcing to ensure compliance with a range of new requirements. • Regulatory fines for non-compliance. • Reputational impact of non-compliance.	**Delayed Transition scenario** In the long term, this could see increased and urgent demand from government, regulators and investors to better understand the Company's risk exposure and mitigation plans.	• We closely monitor the implementation of relevant policies or regulations to identify potential impacts. • Direct relationships with suppliers ensure we are able to discuss impact early, including product substitutions where relevant. • Major material prices are often fixed for duration of specific developments due to the supply commitment with particular manufacturers and distributors.
Transition – policy	Increasing introduction of carbon pricing mechanisms.	• Increased costs of raw materials as suppliers pass on costs. • Reduced margin if these costs cannot be passed on.	**Net Zero 2050 scenario** This assumes that carbon pricing mechanisms expand to further jurisdictions and become mandatory in the medium to long term.	• We constantly monitor the cost of raw materials with regard to inflation and we have a committee that meets quarterly to assess allowances for build cost inflation. We would expand this focus to carbon pricing where appropriate. • The rationalisation of our supplier base to shift to long-term partnerships with preferred suppliers should enable us to leverage our relationships to achieve cost efficiencies. This rationalisation also includes the products themselves.

Non-financial and sustainability information statemen continued

Climate-related risks continued

Risk type	Risk	Potential impact	Most impactful time horizon/climate scenario	Mitigation/response
Transition – technology	Transition to lower emission equipment and fuels leads to a supply/ demand imbalance with lower availability of equipment as the pace of research and development into lower emission equipment and fuels doesn't match the high rate of adoption.	• Increased cost of hiring or purchasing equipment. • Project delays due to lack of available lower emission equipment. • Failure to meet pledges or targets as higher emission kit has to be used to complete projects.	**Delayed Transition and Current Policies scenarios** The impact is moderate across all time horizons. In the short to medium term, upfront costs of transitioning to lower-carbon alternatives may be higher and a lack of investment in low-carbon technology hinders a reduction in green premiums.	• We outsourced the provision of plant and machinery in FY22 to ensure the use of newer, more environmentally friendly cranes, general plant and tools without capital investment. We also look to use electric tools where possible which are quieter and more energy efficient. • We also removed traditional petrol and diesel-powered vehicles from our company car policy as far as possible in favour of hybrid and electric vehicles. • We are trialling the use of hydrotreated vegetable oil fuel and will assess the suitability of its use across our pipeline. • We have a direct relationship with our fuel supplier to monitor availability and cost.
Transition	Continued reliance on fossil fuels/non-renewable energy could lead to energy price volatility and power outages.	• Increased costs due to global energy prices increasing. • Disruption of business operations due to power outages or lack of supply security.	**Current Policies scenario** Without government legislation to phase out fossil fuels or decarbonise the energy grid, global supply of gas, oil and coal will likely struggle to keep up with demand in the long term as availability decreases, pushing the cost of fossil fuels up.	• As outlined above, we have moved towards using newer, more environmentally friendly plant, machinery and tools where possible. This means the plant we use is much newer and more efficient. We regularly review with our supplier partners the appropriateness of tools that either harness solar power or run on electricity. • We also removed traditional petrol and diesel-powered vehicles from our company car policy as far as possible in favour of hybrid and electric vehicles. • As stated above, we are trialling the use of hydrotreated vegetable oil fuel on one of our sites.

Resilience of our business model and strategy under these climate scenarios

The risk analysis shows that the risks identified are more likely to present themselves in the medium to long term. This indicates that our business model is resilient in the short term but less resilient in the medium to long term unless we pursue mitigating actions such as the ones set out on the previous pages. While the need to decarbonise the economy under the Net Zero 2050 and Delayed Transition scenarios may expose us to a high risk of transition costs, increased energy and carbon pricing and additional compliance requirements, the Current Policies scenario could lead to longer-term risk around extreme weather events, disrupting the supply of raw materials as well as causing project delays and site damage. We will continue to monitor the potential impacts of climate change on our strategy and further develop mitigating actions where appropriate.

While we forward sell our developments rather than hold them as asset owners, our clients are extremely focused on the energy efficiency of those buildings. As such, our building specification includes items such as air source heat pumps, measures to save water, and solar PV panels where appropriate. Our sustainability report outlines the targets we set with regard to the environmental quality of our developments.

We expect to submit our science-based targets to the SBTi for validation during 2024; this will confirm the resilience of our sustainability strategy.

Climate-related opportunities

Opportunity type	Opportunity	Potential benefit	Time horizon/climate scenario	Response
Transition – policy	Invest in the use of recycled inputs.	• Reduces reliance on virgin raw materials. • Reduces energy consumption. • Increased competitive advantage. • Positive reputational impact.	The opportunity is greatest in the Net Zero 2050 scenario in the medium to long term, as government regulation increases the construction industry's demand for recycled raw materials, resulting in increased supply.	• As part of our aim to reduce Scope 3 emissions, we are working with our subcontractors to create a more sustainable concrete mix. This will include the utilisation of waste by-products. • Our new window specification uses 75% post-consumer scrap in its production and is 100% recyclable at demolition stage, creating a circular economy.
Transition – policy	Enrolment in energy efficiency programmes.	• Cost reduction. • Improved efficiency of equipment and assets. • Positive reputational impact.	The opportunity is greatest in the Net Zero 2050 scenario in the medium to long term, as stringent government regulation will increase the construction industry's demand for recycled raw materials, resulting in increased supply.	• We are producing an end-of-life report as part of our science-based targets submission, outlining materials that can be reused post demolition.

Non-financial and sustainability information statement continued

Climate-related opportunities continued

Opportunity type	Opportunity	Potential benefit	Time horizon/climate scenario	Response
Transition – technology	Working with suppliers with more efficient processes could decrease consumption within Watkin Jones operations, potentially achieving cost savings and efficiencies.	• Cost reduction. • Improved efficiency of equipment and assets. • Increased competitive advantage.	The opportunity is greatest in the Net Zero 2050 scenario in the medium to long term, as regulation and demand drive suppliers to identify efficiencies and opportunities that are passed on. The greater the drive for action across business and across society, the greater the opportunity for efficiencies to benefit Watkin Jones.	• Several initiatives are underway to decrease consumption and waste, including the use of modular kitchens in addition to bathrooms. • Our mechanical and electrical (M&E) specification uses no natural gas and relies on air source heat pumps. • We have an internal target of BREEAM Excellent on all developments with gap analysis underway to ascertain the possibility of BREEAM Outstanding in the medium term. • We have increased our diversion to landfill target to 97.5% with work underway to ascertain how we can get to 100%. We are trialling building management technologies designed to help future operators ensure no unnecessary heating of buildings. Our M&E specification, when combined with solar photovoltaic and ancillary products, makes our developments inherently more efficient going forward. • Our Refresh programme is designed to help increase the efficiency of existing assets, whether built by Watkin Jones or third parties. This includes elements such as LED lighting, heating controls and water consumption.

03. Risk management

Describe how the Company identifies, assesses and manages climate-related risks and opportunities

Climate-related risks are embedded within our integrated Group risk management framework and any risks identified are subject to the same process and managed in line with all other risks.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the overall risk management process in the Company

The Risk Committee conducts deep dives of each principal risk throughout the year. It conducts a formal assessment of the key risks annually. Climate-related risks are discussed as part of that process and informally through the ESG Steering Group.

The output of climate-related risk assessments is considered by the Board during its review of the Company's principal risks.

The Board approves a detailed corporate risk register, which identifies the principal risks, reviews assurance about the management of those risks, and assesses the Group's risk appetite for particular categories of risk, to assess whether the principal risks are being mitigated against to an acceptable level.

The Group's strategic risk register is then reviewed at a joint meeting of the Board and Audit Committee for each of the Group's principal risks.

While elements of climate-related risks are present in our principal risks, climate change itself is not currently considered to be a principal risk.

Our risk management framework and processes are set out in more detail on pages 28 to 40.

04. Metrics and targets

Describe:

i) the targets used by the Company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and

ii) the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities.

Our current KPIs and targets are set out on page 43. These relate to carbon reduction (measurement of Scope 1 and Scope 2 emissions), design quality of our developments and waste diversion from landfill. Our streamlined energy and carbon disclosures are set out on pages 51 and 52.

We expect to submit our science-based targets for validation by the SBTi in 2024. This will further inform our carbon reduction roadmap towards achieving our targets.

Our stakeholders

We maintain constructive dialogue with our stakeholders, to help us build trust and make choices that help shape our role in society.

Employees

Key stakeholder issues
- Health, safety and wellbeing
- Learning and development
- Diversity and inclusion
- Recognition and reward

Why we engaged
Having highly engaged and motivated employees is central to building our pipeline and delivering high-quality developments safely and on time.

We continue to build a respectful and inclusive culture, with opportunities for career growth and continuous learning.

Institutional clients

Key stakeholder issues
- Quality
- On-time delivery
- Track record
- Value for money
- Sustainability

Why we engaged
We need to understand the types of development and locations that are attractive to clients, so we can develop assets that meet their investment criteria.

Residents

Key stakeholder issues
- Customer service
- Value for money
- Wellbeing
- Sustainability

Why we engaged
Understanding our residents' needs helps us to provide great customer service. It also forms the basis of our design and innovation for future developments and helps to ensure high levels of occupancy for our institutional clients.

Key metrics

- Employee engagement: 73%

How we engaged during FY23

We ran our employee engagement survey for the third year and discussed feedback and proposed actions with the Board.

We also communicated and gathered feedback through our employee forum, as well as via meetings, appraisals, newsletters, our intranet and Yammer.

We engaged with employees on our financial performance via emails, following our trading updates, half-year and full-year results.

In November 2022, we entered into an employee consultation about restructuring some areas of the business and reducing the number of roles in some teams.

What we learned

The strongest scores in our employee engagement survey were around good team relationships, working well together and setting high standards.

We have further work to do on improving collaboration. As part of our consultation, we restructured some functions to streamline our ways of working and create a more co-ordinated approach.

Key metrics

- Forward funding transactions: £500 million of pipeline currently forward sold
- Client net promoter score: +37

How we engaged during FY23

We met with clients formally and informally at a variety of levels, including when marketing assets.

We held client breakfasts for Fresh clients with guest speakers.

We also regularly sent clients newsletters, agent updates and news on the industry or legislation.

What we learned

Great emphasis continued to be put on the environmental efficiency of future developments, both for the schemes we develop and the schemes we manage. Clients are likely to own these assets long term so they need to be as efficient as possible to maximise their returns. This informs our ESG strategy.

We won the BTR Specialist Award at the national Estate Gazette Awards for the quality of our design, approach to ESG standards and the best-in-class service offered to residents.

Key metrics

- Resident net promoter score: +35

How we engaged during FY23

Fresh's on-site teams engage directly with residents every day.

We continued to promote our Be wellbeing and lifestyle programme.

We continued to recruit student ambassadors throughout our schemes, to research what our residents want and bring forward ideas for improvement.

What we learned

Fresh received extremely positive feedback, winning a number of respected industry awards based on student survey responses. We also achieved a very high resident satisfaction rating with a net promoter score of +35.

Our stakeholders continued

Supply chain

Key stakeholder issues

- Health and safety
- Build cost inflation
- Prompt payment
- Partnership
- Environment

Why we engaged

Our subcontractors and suppliers provide the skilled people and materials to construct our developments. A sustainable supply chain is therefore crucial to delivering our schemes.

Through collaboration, partnership and careful management, we simplify our construction process, reduce risk, improve quality and generate cost, maintenance and environmental benefits.

Shareholders

Key stakeholder issues

- Financial performance
- Balance sheet strength and liquidity
- Return on investment – share price growth or dividends
- Sustainability

Why we engaged

Our shareholders rely on us to manage their investment responsibly and sustainably and expect to be kept well informed about our progress.

We want shareholders to understand our strategy and performance so they can accurately assess our value.

Communities

Key stakeholder issues

- Considerate construction
- Environment
- Health, safety and wellbeing
- Sustainable communities
- Charitable giving
- Availability of modern, fit for purpose housing

Why we engaged

We want to be a good neighbour and deliver real value to our local communities through our developments. This can include providing benefits to local communities as a condition of receiving planning.

Our charitable fund aims to support a wide range of projects with a particular emphasis on enhancing the physical environment and improving quality of life for local people.

Key metrics
- Quality assurance reports
- Prompt payment

How we engaged during FY23
Our focus continued to be on build cost inflation and partnership during the year. We support our supply chain partners as much as possible through advance procurement, on-site support, prompt payment and, in particular, proactive communication.

To this end, we held a supplier conference to strengthen our supplier relationships and set out our sustainability ambitions. We also assisted those suppliers who wish to work towards ISO 14001 accreditation by signposting them to approved consultants.

We are implementing a supplier code of conduct and regularly audit key suppliers.

What we learned
The construction industry has been heavily impacted by supply chain disruption and build cost inflation in the past two years. This has highlighted how important it is to have trusted supply chain partners. We have rationalised our supplier base to ensure that we have appropriate coverage in all areas, with a view to then building further on the long-term relationships with these suppliers and leverage our relationships to achieve cost and efficiency savings.

Key metrics
- Share price
- Dividend payments

How we engaged during FY23
We held investor roadshows after the half-year, the full-year results and the trading update in July 2023. We also held a number of one-to-one calls and meetings and the annual general meeting.

Investor feedback on meetings is provided to the Board for consideration at least twice a year.

What we learned
Discussions with shareholders centred on the financial performance, cash generation, alternative revenue streams, the recovery profile of the forward fund market and the business model.

Key metrics
- Considerate Constructors Scheme (CCS) ratings

How we engaged during FY23
All our construction sites are registered with the CCS, which means they are externally monitored against criteria such as respecting the community, protecting the environment and worker safety. Each site sends out a monthly newsletter to keep the local community informed of how the scheme is progressing and upcoming works.

Talent Tap, the social mobility charity, is our partner for employee volunteering. It aims to strengthen employment potential in young people from social mobility cold spots by enabling access to professional industries. We provided mentoring to support students on the programme.

What we learned
Construction work can have a significant impact on our neighbours if not carried out respectfully.

We are increasingly using quieter, more environmentally friendly electric tools having outsourced our plant and machinery – this means that our construction sites are less noisy and produce fewer emissions.

Section 172 statement

The Group's long-term success depends on our ability to create value for our stakeholders.

The engagement activities set out on pages 62 to 65 enable us to understand what matters most to our stakeholders and how key decisions will affect them. The Board receives an update from the Executive Directors at each Board meeting about any substantial engagement with shareholders and institutional clients.

The Chief Executive Officer also updates the Board at each meeting on key employee, health and safety, and ESG matters. The business case for each potential investment opportunity contains a Section 172(1) appraisal that explicitly addresses how the investment will impact stakeholders.

The Board considers the matters set out in Section 172(1) of the Companies Act 2006 when making decisions. The matters the Board is required to take into account under s172(1) are set out below and examples of key decisions made by the Board and details of its decision-making process are set out opposite.

Matter	Response
a) The likely consequence of any decision in the long term.	The process of identifying a site for development through to construction and handover to institutional clients takes several years, so our investments are inherently long term. In addition, we operate in markets driven by long-term demographic and social trends. The Board is therefore cognisant that the decisions it makes today will have a far-reaching impact on the Group. As such, it carefully considers the implications of its decisions and judgements.
b) The interests of our employees.	Our colleagues are key to our success. Our employee engagement survey enables us to understand what is important to them. The Board sets the Group's culture and has a rigorous focus on key issues affecting employees, such as health and safety, wellbeing and reward.
c) The need to foster business relationships with suppliers, customers and others.	The Group relies on delivering consistently for institutional clients and our supply chain plays a significant role in achieving this. The Board therefore takes a close interest in our relationships with these groups, through reports and presentations from the Executive Directors and other members of the leadership team. See stakeholder engagement on pages 62 to 65.
d) The impact of our operations on the community and environment.	The Group's ESG strategy, Future Foundations, provides a solid base from which to manage our environmental impact and community relations. See the sustainability report on pages 41 to 52. The Board has ultimate responsibility for endorsing our ESG strategy and receives updates from the Executive Steering Group.
e) The desirability of maintaining a reputation for high standards of business conduct.	The Group relies heavily on its reputation and the Board therefore prioritises taking constructive action to resolve issues when they arise. The Group's actions on remediating cladding and fire safety issues continue to demonstrate this. The Group also has robust policies and controls in relation to protecting human rights and preventing bribery and corruption (see page 46).
f) The need to act fairly between our shareholders.	When taking decisions, the Board looks to act in the interests of shareholders as a whole and to ensure all shareholders are fairly treated. None of the Group's major shareholders are represented on the Board, ensuring that no shareholder or group of shareholders has undue influence on the Board's decisions. The Executive Directors are required to build up a shareholding of 200% of salary, helping to align their interests with shareholders as a group.

Key decisions during the year

Building safety provision

The Board is firmly of the view that individual leaseholders should not be burdened with the costs of fire safety remediation.

In light of the Building Safety Act, which aims to protect leaseholders by extending developers' liability for buildings over 11 metres tall and up to 30 years old, in May 2022 the Board approved a provision to fund fire safety improvement works for certain developments built by the Company.

Following the introduction of secondary legislation in July 2023 that provided greater clarity on the scope and approach of the Building Safety Act in relation to leasehold buildings, the Group formally signed up to the Responsible Actors' Scheme (RAS) in December 2023. This requires us to:

- take responsibility for all necessary work to address life-critical fire safety-defects arising from the design and construction of buildings 11 metres and over in height that we developed or refurbished in England over the 30 years to 4 April 2022;
- keep residents in those buildings informed about progress towards meeting this commitment; and
- reimburse the government for the cost of remedial works where leaseholders have accessed the government's Building Safety Fund to remediate their properties.

As a result of signing the RAS and a number of other factors, the Board decided to increase the provision by an additional £35 million in FY23. These other factors included:

- greater access to the properties identified as being at risk and related documentation, including conducting further intrusive surveys, receiving fire safety reports;
- updated cost estimates;
- further experience of scoping and completing works; and
- the evolution of settlement agreements with building owners during the year.

To give us greater comfort as to the level of provision, we engaged an independent consultant to assess the scope and cost of our remedial works on relevant properties to ensure that our approach was appropriate.

Cash management

Given the lower level of forward sales and the challenging market during FY23, one of the Board's main areas of focus was on cash management.

In managing the Company's cash position during the year, the Board:

- decided to accelerate the sale of three non-core private rented sector assets which, although crystallising a book loss on disposal, generated cash of £11 million in the year;
- reviewed expenditure on enabling works for schemes that had not been forward sold, pausing works where appropriate until the viability of the schemes was clearer;
- extended the maturity of the Company's bank facility to November 2025;
- agreed a restructuring of the workforce early in FY23 and in the summer of 2023 to deliver annualised savings of £4 million; and
- decided not to pay a final dividend to shareholders.

As a result, at the year end, we had gross cash of £72.4 million, adjusted net cash of £43.9 million and total available facilities of £103.6 million. The Board is therefore satisfied that the Group remains soundly financed.

Change in Chief Executive Officer

In July 2023, we announced that Richard Simpson would be stepping down as Chief Executive Officer and from the Board with immediate effect. In making this decision, the Board weighed up the performance of the Group at that time and how it expected the market to evolve over the short to medium term. In light of this, the Board decided that fresh leadership and perspective was needed.

Following Richard's departure, the Committee recommended, and the Board agreed, that Alex Pease, Chief Investment Officer, take on the role of Interim Chief Executive Officer.

Having made this decision, the Nomination Committee commenced a search for suitable external candidates against these criteria, with Alex Pease included as an internal candidate.

Following interviews with a number of external candidates, the Board, on the Nomination Committee's recommendation, appointed Alex as Chief Executive Officer on a permanent basis, having taking into account his effective leadership during his tenure as Interim Chief Executive Officer, his knowledge of the business and its markets, and his ability to think strategically around the longer-term direction of the Group.

Governance

What's in this section?

Governance

Chair's introduction

Alan Giddins
Chair

Board of Directors:

Alan Giddins
Chair

Alex Pease
Chief Executive Officer

Sarah Sergeant
Chief Financial Officer

Rachel Addison
Independent Non-Executive Director

Liz Reilly
Independent Non-Executive Director

Francis Salway
Independent Non-Executive Director

Dear Shareholder

I am pleased to introduce this corporate governance report which sets out our key areas of focus during the year.

Building safety

The Group's first priority will always be the safety of our buildings and the people who live in them. Following the introduction of the Building Safety Act in 2022, the Group undertook a review of all buildings over 11 metres developed over the last 30 years, having previously only been contractually liable for properties built within the last 12 years. This resulted in the business recognising an additional exceptional charge in FY22 of £30.4 million for potential costs of remediation work.

As with the rest of the housebuilding and construction industry, we have had to continually reassess over the last 12 months the level of our financial exposure to reflect both the evolution of the government's legislation and our updated assessment as we get a more detailed picture of the properties covered and the likely remediation costs. As a result, the provision was increased by £35 million, resulting in an exceptional charge for the year.

As part of the Audit Committee's assessment of the appropriateness of the provision, the Company appointed an external consultant in building safety and project management to provide an independent assessment of our remedial cost provision.

Board changes

Richard Simpson stepped down as Chief Executive Officer and from the Board in July 2023. The Nomination Committee subsequently appointed Teneo to conduct a search for a replacement. Having conducted a thorough process which encompassed a number of external candidates and an internal candidate, in November 2023 the Committee recommended the appointment of Alex Pease as Chief Executive Officer. Further information on the Committee's search process can be found on pages 80 and 81.

Risk assessment

Our assessment of risk continued to be important given the ongoing challenges in the forward fund market, cost inflation of build materials, rising interest rates and general macroeconomic uncertainties facing the UK.

The bow-tie methodology we use for our principal risks enables us to assess preventative measures and recovery barriers for specific scenarios. Further information can be found in the risk management and principal risks section on pages 28 to 40 and in the Audit Committee report on pages 76 to 79.

QCA Code

The corporate governance statement and Committee reports on the following pages explain our approach to governance.

The Board follows the principles set out in the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). A summary of how we have complied with the principles is set out on page 75. There are no significant areas where our governance structures and practices differ from the QCA Code's expectations.

The Board notes the publication of the 2023 QCA Code which will apply to the Company for its FY25 annual report and will work towards complying with the updated principles in due course.

A complete index of the disclosures required by the 2018 QCA Code, including those on the Company's website, can be found at **watkinjonesplc.com/investors/corporate-governance**.

Alan Giddins
Chair

23 January 2024

Board of Directors

Alan Giddins
Chair
Appointed to the Board:
19 July 2021

Skills and experience
- Extensive investment expertise gained principally in private equity and investment banking environments and more recently in social impact investment.
- Substantial leadership and board experience, including as chair.
- Qualified chartered accountant with a degree in economics.

Other current appointments
Chair of Hill & Smith PLC, a FTSE 250 company, and non-executive director and investment committee member of Big Society Capital.

Past appointments
Managing Partner and Global Head of Private Equity at 3i Group plc. Member of its executive and investment committees which included board appointments to Audley Travel, Mayborn Group, Foster + Partners and Element Materials Technology.

Alex Pease
Chief Executive Officer
Appointed to the Board:
10 October 2022

Skills and experience
- Extensive knowledge of the property sector.
- Strong relationships with institutional investors.
- Joined Watkin Jones in 2010, appointed as Group Investment Director in 2013 and Chief Investment Officer in 2022.
- Spent six years in the Savills Residential Investment team specialising in brokerage, consultancy and valuation across all residential asset classes.
- Qualified chartered surveyor (MRICS).

Other current appointments
N/A

Past appointments
N/A

Sarah Sergeant
Chief Financial Officer
Appointed to the Board:
6 October 2021

Skills and experience
- Considerable financial, strategic and operational experience across a range of commercial organisations.
- Thirteen-year tenure at Compass Group PLC, latterly as Chief Financial Officer of the UK & Ireland; prior to this, held a number of senior finance and operational roles including Group Financial Controller, M&A Director and CFO of the Asia Pacific region.
- Qualified chartered accountant.

Other current appointments
Young & Co's Brewery plc.

Past appointments
N/A

Liz Reilly
Independent Non-Executive Director
Appointed to the Board:
21 January 2019

Skills and experience
- Over 20 years of executive experience in organisational design and development, talent management, reward and cultural transformation in large-scale UK businesses, including J Sainsbury plc, FCC Environment and latterly SEGRO plc.
- Developed knowledge of the real estate sector during 11 years as Group Human Resources Director of FTSE 100 listed SEGRO PLC which owns, manages and develops modern warehousing and light industrial property across the UK and Continental Europe.

Other current appointments
Wates Group Ltd.

Past appointments
Retail Human Resources Director for J Sainsbury plc.

Group Human Resources Director for FCC UK Environmental (previously the Waste Recycling Group).

Rachel Addison
Independent Non-Executive Director
Appointed to the Board:
1 April 2022

Skills and experience
- Nearly 30 years of finance experience.
- Has held a number of senior financial, operational and board-level roles across different sectors.
- Experience in mergers and acquisitions, integration, business transformation and risk management.
- Qualified chartered accountant.

Other current appointments
Non-Executive Director of Marlowe plc, Gamma Communications plc, Hollywood Bowl Group plc and Wates Group Ltd.

Past appointments
Chief Financial Officer at Future plc and TI Media Ltd.

Managing Director for Reach Regionals and both CFO and COO for Local World Ltd and Northcliffe Media Ltd.

Head of Risk Management at Boots the Chemist. Non-Executive Director at Hyve Group plc and Mango Publishing Group.

Francis Salway
Independent Non-Executive Director
Appointed to the Board:
10 October 2022

Skills and experience
- Brings a wealth of property expertise to the Board.
- Leadership experience in large UK-listed businesses.
- Knowledge of affordable housing having been chair of Town and Country Housing Association.

Other current appointments
Non-executive director of Cadogan Group Limited which owns and manages the Cadogan Estate in Chelsea.

Past appointments
Chief Executive of Land Securities plc, then the country’s largest commercial property company, between 2004 and 2012.

Non-Executive Director of NEXT plc.

Corporate governance

Board structure

The Board is responsible for the overall leadership of the Group and setting its values and standards. It comprises the Chair, two Executive Directors and three independent Non-Executive Directors. Their biographies can be found on pages 70 and 71.

The Chair and Chief Executive Officer have separate, clearly defined roles. The Chair is responsible for leading the Board, setting the agenda for Board meetings (with the Company Secretary) and for ensuring the Board operates effectively, by promoting a culture of openness and robust discussion.

The Chief Executive Officer is responsible for setting and implementing the Group's strategy, for leading and developing the executive team and for managing the Group's day-to-day operations, taking account of the objectives, policies and risk appetite set by the Board.

Board meetings

The Board meets regularly to consider strategy, performance, internal control matters and material investment decisions. To enable the Board to discharge its duties, all Directors receive appropriate and timely information, including briefing papers distributed in advance of Board meetings.

These papers include reports from the Chief Executive Officer and the Chief Financial Officer, as well as reports on investor relations and corporate governance.

The Company Secretary produces minutes of each meeting, including actions to be taken. The Chair then follows up each action at the next meeting.

Only the Non-Executive Directors are members of the Board committees. Alex Pease and Sarah Sergeant are invited to attend Committee meetings as required to assist with the matters discussed.

Attendance at meetings

The table below sets out the number of formal Board and Committee meetings attended by each Director during FY23. While the Executive Directors are not members of the Board committees, they are invited to attend meetings as required. Further details on management attendance are set out in the relevant committee reports.

	Board (16 meetings)	Audit Committee (8 meetings)	Remuneration Committee (7 meetings)	Nomination Committee (2 meetings)
Alan Giddins	16	8	7	2
Alex Pease[1]	16	–	–	–
Richard Simpson[2]	14/14	–	–	–
Sarah Sergeant	16	–	–	–
Rachel Addison	16	8	7	2
Liz Reilly	16	8	7	2
Francis Salway[3]	16	8	7	2

1. Appointed 10 October 2022.
2. Stood down from the Board on 18 July 2023; actual attendance/maximum number of meetings Richard Simpson could attend.
3. Appointed 10 October 2022.

Matters reserved for the Board

Matters reserved for the Board for its decision include:

- approving the Group's strategic objectives;
- reviewing performance against the Group's strategic objectives and business plans;
- overseeing the Group's operations;
- approving changes to the Group's capital, corporate or control structures;
- approving results announcements and the annual report and accounts;
- approving the dividend policy;
- declaring the interim dividend and recommending the final dividend;
- approving the treasury policy;
- approving the Group's risk appetite and principal risk statements;
- reviewing the effectiveness of the Group's risk and control processes;
- approving major capital projects and material contracts or arrangements;
- approving delegated levels of authority;
- approving changes to the Board and its committees; and
- approving all Board mandated policies.

In particular, during the year we:

- approved the disposal of three non-core private residential sector operational assets;
- considered the post-completion reviews of the Group's developments delivered during the year;
- approved an interim dividend; and
- approved a five-year business plan.

Advice for Directors

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

Re-election of Directors

The Board's policy is for all Directors to seek re-election each year and as a result, all of the Directors will be standing for re-election at the forthcoming AGM.

Directors' time commitments

All the Non-Executive Directors are required to devote sufficient time to Watkin Jones to enable the Board to discharge its duties effectively. This includes preparation for and attendance at scheduled Board and committee meetings, as well as ad hoc meetings or calls as required. The Board confirms that each of the Non-Executive Directors can commit the necessary time to fulfil their roles.

Directors' training

All the Directors look to keep their skills and experience up to date. We benefit from briefings, presentations and papers provided by our advisers and other professional services firms, covering topics such as new regulations, developments in corporate governance and emerging best practice. The Non-Executive Directors also benefit from the interaction with the other boards they sit on, providing us with a range of different perspectives we can apply to Watkin Jones.

Board effectiveness

The last external evaluation was conducted in 2019. The Board considered the need for an external evaluation exercise during the year but concluded that maximum value would be gained from undertaking the exercise early in 2024 given recent Board changes. An internal performance evaluation was conducted in November 2022 and key outputs were shared with the Board.

Corporate governance continued

Board effectiveness continued

In terms of key actions coming out of the review, these were:

Proposed action	How we addressed it
Re-evaluate the Company's business model against a macroeconomic environment of higher interest rates, increased volatility and recession to identify any enhancements.	We assessed the appropriateness of different models, including asset ownership, equity funds and joint ventures. While we noted those structures would decrease volatility to some extent, we concluded that our current business model remained the correct one at the present time. However, we continue to assess structures such as joint ventures on a case-by-case basis when evaluating our assets for divestment.
Provide greater visibility of senior management team to the Board following recent Executive Director appointment.	We invited senior management to present at Board meetings as well as arranging informal gatherings.
In addition to routine discussions around principal risks, consider best format for additional touchpoints on risk.	We identified heightened areas of risk in the year, including the building safety provision and supplier risk, and included those areas as standing items on the Board agenda.

Board committees

The Board has established Audit, Nomination and Remuneration Committees, which operate under written terms of reference. The reports of these committees can be found on pages 76 to 89.

Terms of reference

The terms of reference for the Board and the committees can be found at **watkinjonesplc.com/investors/corporate-governance**.

Internal controls

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

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

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

KPMG provides internal audit services to the Group. More information can be found in the Audit Committee report on page 77. The need for an internal audit function is kept under review and currently the Board considers that the Company is of sufficient size to merit the appointment of a third party to provide this service. As well as a robust and independent perspective, KPMG provides specialist expertise which assists management in developing its risk register and ensuring that controls are operating effectively.

Relations with shareholders

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

During the year, the Executive Directors continued their programme of meetings with existing and potential shareholders. The Board was kept informed about shareholders' views after these meetings by feedback from the Company's corporate brokers. Alan Giddins also met with a number of the Group's major shareholders to gauge their views on the performance and management of the Company.

In addition to the above, the Group looks to keep investors informed through regulatory announcements of important newsflow, including forward sales of developments, planning permissions received and sites acquired.

Annual general meeting (AGM)

The Company's AGM will be held at 10.30am on 29 February 2024. The Notice of Meeting, setting out the resolutions proposed, is contained in a separate document and is available on the Group's website, **watkinjonesplc.com**.

Quoted Companies Alliance (QCA) Corporate Governance Code

The Company adopted the QCA Code on the basis that it is the corporate governance code most suited to the requirements and size of the business. Set out below is a summary of how we have complied with the ten principles of the QCA Code during the year and where to find further information.

Principle	Approach
01 – Establish a strategy and business model which promote long-term value for shareholders	• Our strategy is to deliver sustainable growth as a leading developer and manager of residential for rent assets in the UK. Our strategic objectives are based on growth, operational excellence and responsible operations. • Our business model uses a capital-light forward sale model to minimise risk and provide clear visibility on future revenues. • See pages 14 and 15 for details of our strategic progress during the year and pages 8 and 9 for details of our business model.
02 – Seek to understand and meet shareholder needs and expectations	• Our Executive Directors held calls and meetings with shareholders following our half-year results, full-year results and trading updates. As Chair, Alan Giddins met with major shareholders. We held an in-person AGM to which shareholders were invited.
03 – Take into account wider stakeholder and social responsibilities and their implications for long-term success to promote long-term value for shareholders	• Operating responsibly is a key strand of our strategy. Our strategic framework, Future Foundations, helps us manage our approach to ESG initiatives based around three themes – our people, our places and our planet. • During the year, we continued to partner with Talent Tap, a social mobility charity, on our employee volunteering programme. • Our section 172)1) statement on page 66 and our sustainability report on pages 41 to 52 set out more information on how we take into account wider stakeholders and social responsibilities.
04 – Embed effective risk management, considering both opportunities and threats, throughout the organisation	• Details of our risk management processes and our principal risks are set out on pages 28 to 40. • We have identified our principal risks and considered the level of risk the Board is willing to accept to achieve the Group's business objectives.
05 – Maintain the Board as a well-functioning, balanced team led by the Chair	• The Board comprises the Chair, two Executive Directors and three independent Non-Executive Directors. Biographies of the Directors can be found on pages 70 and 71. • The Non-Executive Directors are considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement in accordance with the QCA Code. • The Chair and Chief Executive Officer have separate, clearly defined roles. The Chair is responsible for leading the Board and for ensuring the Board operates effectively. The Chief Executive Officer is responsible for setting and implementing the Group's strategy, for leading and developing the executive team and for managing the Group's day-to-day operations, taking account of the objectives, policies and risk appetite set by the Board.
06 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	• During FY23, we recruited one Executive Director and one Non-Executive Director to the Board. A detailed profile of the experience, skills and capabilities needed for each role was agreed by the Nomination Committee to ensure the Board was sufficiently balanced and had the appropriate expertise. • The Board received training on new legislation as well as market updates during the year.
07 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	• An internal Board effectiveness review was carried out during the year. Details of the outcome of this review can be found on pages 73 and 74. The Board intends to conduct an external review in FY24.
08 – Promote a culture that is based on ethical values and behaviours	• Our corporate culture – what our values are and how we behave – is integral to the success of the Company. • A key theme of our Future Foundations framework is to create an engaged and motivated workforce that acts with the highest standards of ethics and integrity. We conducted our third annual employee engagement survey during the year, with themes around leadership and inspiration, realising potential, motivation and health and wellbeing. For more details, please see page 44 of our sustainability report.
09 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	• The Group has suitable and robust governance structures and policies in place. • Our Board is balanced between Executive Directors and independent Non-Executive Directors, excluding the Chair. The Board has a defined schedule of matters reserved to it. We have a delegated authorities matrix which sets out limits and authorities for approving a number of matters; this is reviewed annually by the Board to ensure it remains appropriate. • Only the Non-Executive Directors are members of the Board committees, although the CEO and CFO are invited to attend meetings where appropriate to assist with the matters discussed.
10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	• Our Executive Directors held calls and meetings with shareholders following our half-year results, full-year results and trading updates. • See pages 62 to 65 for details of how we engaged with our stakeholders during the year.

Audit Committee report

Rachel Addison
Chair of the Audit Committee

Committee members:

Rachel Addison (Chair)

Alan Giddins

Liz Reilly

Francis Salway
(from 10 October 2022)

The Chair of the Company is a member of the Committee. The Board considers this appropriate as Alan Giddins possesses extensive business experience and knowledge of financial markets which enables him to play a full and valuable role on the Committee. The composition of the Committee will be kept under review during FY24.

The CEO, CFO, the external audit engagement partner, the internal auditor and other members of senior management are invited to attend Committee meetings as necessary. The Secretary to the Committee is Kerry Watson, Company Secretary.

External auditor: Deloitte LLP (since 2022)

Internal auditor: KPMG (since 2018)

Committee responsibilities

- Overseeing the accounting principles, policies and practices adopted by the Company.
- Overseeing the external financial reporting and associated announcements.
- Overseeing the appointment, independence, effectiveness and remuneration of the Company's external auditor, including the supply of non-audit services.
- Reviewing and challenging the risk identification and mitigation processes.
- Monitoring the quality of the Company's internal controls.
- Ensuring the establishment and oversight of fraud prevention arrangements and reports under the whistleblowing policy.
- Liaising with and reviewing the work of the Group's internal and external auditors.
- Providing advice to the Board on whether the annual report and accounts, when taken as a whole, is fair, balanced and understandable and provides all the necessary information for shareholders to assess the Company's performance, business model and strategy.

The Audit Committee's duties and responsibilities are set out in full in its terms of reference which are available on the Company's website at **watkinjonesplc.com/investors/corporate-governance**. The terms of reference were reviewed by the Committee during the year and no changes were proposed.

The Committee met eight times in FY23, with meetings generally timed to coincide with the financial and reporting cycles of the Company. Attendance at these meetings is set out in the table on page 72.

The Committee meets with the external auditor without management being present at least twice a year. The Chair of the Committee speaks individually with the internal and external auditors before every scheduled Audit Committee meeting to ensure that all appropriate matters are notified to the Committee and members. The Chair of the Committee also holds regular meetings with the CFO (who has responsibility and custody of the internal control framework).

The Chair reports to the Board on Committee proceedings after each meeting. Committee papers and minutes are made available to all members of the Board.

The Board is satisfied that the Chair of the Committee has the necessary recent and relevant financial experience to chair the Audit Committee.

Dear shareholder

On behalf of the Board, I am pleased to present the Audit Committee report for FY23. The Committee has an important role to play in providing independent oversight and safeguarding shareholders' interests. In fulfilling this role, we considered the following matters during the year.

Risk management

The Board has overall responsibility for determining the nature and extent of its principal and emerging risks and the extent of the Company's risk appetite, and for reviewing the effectiveness of the Company's system of risk management and internal control. The Committee ensures effective and sufficient coverage of financial reporting risks within the Company's risk management process.

The Company's principal risks are summarised on pages 28 to 39. The Board has identified the Company's risk appetite in relation to each of those risks and this position is reviewed annually at a joint meeting of the Board and Audit Committee.

Management continued to apply the 'bow-tie' methodology to manage the Company's principal risks. It used the methodology to analyse risk scenarios, identify process barriers to reduce the probability of the event crystallising, and identify ways to reduce the consequences should the event occur.

The Executive Committee conducted deep dives on each of the risks to consider those mechanisms and agree actions to improve them further. The output was then presented at a joint meeting of the Board and Audit Committee for discussion in November 2023. The Board approved the risk profile.

The internal control framework and its effectiveness are discussed on page 74.

Internal audit

The internal audit function was outsourced to KPMG in January 2018. KPMG's role as internal auditor is to provide independent and objective assurance to the Committee and senior management on matters set out in the internal audit plan.

The internal audit director attends all scheduled meetings of the Committee and further meetings with the Committee Chair without management present.

During the year, KPMG presented the internal audit plan and resourcing requirements. The Committee received updates on progress against the plan, which included a summary of results of any completed audits and any changes to the plan. Internal audit reports were provided by KPMG in relation to human resources and data privacy. Recommendations in relation to those areas were accepted.

The Committee closely monitors management's response to actions identified in the reports. It also monitors open actions to ensure management are supported to progress these in a timely manner. In addition, KPMG reviews the effectiveness of the implementation of recommended improved controls and reports to the Committee on their findings.

The effectiveness of KPMG was assessed during the year, taking into account the audit plan, the mechanisms in place for escalating issues to senior management or the Committee, their objectivity and independence, the quality and clarity of their reports, the credibility of their recommendations, the resources at their disposal and value for money.

Having considered those factors, the Committee confirmed that it was satisfied with the effectiveness of KPMG as internal auditor.

Significant accounting risks and judgements made in the annual financial statements

As a Committee, we reviewed the key accounting matters with reference to areas of higher risk, areas that would have the most significant potential impact on performance and areas involving significant judgement:

Area	Action
Revenue recognition The Company enters into long-term contracts to develop properties. Recognition of long-term contract revenue and profit is made on a percentage completion basis. Various assumptions are made within the development appraisals when determining the period in which revenue should be recognised. For forward sold developments, the amount recognised is dependent on the estimated costs to complete. There is a risk that the amount recognised is incorrect if the estimated costs to complete are inaccurate.	We considered the estimates and assumptions made by management and were satisfied that the process and controls in place around the estimates of costs to complete were robust. Deloitte confirmed that they had evaluated the design of key controls around the stage of completion for revenue recognition on ongoing PBSA and BTR developments. They summarised the work undertaken to challenge revenue, including substantive testing of key inputs and assumptions to the contract assessments and attendance at divisional performance review meetings, and noted no significant issues.

Audit Committee report continued

Significant accounting risks and judgements made in the annual financial statements continued

Area	Action
Remediation costs in relation to legacy properties The Company has taken a further net exceptional provision of £35.0 million in relation to fire safety remediation costs. This was in addition to an unutilised provision of £33.4 million at the end of FY22. The Committee recognised the extensive work undertaken by the Company to address known remediation issues, conclude negotiations with regard to contributions to work undertaken or required, and estimate the scope and costs of future works required for properties within the provision. This is a highly complex area with judgements and estimates in respect of the cost of remedial works, the methodology to be used in agreeing remedial solutions, and the scope of applicable guidance and legislation, which continues to evolve.	The Committee accepted the recommendation from management to join the Responsible Actors Scheme (RAS). We challenged management's approach with regard to the assessment of risk factors across the property portfolio and their assessment of the scope of buildings within the provision. We also challenged the assumptions applied to determine remediation costs, including cost estimates as well as inflation and discounting assumptions. To assist with our assessment, we considered the report of an independent consultant with expertise in building safety and project management. We also considered the clarity and completeness of the associated disclosures. The combined net unutilised provision at the year end is £54.7 million. We are satisfied with the approach of assessing and quantifying the provision and the accounting treatment and disclosures thereof.
Land and work in progress valuation The valuation of inventories requires significant judgement by management over anticipated revenues and forecast development costs. There is a risk that the carrying value of the land and work in progress balances reported within inventories are overstated. During the period an impairment charge of £5.5 million was recognised in respect of non-core land bank assets and early-stage opportunities which were strategically aborted in response to volatile market conditions.	The Committee reviewed the Company's clear accounting policies for these valuations, the reduction of risk in the sale price by using a forward sale model, the impairments made during the year, and the output from the audit activities of Deloitte, including their challenge of the valuation of the Group's development sites that had not been forward sold. The Committee was satisfied with the judgements made.
Impairment testing for leased investment properties This encompasses four legacy student accommodation assets that were sold and leased back. Assumptions relate to discount rates, investment yields and operating income (taking into account occupancy rates, income inflation and cost inflation). No impairment was proposed for FY23 by management.	The Committee reviewed the assumptions made by management, noting that: • occupancy rates had recovered to pre-pandemic levels and the rates assumed by management are considered appropriate; • management considered it to be appropriately prudent to maintain discount rates at the same level as last year; and • a downside scenario sensitising discount rates, occupancy rates and rental growth continued to show headroom. We are satisfied with the position, as reported by management, that no impairment is required.
Impairment testing for intangible assets relating to Fresh The Group holds intangible assets relating to Fresh of £1.7 million in customer relationships, £0.1 million in brand and £9.7 million in goodwill. No impairment was proposed for FY23 by management.	The Committee reviewed the assumptions made by management as part of the impairment assessment, noting that: • the forecasts, terminal value and discount rate assumptions adopted by management in assessing the recoverable value of goodwill appear reasonable, with substantial headroom; and • sensitivities applied to this analysis over revenue and discount rate continue to show headroom. We are satisfied with the position, as reported by management, that no impairment is required.

External audit

Deloitte was appointed as the Company's auditor for FY22.

We have reviewed the effectiveness of the FY23 external audit process and assessed Deloitte's continuing independence.

The Committee and the Board continue to be comfortable that Deloitte is independent and that the audit service provided is effective. We have recommended to the Board that Deloitte be re-appointed as external auditor and this resolution will be proposed to shareholders at the 2024 AGM.

The Committee approved Deloitte's audit fees.

During the year, Deloitte's audit of the Company's 2022 financial statements was reviewed by an Audit Quality Review team from the Financial Reporting Council. The review was assessed as "limited improvements required" with only one issue raised in respect of the building safety provision, which has been addressed during 2023 audit procedures.

Non-audit services

The Company's policy on non-audit services was last updated in 2020 to take account of the FRC's Revised Ethical Standards. Whilst not specifically applicable to AIM-listed companies, the Audit Committee has decided that it wishes to follow the principle provided for in the European Audit Regulation and Directive, and has set a limit to the amount of fees which may be incurred in any one year for non-audit services. Fees for non-audit services may not exceed 70% of the average of the Group's statutory audit fees over the previous three years.

Deloitte did no chargeable work for the Company other than the audit.

Consideration of the final year-end audit report

The Committee reviewed the external auditor's plans for the full-year audit and then met with Deloitte and reviewed their report on the year-end results. Reporting materiality, which was set by the auditor at 0.6% of revenue, equated to £2.4 million, with audit differences over £0.12 million reported to the Committee.

Annual report and financial statements

The Committee reviewed the annual report and other financial statements during the year to ensure that they were fair, balanced and understandable. It then recommended those reports to the Board for approval.

Going concern statement

The Committee reviewed the going concern statement set out on page 40 and confirmed its satisfaction with the methodology, including the appropriateness of sensitivity testing. The Committee debated possible downside scenarios and how the Board would react to various circumstances. The Committee recommended the Board accept the going concern statement.

Other matters considered by the Committee

Dividends

The Committee reviewed the proposed interim dividend, the capacity of the Company to pay such dividends from distributable reserves and its appropriateness, and recommended its payment to the Board.

Whistleblowing

The Committee reviewed the Company's whistleblowing arrangements. Details of any calls received to the external whistleblowing hotline, as well as matters raised through other channels, are reported to the Committee. In order to satisfy itself as to the effectiveness of the whistleblowing arrangements and the culture of the Company, questions are included as part of the annual employee engagement survey as to whether employees know how to raise concerns and whether they feel safe to speak up if they have concerns. Both questions received strong positive scores.

Unit-based annual bonus

The Committee approved the payment of the unit-based annual bonus, applicable to those below senior management. The bonus scheme has historically been paid in December before the accounts are signed off. This is a legacy scheme, which is widely regarded as a Christmas bonus, and management believes that it is important to pay it in December rather than wait until January when the accounts are approved. The Committee received an interim update from the external auditor and from management indicating that the audit was advanced and progressing well.

The Committee approved the profit estimate for use in this bonus. The impact of any likely error in the profit forecast on the bonus is unlikely to be material, given the scaling and size of the bonus scheme. This scheme is not open to senior executives or Directors (whose bonus scheme is approved only after the accounts have been finalised).

Performance

The Committee's performance was reviewed in November 2022 and it was felt to be operating effectively. It will next be considered as part of the external Board evaluation process to take place in early 2024.

Looking forward

As well as the regular cycle of matters that the Committee schedules for consideration each year, we plan over the next 12 months to:

- continue to monitor legislative and regulatory changes that may impact the work of the Committee;
- consider a range of topics for Committee training; and
- continue to review the documented framework for key internal control procedures and policies.

Rachel Addison
Chair of the Audit Committee

23 January 2024

Nomination Committee report

Alan Giddins
Chair of the Nomination Committee

Committee members:

Alan Giddins (Chair)

Liz Reilly

Rachel Addison

Francis Salway
(from 10 October 2022)

The Chief Executive Officer is invited to attend Committee meetings, as appropriate. The Secretary to the Committee is Kerry Watson, Company Secretary.

Bath Junction, Bath

Committee responsibilities

The Committee is responsible for succession planning and appointments at Board level, oversight of appointments and succession planning at the Executive Committee and making recommendations to the Board on the composition of Board committees.

In FY23, the Committee met on two occasions. Attendance at these meetings is set out in the table on page 72.

Dear shareholder

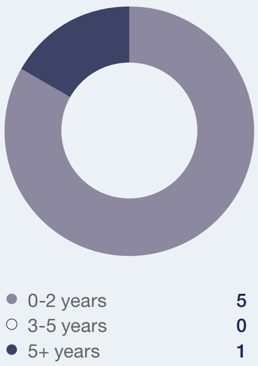
The appointment and retention of talented individuals is key to the success of the Group. This report explains the work of the Committee during the financial year.

Appointment of Chief Executive Officer

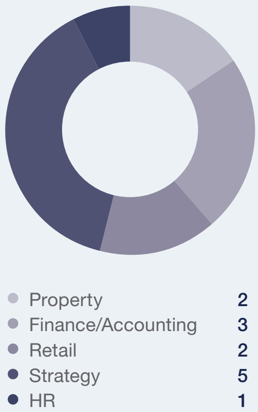
In July 2023, we announced that Richard Simpson would be stepping down as Chief Executive Officer and from the Board with immediate effect. Following Richard's departure, the Committee recommended, and the Board agreed, that Alex Pease, Chief Investment Officer, take on the role of Interim Chief Executive Officer.

The process for identifying a successor to Richard Simpson commenced with the agreement of a detailed brief for the role and objective criteria against which candidates would be assessed. Key candidate criteria included proven leadership in a capital intensive industry, strong commercial experience and a background in property or construction. Teneo was engaged to conduct a search for suitable external candidates against these criteria, having received positive feedback from previous recruitment processes. Alex Pease was included in the process as an internal candidate.

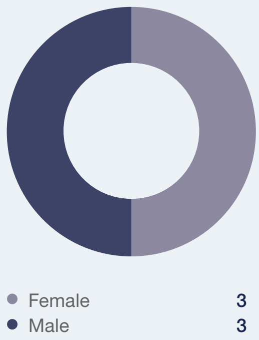
Tenure – as at January 2024



Experience – as at January 2024



Gender – as at January 2024



Teneo drew up a long list of external candidates based on the agreed candidate profile. Eight candidates were taken through to a first round interview, conducted by a combination of Alan Giddins, Francis Salway and Liz Reilly. Following first round interviews, two candidates were taken forward to second round interviews with all Non-Executive Directors and one external candidate was then progressed to the final stage interview with Alan Giddins. The Committee also interviewed Alex Pease as the sole internal candidate.

While the Committee met a number of strong external candidates, it considered that Alex was the outstanding candidate for the role. During his period as Interim Chief Executive Officer, Alex showed himself to be a very effective leader who was able to think strategically around the longer-term direction of the Group. Accordingly, the Committee recommended to the Board that Alex Pease be appointed Chief Executive Officer. The Board approved this recommendation.

Board composition

In last year's annual report, I reported that we had evaluated the experience, size and balance of the Board, subsequently recommending the appointment to the Board of Alex Pease and Francis Salway, independent Non-Executive Director, with effect from October 2022. Francis brings a wealth of property expertise to the Board and his contribution since joining has been invaluable.

The Committee believes that the current composition of the Board is appropriate and that the Board has the necessary skills, experience and knowledge to support the Group.

Considerations for FY24

The Committee will focus over the next 12 months on the experience, skills and composition of the Executive Committee, with a particular focus on longer-term succession, and reviewing the personal development plans for each of the Executive Committee members.

In previous years, the Committee considered it appropriate for the Company Chair to be a member of the Audit Committee given the small size of the Board. We will keep this under review in FY24, noting that we now have three independent Non-Executive Directors but acknowledging that the tenure of the Board as a whole is relatively short.

Diversity

The Committee recognises the ethical and business benefits of diversity and, as set out in our sustainability report, diversity is one of the central strands of our Future People proposition. We have continued to improve the gender diversity of the Board, ending the year with three female (50%) and three male (50%) Board members. While we have good gender and ethnic diversity across the Group, women and BAME employees remain under-represented at senior levels. We will continue to look for ways to enhance all aspects of diversity across the Group.

Alan Giddins
Chair of the Nomination Committee

23 January 2024

Directors' remuneration report

Liz Reilly
Chair of the Remuneration Committee

Committee members:

Liz Reilly (Chair)

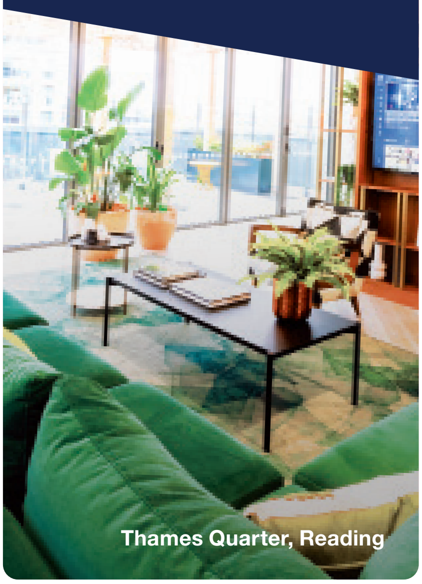
Alan Giddins

Rachel Addison

Francis Salway
(from 10 October 2022)

The CEO, the HR Director and the remuneration consultant are invited to attend Committee meetings as necessary. The Secretary to the Committee is Kerry Watson, Group Company Secretary.

Remuneration consultant:
FIT Remuneration Consultants LLP



Thames Quarter, Reading

Committee responsibilities

- Determines the Company's remuneration policies to support its strategy and promote its long-term sustainable success.
- Reviews the performance of the Executive Directors.
- Determines the terms and conditions of service for Executive Directors.
- Determines the remuneration of the Chair and the Executive Committee.

During FY23, the Committee met seven times. Attendance at these meetings is set out in the table on page 72.

Activities during the year

- Agreed the leaver terms for Richard Simpson, former Chief Executive Officer.
- Approved the remuneration package for Alex Pease for his appointment as Interim Chief Executive Officer and his subsequent promotion to Chief Executive Officer.
- Approved an increase in fees for the Chair and salaries for the Executive Directors and Executive Committee.
- Reviewed the FY22 Directors' remuneration report prior to its approval by the Board and subsequent approval by shareholders at the AGM.
- Reviewed performance against the FY22 annual bonus plan targets and resulting awards and agreed the metrics and targets for the FY23 bonus plan.
- Reviewed LTIP award levels and performance metrics/targets for the 2023 LTIP award.
- Approved the 0% vesting of the 2020 LTIP award.
- Approved the introduction of Restricted Share Awards (RSAs) for senior roles below Executive Committee.

Annual statement

Dear shareholder

On behalf of the Board, I am pleased to present our Directors' remuneration report for FY23. It sets out the Group's remuneration policy for the Directors and explains how this policy was applied during the year. The principles underpinning our remuneration policy have not changed. Our policy is designed to:

- attract, retain and motivate executive management of the quality required to run the Company;
- incentivise and fairly reward our Executive Directors and the other members of the Executive Committee; and
- support the Company's strategy and promote its long-term sustainable success.

Pay and performance in FY23

Watkin Jones, along with the wider property sector in the UK, has faced an increasingly challenging market. High build cost inflation, rising interest rates and geopolitical instability resulted in significant economic uncertainty and a resultant decline in market liquidity and the withdrawal of institutional investors from the forward fund market. These combined factors impacted our ability to forward fund our developments to investors and the profitability of our developments under construction. As a result, our adjusted operating profit was £0.2 million (FY22: £54.7 million). Adjusted EPS was (0.6) pence (FY22: 14.8 pence). A strong focus on cash management resulted in a year-end adjusted net cash position of £43.9 million (FY22: £82.6 million).

Annual bonus for FY23

During the year, and against the backdrop of the very challenging market conditions facing the Company, the Committee reviewed the appropriateness of the Executive Directors and senior management bonus scheme for FY23. It agreed to reduce the normal maximum payout by 50% and reset the bonus targets. Rather than these revised targets being based on profit before tax, they were set based on specific forward sale completions by the year end and profit performance in respect of the second half of the year for schemes in build. Individual personal objectives and ESG objectives remained in place with the same relative bonus weighting.

Following a review of performance against the targets, bonuses of 28% of salary for Alex Pease, 25% of salary for Sarah Sergeant and 17% of salary for Richard Simpson were awarded. Further details of the targets and performance against the targets are set out in the annual report on remuneration.

Long-term incentives

Awards under the Long Term Incentive Plan (LTIP) granted in January 2021 are measured with reference to the Company's growth in earnings per share (EPS) measured over the three years to 30 September 2023 (50% of awards) and absolute total shareholder return (TSR) measured over the three years from grant (50% of awards). As a result of a below-threshold EPS and TSR currently well below the threshold target, the 2021 LTIP is expected to lapse in full in January 2024.

Board changes

As announced on 19 July 2023, Richard Simpson, Chief Executive Officer and Executive Director, stepped down from the Board. Alex Pease, the Group's Chief Investment Officer, took on the role of Interim Chief Executive Officer and was subsequently appointed Chief Executive Officer in November 2023. Details of the remuneration arrangements in respect of Richard's departure and Alex's role are set out on page 88.

Wider employee and environmental considerations

The Committee reviews arrangements across the Group when considering remuneration decisions in respect of Executive Directors. The Committee also reviews a range of information on pay, bonuses, benefits, diversity, equality of pay and culture. During the year, the Committee:

- supported the intention of the Company to continue to pay a living wage to all employees;
- received proposals for base pay increases across the business against the backdrop of the cost-of-living crisis. It supported management's intention to increase the salaries of those paid below market median by a higher percentage than the general workforce increase of 4%;
- considered salary increases for the Executive Directors; and
- reviewed, as part of the Board, the output of Your Voice, a Company-wide employee engagement survey, health and safety performance and progress on diversity and inclusion within the organisation.

Implementing the remuneration policy for FY24

In respect of the remuneration policy for FY24:

- the salaries for the CFO and CIO were increased by 3% from 1 October 2023 to £324,450 and £309,000 respectively. This compared to an average workforce increase of 4%. Following his appointment as Chief Executive Officer on 15 November 2023, Alex Pease's salary was set at £425,000;
- pension will continue at 7% of salary for the CFO and CIO;
- following a review of remuneration arrangements for the role of Chief Executive Officer, the Committee agreed to increase the annual bonus cap under the policy to 125% of salary, with 25% of any bonus award deferred into shares for two years. The bonus will continue to be based on financial, strategic and/ or ESG-related metrics and personal targets. The Chief Financial Officer's bonus will continue to be capped at 100% of salary payable in cash;
- reflecting the change to the Chief Executive Officer's bonus potential, the maximum LTIP award level will be reduced from 200% to 150% of salary from 2025 onwards; and
- LTIP awards for FY24 are expected to be granted in January 2024. Performance targets will be set based on absolute Total Shareholder Return with the objectives of both retaining key employees and incentivising a recovery in the Company's share price. Details of the performance targets attached to the awards will be set out in the RNS issued after grant.

The Committee will continue to keep the remuneration policy and the way it is operated under review to ensure it aligns the objectives of the Executive Directors with stakeholders and delivers the desired outcomes.

Liz Reilly
Chair of the Remuneration Committee

23 January 2024

Directors' remuneration report continued

Remuneration policy

The Remuneration Committee considers the remuneration policy annually to ensure that it continues to underpin the Group's strategy. The main aim of the Group's policy for Executive Directors is to align their interests with the Group's growth strategy and long-term creation of sustainable shareholder value.

Summary of Directors' remuneration policy

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base salary	To provide a competitive base salary to attract, motivate and retain Directors with the experience and capabilities to achieve the strategic aims.	Normally reviewed annually after considering pay levels at comparably sized listed companies and sector peers; the performance, role, skills, experience and responsibility of each Director; the economic climate, market conditions and the Company's performance; and the level of pay across the Group as a whole.	n/a	n/a
Benefits	To provide a market-competitive benefits package.	Offered in line with market practice, and may include a car allowance, private medical, income protection and death in service insurance.	n/a	n/a
Pension	To provide an appropriate level of retirement benefit.	Executive Directors are eligible to participate in the Group's defined contribution personal pension plan and may elect to receive all or part of the pension contribution in cash, provided there is no difference in cost to the Company.	7% of salary	n/a
Annual bonus	To reward performance against annual targets which support the strategic direction of the Group.	Awards are based on annual performance and are normally payable in cash, albeit 25% of any bonus paid to the Chief Executive Officer will be deferred into shares for two years. Awards may be subject to malus/ clawback provisions at the discretion of the Committee.	125% of salary	Financial, personal, strategic and/or ESG targets.
LTIP	To drive and reward the achievement of longer-term objectives, support retention and promote share ownership for Executive Directors.	Conditional shares and/or nil cost or nominal cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards may be subject to malus/ clawback provisions at the discretion of the Committee.	200% of salary, reducing to 150% of salary for FY25 onwards	Financial, share price, strategic and/or ESG targets.
Shareholding guidelines	To promote share ownership for Executive Directors.	Executive Directors are expected to build a shareholding in the Group over time by retaining at least 50% of the net-of-tax LTIP awards which vest.	200% of salary	n/a
Non-Executive Directors	The Committee determines the Chair's fee and fees for the Non-Executive Directors are agreed by the Chair and Chief Executive Officer.	Fees are reviewed annually taking into account the level of responsibility and relevant experience. Fees may include a basic fee and additional fees for further responsibilities. Fees are paid in cash. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed.	n/a	n/a

Annual report on remuneration

Implementation of the remuneration policy for FY24

The table below sets out how the Committee intends to operate the remuneration policy in FY24.

Base salary	Base salary levels for the Chief Financial Officer and Chief Investment Officer were increased by 3% from 1 October 2023, below the average workforce level, to £324,450 and £309,000 respectively. No change was made to the supplement paid to Alex Pease in respect of his Interim Chief Executive Officer role (£100,000 p.a. pro-rated for the time in role). Alex was subsequently appointed Chief Executive Officer on a salary of £425,000.
Benefits	There were no material changes to benefit provision during the year.
Pension	The Chief Executive Officer and Chief Financial Officer will continue to receive a contribution of 7% of salary.
Annual bonus	The annual bonus cap has increased from 100% to 125% of salary for the Chief Executive Officer. Reflecting the increase, 25% of any bonus will be deferred into shares for two years. The Chief Financial Officer's bonus will continue to be capped at 100% of salary payable in cash. Bonus objectives will continue to be based on financial, strategic and/or ESG metrics), and personal targets.
LTIP	LTIP awards are expected to be granted during FY24 in line with the Directors' remuneration policy. Awards will be capped at 200% of salary, reducing to 150% of salary for awards granted in 2025 and thereafter.
Shareholding guidelines	Shareholding guidelines will continue to apply.
Non-Executive Director fees	The fees for the Non-Executive Directors increased by 3% from 1 October 2023, below the increase for the wider workforce. As such, the current fee for Alan Giddins is £143,307. The current fees for Liz Reilly and Rachel Addison are £59,637 and the current fee for Francis Salway, who does not chair a Board committee, is £50,923.

Single total figure of remuneration for FY23

In the year to 30 September 2023, the Directors received the following emoluments:

	Salary/fees		Pension		Benefits		Annual bonus		LTIP		Total	
	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22
Executive Directors												
Alex Pease[1]	**319,647**	–	**20,837**	–	**18,094**	–	**90,672**	–	**–**	–	**449,250**	–
Sarah Sergeant	**315,000**	295,769	**20,211**	11,123	**8,601**	16,520	**79,790**	89,370	**–**	–	**423,602**	412,782
Non-Executive Directors												
Alan Giddins	**139,187**	133,009	**–**	–	**–**	–	**–**	–	**–**	–	**139,187**	133,009
Liz Reilly	**57,902**	56,215	**–**	–	**–**	–	**–**	–	**–**	–	**57,902**	56,215
Rachel Addison[2]	**57,902**	28,108	**–**	–	**–**	–	**–**	–	**–**	–	**57,902**	28,108
Francis Salway[3]	**48,362**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48,362**	–
Former Directors												
Richard Simpson[4,5]	**413,272**	393,593	**72,566**	78,719	**17,175**	17,332	**57,257**	119,219	**–**	–	**560,270**	608,863

1. Appointed to the Board on 10 October 2022; appointed Interim Chief Executive Officer on 18 July 2023 and Chief Executive Officer on 15 November 2023.
2. Appointed to the Board on 1 April 2022.
3. Appointed to the Board on 10 October 2022.
4. Stepped down from the Board on 18 July 2023.
5. The LTIP awards held by Richard Simpson in June 2020 lapsed in full in June 2023. The LTIP award granted in January 2021 is expected to lapse in full in January 2024 as a result of the threshold EPS and TSR targets not being met.

Directors' remuneration report continued

Annual report on remuneration continued

Annual bonus in respect of FY23

Annual bonus potential for Executive Directors for FY23 was reduced from the normal 100% of salary to 50% of salary to reflect the current challenging macroeconomic backdrop and increased cost of funding while recognising a desire to ensure executives remain incentivised to deliver the strategy. Rather than set targets based principally on PBT, targets were set based on forward sale completion, profit performance in respect of the second half of the year for schemes in build and personal objectives to ensure bonus measures were aligned to the business focus of forward sales and operational project delivery. The targets set and the Committee's assessment are as follows:

Forward sales (12.5% of salary maximum)

	% of salary	Potential forward sales[1] (TQ, Bedminster, Stratford, Gas Lane, Guildford)
Threshold	4.17%	1 of 5 potential forward sales
Between threshold and maximum	8.33%	2 of 5 potential forward sales
Maximum	12.5%	3 of 5 potential forward sales
Actual	8.33%	2 were completed by 30 September 2023

1. Note: for any part of this element to pay out, either Bedminster or Stratford had to be sold.

Profit (12.5% of salary maximum)

	% of salary	H2 profit target from schemes in build
Threshold	0%	£22.5m
Maximum	12.5%	£25m
Actual	0%	£19.3m

Personal objectives (25% of salary maximum) (Based on 15% individual objectives and 10% ESG objectives)

	Theme	Weighting	Objective	Committee assessment
Sarah Sergeant	People and Finance	5%	Deliver Fit for the Future programme to ensure that the business has an appropriate cost base.	Led on delivery of an overhead rationalisation programme which was effectively delivered in terms of savings and related one-off costs.
	Investor	5%	Review year-end reporting timings and processes.	Some progress but reporting timelines not materially altered from prior year.
	Finance	5%	Effective cash, balance sheet and debt facilities management.	Updated model developed. RCF extended to November 2025. Strong year-end cash position.
Alex Pease	Operational	5%	Deliver Bedminster and Titanic Quarter forward sales. Successful exit of non-core private rented sector assets.	All transactions successfully completed during the year.
	Operational	5%	Improved interface between Investment and Delivery team, allowing for process and cost efficiencies.	Improved interactions between Investment, Project Services and Delivery teams. Timeline reductions achieved on both Bedminster and Titanic Quarter sales processes.
	Reporting	5%	Manage existing pipeline and grow future pipeline.	Delivery in part impacted by market backdrop. Quantifiable progress in securing new land opportunities.

	Theme	Weighting	Objective	Committee assessment
Richard Simpson	Delivery	5%	Effective management of costs associated with the Building Safety Act.	Target not met.
	Finance	5%	Pro-active and effective cash and balance sheet management.	Target only partially met.
	Business Strategy	5%	Provide a re-appraisal of the Group's strategy.	Target not met.

ESG objectives – applicable to all Executive Directors

	Theme	Weighting	Objective	Committee assessment
Executive Directors	Planet	5%	Progress collation of targets for scopes 1, 2 and 3.	Positive progress made, with certain delays caused as a result of changing process requirements.
	Places	5%	Maintain success in percentage of applications submitted to BREEAM Excellent standards or HQM equivalent.	100% of planning applications submitted designed to BREEAM Excellent standards, with successful conversion of planning applications to delivery in a number of cases.

Based on these assessments, the annual bonus awards earned for the year ended 30 September 2023 were as follows:

	Forward sales 12.5% of salary max	Profit 12.5% of salary max	Personal 15% of salary max	ESG 10% of salary max	Total 50% of salary max
Alex Pease	8.33%	0%	13%	7%	28.33%
Sarah Sergeant	8.33%	0%	10%	7%	25.33%
Richard Simpson[1]	8.33%	0%	2%	7%	17.33%

1. Pro-rated for the period worked.

Thames Quarter, Reading

Directors' remuneration report continued

Annual report on remuneration continued

LTIP award vesting in FY23

LTIP awards were granted to Richard Simpson in June 2020 in respect of the performance period from 1 October 2019 to 30 September 2022. The awards were based on adjusted EPS growth and TSR. To vest, the Company's compound annual growth rate of EPS and TSR was required to reach 5%, with maximum vesting at 12%. The minimum growth requirements were not met and the LTIP lapsed in full.

Share awards granted in FY23

The following LTIP awards were granted to the Executive Directors on 31 January 2023:

	Basis of award	Number of shares under award
Richard Simpson	200% of salary	732,752
Sarah Sergeant	100% of salary	279,255
Alex Pease	100% of salary	265,957

The awards have an exercise price of one pence per share and become exercisable after three years from the date of grant, subject to continued employment and share price performance targets. 20% of the award vests for median TSR, increasing pro-rata to 100% vesting for upper quartile TSR measured against the constituents of the FTSE 350 Real Estate sector (excluding agencies). As per the 6 February 2023 RNS, the Remuneration Committee had intended to set an EPS target range for 50% of awards within six months of grant. However, as a result of continued volatility of external markets, EPS targets were not set and, as such, the 2023 LTIP award reverted to relative TSR versus the constituents of the FTSE 350 Real Estate sector (excluding agencies) in respect of 100% of awards.

In addition, following the Remuneration Committee's decision to defer the FY22 Executive Director bonus awards, nominal-cost share awards were granted to Richard Simpson and Sarah Sergeant under the Deferred Bonus Plan over 118,460 and 88,801 shares respectively on 16 February 2023.

Board changes

Richard Simpson stepped down from the Board on 19 July 2023. He will continue to receive his salary and benefits for the remainder of his 12-month notice period. He remained eligible to receive an annual bonus for FY23 (pro-rated for the period worked). His deferred bonus award will vest on the normal vesting date and his outstanding LTIP awards will continue to vest on the normal vesting dates, subject to performance conditions and time pro-rating. No termination payments were paid or are payable.

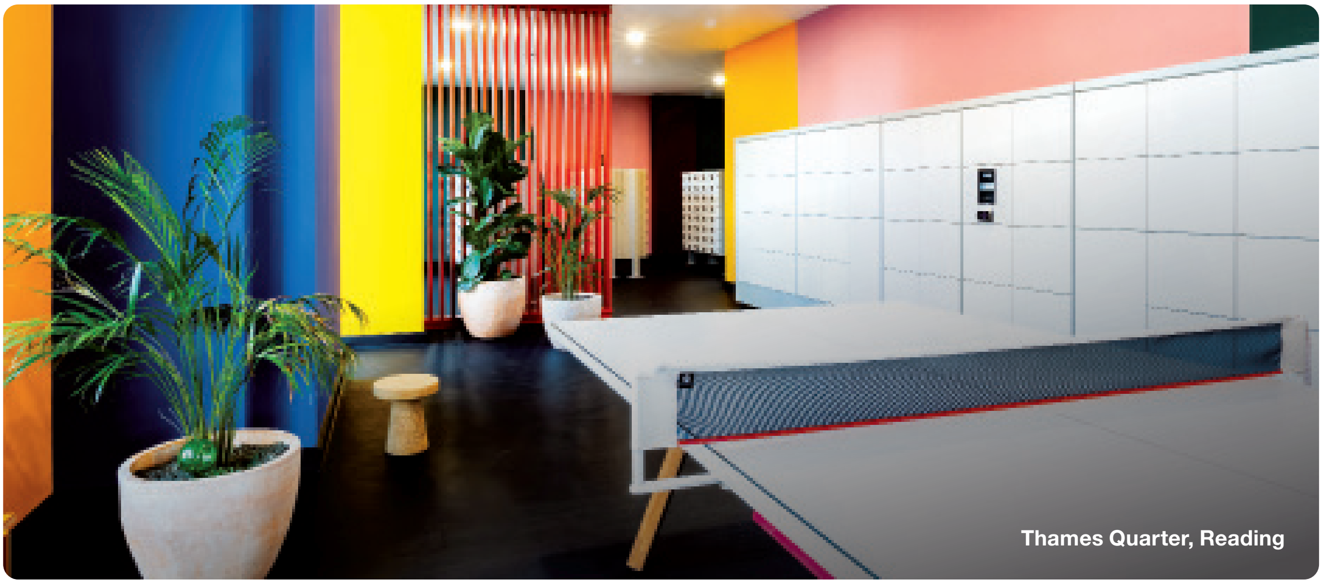
In November 2023, Alex Pease was appointed Chief Executive Officer and his package from appointment is as follows:

- base salary: £425,000 (i.e. broadly similar to the salary for the previous CEO taking into account salary inflation);
- pension: workforce aligned, currently 7% of salary (significantly lower than the 20% of salary offered to the previous CEO);
- annual bonus: maximum of 125% of salary. While this is higher than the previous CEO's bonus potential of 100% of salary, the Committee has introduced bonus deferral (25% of any bonus will be deferred into shares for two years) and future LTIP potential will be reduced (see below); and
- LTIP: 200% of salary for FY24 (as per the previous CEO), reducing to 150% of salary p.a. from FY25 onwards.

Outstanding share awards

Outstanding LTIP share awards for the current Executive Directors at 30 September 2023 and as at the date of this report were as follows:

	Sarah Sergeant		Alex Pease		
	LTIP	LTIP	LTIP	LTIP	LTIP
Exercise price	1p	1p	1p	1p	1p
Date of grant	31 Jan 2022	3 Feb 2023	28 Jan 2021	31 Jan 2022	3 Feb 2023
Date of vesting	31 Jan 2025	3 Feb 2026	28 Jan 2024	31 Jan 2025	3 Feb 2026
Interest at 1 Oct 2022	114,068	—	96,600	78,422	—
Granted in the year	—	279,255	—	—	265,957
Dividend equivalents	—	—	—	—	—
Lapsed	—	—	—	—	—
Exercised in the year	—	—	—	—	—
Interest at 30 Sep 2023	114,068	279,255	96,600	78,422	265,957
Performance period	EPS: 1 Oct 2021 to 30 Sep 2024 TSR: three years from grant date	TSR: three years from grant date	EPS: 1 Oct 2020 to 30 Sep 2023 TSR: three years from grant date	EPS: 1 Oct 2021 to 30 Sep 2024 TSR: three years from grant date	TSR: three years from grant date


Thames Quarter, Reading

Directors' interests in the Company's shares

At 30 September 2023 and as at the date of this report, the Directors had the following interests in the Company's shares:

	Number of shares
Sarah Sergeant	29,950
Alex Pease	868,206
Alan Giddins	723,000
Rachel Addison	49,693
Liz Reilly	50,000
Francis Salway	45,500
Total	**1,766,349**

Service contracts

Executive Directors

Sarah Sergeant and Alex Pease were appointed under service agreements dated 19 July 2021 and 10 October 2022 respectively.

Non-Executive Directors

Non-executive appointments run for an initial term of three years from the date of appointment and continue thereafter, subject to annual re-election at annual general meetings. Alan Giddins was appointed to the Board by a letter of appointment dated 17 July 2021. Rachel Addison and Francis Salway were appointed to the Board by letters of appointment dated 31 March 2022 and 7 October 2022 respectively. Liz Reilly was appointed to the Board by a letter of appointment dated 4 January 2019.

	Date of appointment to the Board	Notice period where given by the Company	Notice period where given by the Director
Sarah Sergeant	6 October 2021	6 months	6 months
Alex Pease	10 October 2022	6 months	6 months
Alan Giddins	19 July 2021	3 months	3 months
Rachel Addison	1 April 2022	3 months	3 months
Liz Reilly	21 January 2019	3 months	3 months
Francis Salway	10 October 2022	3 months	3 months

Advisers to the Committee

FIT Remuneration Consultants LLP (FIT) provides advice to the Committee as and when required in respect of remuneration quantum and structure and developments in governance and best practice more generally. FIT is a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at **remunerationconsultantsgroup.com**.

Performance and terms of reference

The Committee's performance was considered as part of the Board evaluation process described on pages 73. Feedback showed that the Committee was felt to be operating well.

The Committee's terms of reference were reviewed during the year. A copy of the Committee's terms of reference is available on the Company's website at **watkinjonesplc.com/investors/corporate-governance**.

Liz Reilly
Chair of the Remuneration Committee

23 January 2024

Directors' report

The corporate governance disclosures on pages 69 to 91 form part of this report.

Principal activity

The Company is incorporated and registered in England and Wales, with registered number 9791105. Its shares are traded on the Alternative Investment Market of the London Stock Exchange.

The Company is the ultimate holding company of the Group. The Group's principal activities are described in the strategic report on pages 1 to 67.

Review of business

The strategic report on pages 1 to 67 provides a review of the business, the Group's trading for the year ended 30 September 2023, key performance indicators and an indication of future developments and risks.

Result and dividend

The Group's loss for the year was £32.5 million (FY22: profit of £13.4 million). More information about the Group's financial performance can be found in the financial review on pages 22 to 27 and in the financial statements on pages 92 to 137.

The Board does not recommend a final dividend for the year (FY22: 4.5 pence per share).

Directors

The Company's Directors during the year were:

- Alan Giddins
- Richard Simpson (resigned 18 July 2023)
- Alex Pease (appointed 10 October 2022)
- Liz Reilly
- Sarah Sergeant
- Rachel Addison
- Francis Salway (appointed 10 October 2022)

The current Directors' biographies can be found on pages 70 and 71. Details of the Executive Directors' service contracts, the Non-Executive Directors' letters of appointment and the Directors' dates of appointment can be found in the Directors' remuneration report on pages 89.

Substantial shareholdings

Based on the share register analysis as at 15 December 2023, unless otherwise notified, the following represents interests in excess of 3% of the Company's ordinary share capital. These holdings may subsequently have changed, but notification of any change is not required until the next notifiable threshold is crossed.

Holder	Percentage
Octopus Investments Limited	11.1
FIL Investment International	7.1
Gresham House plc	6.5
abrdn plc	5.9
Hargreaves Lansdown PLC	5.9
M&G Investments	5.5
Polar Capital Holdings	5.3
Mark Watkin Jones and related parties	4.4
Jupiter Investment Management Holdings	3.4

Sienna House, Sutton

Directors' interests

The Directors' interests in the Company's shares are set out in the Directors' remuneration report on page 89.

Directors' indemnity provisions

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

Share capital structure

At 30 September 2023, the Company's issued share capital was £2,564,412.53, divided into 256,441,253 ordinary shares of one pence each.

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

Engagement with employees, suppliers, customers and other stakeholders

Information on the Group's engagement with its employees, clients, customers, supply chain, shareholders and communities can be found in the strategic report on pages 62 to 65. Information on other employee matters such as investing in the workforce, employee diversity and the provision of equal opportunities for disabled employees can be found in the strategic report on pages 44 to 46.

Political donations

The Company made no political donations during the year.

Financial instruments

Information on financial instruments is given in note 30 to the financial statements.

Auditor

Deloitte was appointed as external auditor during FY22. Deloitte has expressed its willingness to continue in office as auditor and a resolution to re-appoint Deloitte will be proposed at the 2024 annual general meeting.

Going concern

After making enquiries and as more fully explained in the going concern review on page 40, the Directors have a reasonable expectation that the Group has adequate resources to continue to trade for the period to 31 January 2025. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Dividend policy

The Group maintains its policy of aiming to pay a dividend which is 2.0x covered by adjusted earnings.

Approval

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This Directors' report was approved on behalf of the Board on 23 January 2024.

Sarah Sergeant
Chief Financial Officer

23 January 2024

Directors' responsibilities

in relation to the annual report and financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Directors have also chosen to prepare the parent company financial statements under United Kingdom adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Responsibilities statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 23 January 2024 and is signed on its behalf by:

Alex Pease
Chief Executive Officer

23 January 2024

Independent auditor's report

to the members Watkin Jones plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Watkin Jones plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flow; and
- the related notes 1 to 45.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Revenue recognition; and • Completeness and valuation of provisions relating to the Building Safety Act. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £2.4 million which was determined on the basis of revenue. The basis of materiality represents a change from the prior year benchmark of 5% of pre tax-profit adjusted for exceptional costs. Further details concerning the determination of materiality are provided in section 6.
Scoping	Full scope audit work was performed on two reporting components. Our full scope and specified audit procedures covered 98% of group revenue and 98% of group loss before tax.
Significant changes in our approach	In the prior year we considered the valuation of inventory, focused on certain developments under construction that were not forward sold to be a key audit matter. These assets were sold during FY23 and thus we have not considered the valuation of inventory to be a key audit matter for the current year. Given the inherent uncertainty and evolving regulatory landscape, we have expanded our key audit matter for FY23 in relation to provisions relating to the Building Safety Act to include the completeness of the provision, as well as the valuation. Materiality in FY22 was based upon 5% of pre-tax profit adjusted for exceptional costs. We no longer consider this to be an appropriate basis due to the volatility in the profitability of the group during FY23. Revenue was therefore determined to be a more appropriate benchmark for the current year, as noted in section 6.

Independent auditor’s report continued
to the members Watkin Jones plc

4. Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the group’s relevant controls over the going concern assessment; challenging the assumptions used in the Board-approved forecasts by reference to historical performance and other supporting evidence such as market data;
- assessing the amount of headroom in the forecasts and reasonable downside scenarios modelled by management (in liquidity terms and against the relevant covenant limits renegotiated in the year);
- assessing the sensitivity analysis and reverse stress tests, including actions that could be taken to mitigate the risk against any potential covenant breaches in the reasonable and extreme downside scenarios, performed by management; and
- evaluating whether the disclosures in respect of going concern within the financial statements meet the requirements of IAS 1.

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

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

5. Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition

Key audit matter description	The group recognised revenue of £413.2 million (FY22: £407.1 million) which is primarily arising from contracts with customers in developing residential and commercial properties, as described in note 6 and considered by the Audit Committee as a significant judgement as per page 77. In line with IFRS 15 ‘Revenue from contracts with customers’, revenue and margin is recognised on a percentage completion basis, being costs incurred to date over total forecast cost. The determination of revenue in relation to open contracts contains various assumptions that require management judgement. As such, we have identified a key audit matter in relation to the risk, either due to fraud or error, to the key judgements inherent within certain open development contracts within the Build To Rent (‘BTR’) and Student Accommodation segments as a key determinant for revenue recognised in the year.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • performed testing of controls over revenue, including controls that address the forecasting accuracy risk; • reconciled revenue per management’s internal cost valuation report (‘CVR’) to the management accounts and trial balance being audited; • validated the key inputs into the CVR process, including reconciling total expected revenue per development to signed contract agreements and variation agreements; • tested amounts recoverable on contracts held within debtors, tracking recoverability through to post year end billing and cash receipt; • performed tests of detail on a sample of costs incurred to date to verify accuracy of percentage completion; • performed a stand back review of all contracts including updating the judgements based on the post year end trading period; • tested both procured and unprocured forecast costs through challenging the inputs used, corroborating management assumptions, and agreeing through items to supporting evidence such as quotes and cost rates; • obtained an understanding the profit impact of any potential contractual penalties or liquidated damages based on current timescales for completion; and • held meetings with relevant commercial directors to understand status of open developments, assessing assumptions in relation to costs to complete, and judgements made about each development and test the associated year-end adjustments to cost or value.
Key observations	Based on our procedures performed, we are satisfied that the revenue recognised during the year-ended 30 September 2023 is appropriate.

5.2. Completeness and valuation of provisions relating to the Building Safety Act

Key audit matter description	As described in notes 4 and 27, the group holds a gross provision of £65.6 million (FY22: £33.4 million) in relation to the Building Safety Act, of which a reimbursement asset of £10.9 million (FY22: £nil) from property owners has been recognised. This is also considered by the Audit Committee as a significant judgement as per page 78 and a key source of estimation uncertainty in the notes to the financial statements on page 107. During FY23 the legislative and regulatory landscape for the Building Safety Act has continued to evolve with developments, including the introduction of the Responsible Actors Scheme and the Welsh Government's Developer Pact. The completeness and valuation of fire-safety provisions is complex and thus requires significant judgement by management over the value of the expected costs, including associated legal claims, and contingencies. As such, we have assessed completeness and valuation of the provision relating to the Building Safety Act as a key audit matter.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of relevant controls relating to the Building Safety Act provision; • assessed how the value of the provision has been determined, whether a present obligation to rectify the properties existed at the balance sheet date and that the associated costs have been recorded in the appropriate accounting period; • for sites supported by external quotations assessed the cost estimates against underlying support such as quotations from external subcontractors, legal claims and correspondence with third parties, including external consultants used by the group in assessing the budgets and estimates used in deriving certain elements of the provision; • evaluated the competence, capabilities and objectivity of the external consultants; • challenged assumptions made as to the nature and level of contingency held within the provision by reference to a number of factors including wider industry and legislative information, any potential claims the group are assessing in the wider property portfolio, the macro-economic uncertainty with regards to inflation and cost risk, and the risk of scope increase on remedial works yet to commence; • assessed the completeness of the provision by inquiring of the group's internal and external legal counsel, challenging management's risk assessment of the property database on a property by property basis through a check of a sample of properties to assess for any contradictory evidence that may suggest a fire safety risk exists, using publicly available information such as review of external facades, media searches and evidence of open-market sales and lettings; • reviewed legal correspondence and status of litigation matters, assessed the evolution of the regulatory and legal landscape such as the Responsible Actors Scheme announced in 2023; • challenged that the increase in estimated costs have been recorded in the appropriate accounting period by assessing that all information obtained by management was reflected in the provision recorded in the prior accounting period and that the charge for the year is a consequence of new information that became available during FY23; and • assessed the associated disclosures, including quantification of reimbursement assets associated with certain properties, and the key sources of estimation uncertainty identified.
Key observations	Based on the procedures performed we concluded the provision recorded to be appropriate as at 30 September 2023, however we observed a high level of estimation uncertainty in the assumptions applied. Accordingly, we concur with the disclosure of this provision as a key source of estimation uncertainty within note 4 of the financial statements.

Independent auditor's report continued
to the members Watkin Jones plc

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£2,440,000 (2022: £2,440,000)	£2,196,000 (2022: £2,196,000)
Basis for determining materiality	0.6% of revenue (2022: 5% of pre tax-profit adjusted for exceptional costs). If revenue was used for the prior year benchmark for materiality this would also be at 0.6%.	Our basis for materiality was determined based upon 2% (FY22: 3%) of the parent company's net assets capped at 90% of group materiality (FY22: capped at 90% of group materiality).
Rationale for the benchmark applied	The benchmark for materiality the current year has been revised from pre-tax profit adjusted for exceptional costs due to the volatility in the profitability of the group during FY23. Revenue was therefore determined to be a more stable benchmark for the current year and a key financial metric for the users of the financial statements.	The parent company does not generate external sales therefore we have determined net assets for the current year to be the appropriate basis.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% of group materiality (2022: 70%)	70% of parent company materiality (2022: same)
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • the control environment in place across the group; • the wider macro-economic environment and inherent uncertainty in the market impacting upon the performance of the group in FY23; and • the level of corrected and uncorrected misstatements identified in the prior year audit.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £122,000 (2022: £122,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The group operates solely in the United Kingdom and Ireland. Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group and component level. The audit was performed solely by the group audit team in the UK.

We have considered reporting components based on their contribution to group revenue and profit, as well as qualitative considerations.

Reporting components in scope, being the main trading component of the group and the parent company, was subject to an audit materiality level of £1.4 million and £2.2 million respectively (FY22 £1.7 million and £2.2 million). Our full scope and specified audit procedures covered 98% of group revenue and 98% of group loss before tax.

7.2. Our consideration of the control environment

We obtained an understanding of the relevant internal controls over key audit matters as referenced above.

The group IT landscape contains a number of IT systems, applications and tools used to support business processes and reporting. Working with our IT specialists we obtain an understanding of group's IT systems.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements.

As noted within the Sustainability Report starting on page 41 the group has assessed the risk and opportunities relevant to climate change and has not identified a principal risk in relation to climate change.

We performed our own risk assessment of the potential impact of climate change on the group's account balances and classes of transaction and did not identify any risks of material misstatement. Our procedures included reading disclosures in the strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report continued
to the members Watkin Jones plc

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

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, IT, and real estate specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, and the completeness and valuation of provisions relating to the Building Safety Act. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, Building Safety Regulations, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition and the completeness and valuation of provisions relating to the Building Safety Act as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and the group's internal and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

14. Use of our report

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

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

23 January 2024

Consolidated statement of comprehensive income

for the year ended 30 September 2023

	Notes	Year ended 30 September 2023 Before exceptional items £'000	Exceptional items £'000	Total £'000	Year ended 30 September 2022 Before exceptional items £'000	Exceptional items £'000	Total £'000
Continuing operations							
Revenue	6	413,236	—	413,236	407,076	—	407,076
Cost of sales		(378,377)	—	(378,377)	(339,450)	—	(339,450)
Gross profit		34,859	—	34,859	67,626	—	67,626
Administrative expenses	8	(34,689)	(38,140)	(72,829)	(12,942)	(30,365)	(43,407)
Operating profit/(loss)		170	(38,140)	(37,970)	54,684	(30,365)	24,319
Share of loss in joint ventures	20	(13)	—	(13)	(16)	—	(16)
Finance income		496	—	496	72	—	72
Finance costs	12	(3,514)	(1,458)	(4,972)	(5,982)	—	(5,982)
(Loss)/profit before tax		(2,861)	(39,598)	(42,459)	48,758	(30,365)	18,393
Income tax credit/(expense)	13	1,196	8,716	9,912	(10,778)	5,769	(4,979)
(Loss)/profit for the year attributable to ordinary equity holders of the parent		(1,665)	(30,882)	(32,547)	37,980	(24,596)	13,414
Other comprehensive income							
That will not be reclassified to profit or loss in subsequent periods:							
Net (loss)/gain on equity instruments designated at fair value through other comprehensive income, net of tax		(188)	—	(188)	157	—	157
Total comprehensive (loss)/income for the year attributable to ordinary equity holders of the parent		(1,853)	(30,882)	(32,735)	38,137	(24,596)	13,571

	Notes	Pence	Pence	Pence	Pence	Pence	Pence
Earnings per share for the year attributable to ordinary equity holders of the parent							
Basic (loss)/earnings per share	14	(0.649)	(12.043)	(12.692)	14.825	(9.593)	5.232
Diluted (loss)/earnings per share	14	(0.649)	(12.043)	(12.692)	14.748	(9.543)	5.205

The notes on pages 104 to 141 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 September 2023

	Notes	30 September 2023 £'000	30 September 2022 £'000
Non-current assets			
Intangible assets	16	**11,606**	12,165
Investment property (leased)	17	**24,240**	27,331
Right-of-use assets	17	**5,276**	4,738
Property, plant and equipment	18	**1,796**	2,009
Investment in joint ventures	20	**1**	1
Reimbursement assets	27	**4,007**	—
Deferred tax assets	28	**12,096**	1,941
Other financial assets	29	**1,129**	1,366
		60,151	49,551
Current assets			
Inventory and work in progress	21	**123,516**	147,118
Contract assets	22	**66,368**	50,821
Trade and other receivables	23	**35,104**	28,628
Reimbursement assets	27	**6,858**	—
Current tax receivable		**7,088**	—
Cash and cash equivalents	24	**72,431**	110,841
		311,365	337,408
Total assets		**371,516**	386,959
Current liabilities			
Trade and other payables	25	**(100,723)**	(89,717)
Contract liabilities	22	**(1,469)**	(5,052)
Interest-bearing loans and borrowings	26	**—**	—
Lease liabilities	17	**(7,567)**	(6,248)
Provisions	27	**(24,457)**	(7,713)
Current tax liabilities		**—**	(4,402)
		(134,216)	(113,132)
Non-current liabilities			
Interest-bearing loans and borrowings	26	**(28,530)**	(28,288)
Lease liabilities	17	**(37,628)**	(42,851)
Provisions	27	**(41,137)**	(25,735)
		(107,295)	(96,874)
Total liabilities		**(241,511)**	(210,006)
Net assets		**130,005**	176,953
Equity			
Share capital	31	**2,564**	2,564
Share premium		**84,612**	84,612
Merger reserve		**(75,383)**	(75,383)
Fair value reserve of financial assets at FVOCI		**425**	662
Share-based payment reserve	32	**1,407**	526
Retained earnings		**116,380**	163,972
Total equity		**130,005**	176,953

The notes on pages 104 to 141 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 23 January 2024 and signed on its behalf by:

Alex Pease
Director

Consolidated statement of changes in equity

for the year ended 30 September 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Fair value reserve of financial assets at FVOCI £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 30 September 2021	2,562	84,612	(75,383)	536	2,824	169,660	184,811
Profit for the year	—	—	—	—	—	13,414	13,414
Other comprehensive income	—	—	—	126	—	31	157
Total comprehensive income	—	—	—	126	—	13,445	13,571
Share-based payments	2	—	—	—	209	—	211
Recycled reserve for fully vested share-based payment schemes	—	—	—	—	(2,507)	2,507	—
Deferred tax debited directly to equity (note 28)	—	—	—	—	—	141	141
Dividend paid (note 15)	—	—	—	—	—	(21,781)	(21,781)
Balance at 30 September 2022	2,564	84,612	(75,383)	662	526	163,972	176,953
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(32,547)**	**(32,547)**
Other comprehensive income	**—**	**—**	**—**	**(237)**	**—**	**49**	**(188)**
Total comprehensive income	**—**	**—**	**—**	**(237)**	**—**	**(32,498)**	**(32,735)**
Share-based payments	**—**	**—**	**—**	**—**	**1,067**	**—**	**1,067**
Recycled reserve for fully vested share-based payment schemes	**—**	**—**	**—**	**—**	**(186)**	**186**	**—**
Deferred tax debited directly to equity (note 28)	**—**	**—**	**—**	**—**	**—**	**(151)**	**(151)**
Dividend paid (note 15)	**—**	**—**	**—**	**—**	**—**	**(15,129)**	**(15,129)**
Balance at 30 September 2023	**2,564**	**84,612**	**(75,383)**	**425**	**1,407**	**116,380**	**130,005**

The notes on pages 104 to 141 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 September 2023

	Notes	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Cash flows from operating activities			
Cash outflow from operations	33	**(17,215)**	(19,592)
Interest received		**496**	72
Interest paid		**(3,315)**	(5,782)
Tax paid		**(11,466)**	(1,557)
Net cash outflow from operating activities		**(31,500)**	(26,859)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(550)**	(660)
Proceeds on disposal of property, plant and equipment		**210**	4,341
Proceeds on disposal of right-of-use assets		**—**	7,897
Proceeds on disposal of PRS assets		**15,323**	—
Cash flow from joint venture interests		**—**	—
Net cash inflow from investing activities		**14,983**	11,578
Cash flows from financing activities			
Dividends paid	15	**(15,129)**	(21,781)
Proceeds from exercise of share options		**—**	—
Payment of principal portion of lease liabilities		**(6,806)**	(4,717)
Payment of capital element of other interest-bearing loans		**—**	(389)
Drawdown of RCF		**27,579**	20,625
Repayment of bank loans and RCF		**(27,537)**	(3,909)
Net cash outflow from financing activities		**(21,893)**	(10,171)
Net decrease in cash		**(38,410)**	(25,452)
Cash and cash equivalents at 1 October 2022 and 1 October 2021		**110,841**	136,293
Cash and cash equivalents at 30 September 2023 and 30 September 2022		**72,431**	110,841

The notes on pages 104 to 141 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 September 2023

1. General information

Watkin Jones plc (the 'Company') is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 9791105) and its shares are listed on the Alternative Investment Market of the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered address is 12 Soho Square, London, United Kingdom, W1D 3QF.

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

The consolidated financial statements for the Group for the year ended 30 September 2023 comprise the Company and its subsidiaries. The basis of preparation of the consolidated financial statements is set out in note 2 below.

2. Basis of preparation

The financial statements of the Group have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with United Kingdom adopted International Accounting Standards.

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

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

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

3. Accounting policies

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a particular note to the financial statements, the policy is described in the note to which it relates.

3.1 Basis of consolidation

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

The terms of the acquisition of the shares in Watkin Jones Group Limited by the Company on its IPO in March 2016 in the year ending 30 September 2016 were such that the Group reconstruction should be accounted for as a continuation of the existing Group rather than as an acquisition, and as such merger accounting was applied. Accordingly, the difference between the cash consideration paid and the nominal value of the share capital acquired as part of the Group reconstruction was reflected against a merger reserve.

3.2 Going concern

The Directors have undertaken a thorough review of the Group's ability to continue to trade as a going concern for the period to 31 January 2025 (the 'forecast period'). This review has been undertaken taking into consideration the following matters.

Liquidity

At 30 September 2023, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £103.6 million, as set out below.

	£m
Cash balances	72.4
RCF headroom	21.2
Overdraft facility	10.0
Total cash and available facilities	**103.6**

Strong liquidity has been maintained through the first quarter of the year ending 30 September 2024, providing the Group with a good level of cash and available banking facilities for the year ahead.

The Group's revolving credit facility (RCF) is committed and has recently been extended to November 2025 to give flexibility to a renewal given the current market conditions. The total facility was reduced during the year, given the anticipated volume of land acquisitions, and to benefit from lower non-utilisation fees. All financial covenants under this facility were met at 30 September 2023 and are forecast to be met throughout the period to 31 January 2025.

Business model

Our forward sale business model is capital light. By forward selling the majority of our build to rent (BTR) and purpose built student accommodation (PBSA) developments, we receive payment for the land either at the same time as or shortly after we complete the purchase, and before we commit to any significant development expenditure. Once forward sold, we receive payment for the development works as they progress. By being in control of our development pipeline we are able to ensure that we only commit construction expenditure to developments that are either forward sold or to undertake a modest level of enabling works. In certain circumstances we may decide to continue construction activities beyond the initial enabling phase, without a forward sale agreement in place, but we take this decision based on our available liquidity and can suspend the works should it prove necessary. This greatly limits our exposure to development expenditure which is not covered by cash income.

Sites are normally secured on a subject to satisfactory planning basis, which gives us time to manage the cash requirements and to market them for forward sale. We also take a cautious approach to managing our land acquisition programme to ensure that we have sufficient liquidity available to complete the acquisition of the sites without any new forward sales being secured.

The Fresh business receives a regular contractual monthly fee income from its multiple clients and the short to medium-term risk to its revenue stream is low.

For our Affordable Homes business, which is currently relatively small and only has a few sites in build, we manage our development expenditure so that, other than for infrastructure works, we only commit expenditure where it is supported by a forward sales position. In addition, a significant portion of our largest site has been forward sold such that we will receive payment for development works as they progress.

We also receive rental income from tenants on our leased PBSA assets. The PBSA assets are anticipated to be fully occupied for the 2023/24 academic year.

Our business model and approach to cash management therefore provides a high degree of resilience.

Counterparty risk

The Group's clients are predominantly blue-chip institutional funds, and the risk of default is low. The funds for a forward sold development are normally specifically allocated by the client or backed by committed debt funding.

For forward sold developments, our cash income remains ahead of our development expenditure through the life of the development, such that if we were exposed to a client payment default, we could suspend the works, thereby limiting any cash exposure.

Fresh has many clients and these are mostly institutional funds with low default risk.

Base case cash forecast

We have prepared a base case cash forecast for the forecast period, based on our current business plan and trading assumptions for the year. This is well supported by our forward sold pipeline of three PBSA developments and seven BTR developments for delivery during the period FY24 to FY27, as well as the reserved/exchanged and forward sales for our Affordable Homes business and the contracted income for Fresh. Our currently secured cash flow, derived from our forward sold developments and other contracted income, net of overheads and tax, results in a modest cash utilisation over the forecast period, with the result that our liquidity position is maintained.

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

Risk analysis

In addition to the base case forecast, we have considered the possibility of continued disruption to the forward sale market given the market turbulence seen in the UK over the last 12 months. This is our most significant risk as it would greatly limit our ability to achieve any further forward sales.

We have run various model scenarios to assess the possible impact of the above risks, including an extreme downside scenario assuming no further forward sales are achieved.

The cash forecast prepared under this scenario illustrates that adequate liquidity is maintained through the forecast period and the financial covenants under the RCF would still be met.

The minimum gross cash balance under this scenario was £32.4 million (excluding the £10.0 million overdraft). In addition we have reviewed the potential impact on the Group's Tangible Net Worth Covenant of any additional increase in the provision for Building Safety. The headroom on this covenant under the extreme downside scenario would allow for a further c.4 properties to be provided for, assuming an average provision per property of £2.1 million.

We consider the likelihood of events occurring which would exhaust the total cash and available facilities balances remaining to be remote. However, should such events occur, management would be able to implement reductions in discretionary expenditure and consider the sale of the Group's land sites to ensure that the Group's liquidity was maintained.

While there remains sufficient headroom under this scenario for all the financial covenants, a sale of the Group's land sites would enable the repayment of the RCF balance (as the RCF is drawn down against these assets). There would then be no requirement for the covenants to be tested.

Conclusion

Based on the thorough review and robust downside forecasting undertaken, and having not identified any material uncertainties that may cast any significant doubt, the Board is satisfied that the Group will be able to continue to trade for the period to 31 January 2025 and has therefore adopted the going concern basis in preparing the financial statements.

3.3 Business combinations

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

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment 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 the statement of comprehensive income.

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 (note 16).

Notes to the consolidated financial statements continued

for the year ended 30 September 2023

3. Accounting policies continued

3.4 Impairment of non-financial assets

At each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

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

If indication exists that previously recognised impairment losses no longer exist or have decreased, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation reserve. No impairment loss in respect of goodwill is permitted to be reversed.

3.5 Foreign currency

The Group's presentational currency, which is pounds sterling, is also the functional currency of the parent and its subsidiaries. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of those transactions.

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

3.6 Revenue recognition

Revenue recognition is a critical judgement for the Group.

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

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

4. Key sources of estimation uncertainty

In the application of the Group's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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.

Impairment of investment property (leased)

As described in note 3.4, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The Group treats each of its student accommodation leaseback arrangements as a separate cash-generating unit for impairment testing. Where there is evidence of impairment, the value in use for its student accommodation investment property (leased) assets is calculated using estimates of the future economic benefits that will be derived from the operations of each property, which is discounted using an estimated discount rate reflecting the market assessment of risk that would be applied to each asset. This estimate of value in use is then compared to the net book value of the investment property (leased) to determine whether an impairment provision is required. Further details are included in note 17.

Building Safety provision

Our contract obligations

In January 2020, following the Grenfell Tower fire in June 2017, the government issued guidance on the suitability of certain cladding solutions used on high rise residential buildings. The Group subsequently carried out a detailed assessment of its property portfolio.

Taking into account the prevailing government guidance and legal framework at the time, as well as consultation with building owner clients and technical and legal advice, the assessment encompassed buildings completed in 2008 or later (i.e. within the 12 year contractual period). The assessment identified:

1) Buildings of any height that featured aluminium composite material (ACM); and

2) Buildings above 18m in height that featured high pressure laminate (HPL).

The Group identified 15 buildings that featured significant ACM; of these, 13 have been remediated by the Company. The remaining two builds were undertaken by external contractors, are within the contractual period, and benefit from insurance-backed warranties provided by the external contractor and architect. One of these buildings has been remediated and the external contractor retained liability for this.

The Group took an exceptional provision in the year ended 30 September 2020 of £14,800,000 for the remedial costs of these properties, which included contributions agreed with the respective owners.

Further legislation in England

In January 2022 this guidance was withdrawn and in April the Building Safety Act 2022 (the 'BSA') was enacted, with the government announcing its intention to:

i) extend the scope of developers' responsibility to 30 years;

ii) increase the scope by including buildings above 11 metres; and

iii) expand the scope to incorporate life critical safety defects.

In the year ended 30 September 2022, the Group performed a review of buildings above 11 metres developed by the Company over the last 30 years. Industry practice is not to retain records for buildings that are out of contract and therefore we do not have fulsome documentation for buildings that were out of contract. In such cases, the Group undertook a number of procedures to evaluate the risk to the Group. These procedures included a review of the external façade materials, carrying out intrusive surveys where constructive dialogue with property owners had commenced, and making enquiries of employees who worked on the relevant construction projects. This review concluded that an exceptional provision of £30,365,000 should be made for these potential costs. This provision was made in relation to 18 properties.

During the year ended 30 September 2023, following the introduction of the secondary legislation that provided greater clarity on the scope and approach of the BSA in relation to leasehold buildings, the Group was formally approached to sign up to the Responsible Actors' Scheme (RAS) which came into force on 4 July 2023. By signing up to the RAS the Group is required to sign the Developer's Remediation Contract ('the Contract') which requires us to:

- take responsibility for all necessary work to address life-critical fire safety-defects arising from the design and construction of buildings 11 metres and over in height that we developed or refurbished in England over the 30 years ending on 4 April 2022;
- keep residents in those buildings informed about progress towards meeting this commitment; and
- reimburse taxpayers for funding spent on remediating their buildings, i.e. where leaseholders have accessed the Building Safety Fund to remediate their properties.

The Group signed the Contract in December 2023.

The Contract is intended to cover leasehold buildings rather than PBSA or BTR, and therefore the significant majority of buildings that the Group has developed over the last 30 years are outside the scope of the contract. There are thirteen leasehold buildings falling within the scope of the RAS, and five of these are included within the provision. One of these properties relates to remediation works that have been undertaken as a result of the building owner accessing the Building Safety Fund. Based on our internal review procedures described above, the provision includes an estimation of works required in relation to buildings identified as requiring remediation.

Under the obligations of the scheme, and where information is available, we will write out to building owners to understand their position regarding those buildings.

Legislation in Wales

In 2023, the Welsh Government announced a new scheme with developers to tackle fire safety defects in medium high-rise residential buildings. The Group has been approached in respect of one property which we have provided for on the basis that certain remedial works are required. In our view, based on the investigative procedures that we have carried out, there are no further remedial works required to other Welsh properties.

Notes to the consolidated financial statements continued

for the year ended 30 September 2023

4. Key sources of estimation uncertainty continued

Building Safety provision continued

Legislation in Scotland

The Housing (Cladding Remediation) (Scotland) Bill was published in November 2023 and has not yet been finalised. It is the Group's expectation that the basis for this Bill will be consistent with the RAS, such that it is intended to cover leasehold buildings. The Group has constructed one leasehold property in Scotland, which remains under contract. In our view, based on the investigative procedures that we have carried out, there is no remedial work required on that property.

Overall landscape

Historically PBSA and BTR properties that are out of contract have been considered to be out of time for claims, although in England there remains uncertainty over how the BSA will be applied in this regard. However, as set out above, the RAS does not specifically apply to PBSA and BTR properties, noting that the overall objective of the government policy was to protect individual leaseholders in the wake of the Grenfell Tower fire.

Since the implementation of the BSA, we have been in contact with government and industry bodies and other housebuilders and developers to confirm that our interpretation of the legislation is consistent with others. We also engaged an independent consultant to assess the scope and cost of our remedial works on relevant properties to ensure that our approach was appropriate.

We will continue to keep abreast of any changes to legislation and guidance, recognising that the approach to building safety continues to evolve.

Impact on financial statements

Provisions are recognised when three criteria are met: 1) the Group has a present obligation as a result of a past event; 2) it is probable that an outflow of resources will be required to settle the obligation; and 3) a reliable estimate can be made of the obligation.

A further net exceptional provision of £35.0 million has been made for these remedial costs in the year ended 30 September 2023 as a result of:

- the introduction of secondary legislation and the evolution of government initiatives during 2023 as set out above which has brought two further properties into the provision;
- greater access to the various properties which were identified as being at risk, further intrusive surveys conducted on relevant buildings, the receipt of fire safety reports and related cost estimates, alongside further experience of completing the works; these have led to additional costs required compared to initial expectations; and
- the evolution and conclusion of legal proceedings, and settlement and contribution agreements with building owners during the year.

This is a highly complex area with significant estimates in respect of the cost of remedial works, the quantum of any legal expenditure associated with the defence of the Group's position in this regard, and the extent of those properties within the scope of the applicable government guidance and legislation, which continue to evolve. All our buildings were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

The amount provided for these works has been estimated by reference to recent industry experience and external quotes for similar work identified. The investigation of the works required at many of the buildings is at an early stage and therefore it is possible that these estimates may change over time or if government legislation and regulation further evolves.

As a number of other housebuilders and developers have done over the last 12 months, we have included an additional amount of contingency within our provision to reflect further buildings being identified as within the scope of the RAS and for unforeseen remediation costs beyond management's current knowledge. We have also implemented a consistent contingency policy across the properties where work is yet to start.

We expect this cost to be incurred over the next five years, and the provision has been discounted to its present value accordingly. The timing of this expenditure will be dependent on the timely engagement by building owners, revisions to programme under the new BSA Gateways, and the availability of appropriately qualified subcontractors.

We have made progress with negotiating contributions from clients to mitigate our liability in relation to these remedial works and at the balance sheet date have recognised reimbursement assets of £10.9 million (30 September 2022: £nil). These will be recovered over one to five years.

Should the costs associated with these remedial works increase by 10%, the provision required would increase by £3,800,000. Should the discount rate applied to the calculation reduce by 1%, the provision required would increase by £800,000. Further details of the provision are set out in note 27.

Should an additional property be identified which requires remedial works for which the Group is liable, it would be reasonable to estimate the additional cost at £2,100,000, based on the average expected cost of works for properties included within the provision for which the Group will perform remediation works.

5. New standards and interpretations

Impact of accounting standards and interpretations in issue but not yet effective

At the reporting date there are a number of new standards and amendments to existing standards in issue but not yet effective. The Group has not adopted the new or amended standards early in preparing these consolidated financial statements.

The following new standards, amendments to standards and interpretations issued by the International Accounting Standards Board (IASB) became effective during the year:

Standard or interpretation	Effective for accounting periods beginning on or after
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022

There is no impact from these standards.

The following standards and interpretations that are anticipated to be relevant to the Group have an effective date after the date of these financial statements. The Group has not early adopted them and plans to adopt them from the effective dates once endorsed for application in the UK. These standards are not expected to have a significant impact on the Group's consolidated financial statements.

Standard or interpretation	Effective for accounting periods beginning on or after
IFRS 17 – Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
Definition of Account Estimates – Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Lease Liability in a Sale and Leaseback – Amendment to IFRS 16	1 January 2024
Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
International Tax Reform Pillar Two Model Rules – Amendments to IAS 12	1 January 2023
Supplier Finance Arrangements – Amendments to IAS 1	1 January 2024
Lack of Exchangeability – Amendment to IAS 21	1 January 2025

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6. Disaggregated revenue information

Accounting policy

The Group's primary sources of revenue from contracts with customers are from developing residential and commercial properties. It also provides accommodation management services to third parties. When developing purpose built student accommodation (PBSA), build to rent (BTR) and commercial properties, the Group often acquires the land on which the development will be constructed before it is sold to a customer alongside a construction contract or development agreement for the delivery of the relevant scheme.

Sale of land or completed property

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

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

Construction contracts and development agreements

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

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

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

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

Total 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. Payments due to customers which relate to these same contractual obligations are treated as a reduction to revenue.

Total contract costs

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

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

Significant financing component

The Group often enters into construction contracts or development agreements which entail a final payment upon the practical completion of the property, typically linked to its timely completion.

These amounts are included in the estimates for total contract revenue for a scheme such that the period between the recognition of revenue by the Group and when the customer pays can be greater than one year. This difference arises for reasons other than the provision of finance to the customer as it is intended to provide protection to the customer that the Group fulfils its obligations under the contract. Accordingly, these contracts are not deemed to contain a significant financing component.

Accommodation management

Management fees relate to contracted charges for the provision of management services as an agent to landlords of PBSA and BTR properties. Management fees are recognised in line with the management contracts in the period to which they relate.

Rental income

Rents receivable are credited to the statement of comprehensive income on a straight-line basis.

Year ended 30 September 2023	Student Accommodation £'000	Build To Rent £'000	Affordable Homes £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Type of goods or service						
Construction contracts or development agreements	145,067	196,199	—	—	—	341,266
Sale of land	21,700	10,450	—	—	—	32,150
Sale of completed property	—	—	19,607	—	—	19,607
Rental or other income	8,972	1,062	—	—	698	10,732
Accommodation management	—	—	—	9,481	—	9,481
Total revenue from contracts with customers	175,739	207,711	19,607	9,481	698	413,236
Timing of revenue recognition						
Goods transferred at a point in time	21,700	10,450	19,607	—	—	51,757
Services transferred over time	154,039	197,261	—	9,481	698	361,479
Total revenue from contracts with customers	175,739	207,711	19,607	9,481	698	413,236

Year ended 30 September 2022	Student Accommodation £'000	Build To Rent £'000	Affordable Homes £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Type of goods or service						
Construction contracts or development agreements	135,502	97,617	—	—	2,936	236,055
Sale of land	30,947	92,450	—	—	—	123,397
Sale of completed property	—	—	14,478	—	9,325	23,803
Rental income	13,588	1,161	—	—	—	14,749
Accommodation management	—	—	—	9,072	—	9,072
Total revenue from contracts with customers	180,037	191,228	14,478	9,072	12,261	407,076
Timing of revenue recognition						
Goods transferred at a point in time	30,947	92,450	14,478	—	9,325	147,200
Services transferred over time	149,090	98,778	—	9,072	2,936	259,876
Total revenue from contracts with customers	180,037	191,228	14,478	9,072	12,261	407,076

Revenue from four customers (2022: three) in the year accounted for more than 10% of total revenue, representing revenue of £315,465,000 (2022: £208,080,000). Of this, £124,727,000 was reported under the Student Accommodation segment and £190,738,000 was reported under the Build To Rent segment.

7. Segmental reporting

Accounting policy

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2023

7. Segmental reporting continued

The Group has identified four segments for which it reports under IFRS 8 'Operating Segments'. The following represents the segments that the Group operated in during FY23 and FY22:

a. Student Accommodation – the development of purpose built student accommodation;

b. Build To Rent – the development of build to rent accommodation;

c. Affordable Homes – the development of residential housing; and

d. Accommodation Management – the management of student accommodation and build to rent/private rental sector (PRS) property.

Corporate – revenue from the development of commercial property forming part of mixed-use schemes and other revenue and costs not solely attributable to any one operating segment.

All revenues arise in the UK.

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

Apart from inventory and work in progress, no other assets or liabilities are analysed into the operating segments.

Year ended 30 September 2023	Student Accommodation £'000	Build To Rent £'000	Affordable Homes £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Revenue	175,739	207,711	19,607	9,481	698	413,236
Segmental gross profit	11,409	19,836	1,920	5,988	1,202	40,355
Impairment of land assets	—	—	—	—	(5,496)	(5,496)
Gross profit	11,409	19,836	1,920	5,988	(4,294)	34,859
Administration expenses	—	—	—	(5,441)	(24,664)	(30,105)
Loss on disposal of PRS assets	—	—	—	—	(4,584)	(4,584)
Exceptional administrative expenses	—	—	—	—	(38,140)	(38,140)
Operating profit	11,409	19,836	1,920	547	(71,682)	(37,970)
Share of loss in joint ventures	—	—	—	—	(13)	(13)
Finance income	—	—	—	—	496	496
Finance costs	—	—	—	—	(3,514)	(3,514)
Exceptional finance costs	—	—	—	—	(1,458)	(1,458)
Profit/(loss) before tax	11,409	19,836	1,920	547	(76,171)	(42,459)
Taxation	—	—	—	—	9,912	9,912
Continuing profit/(loss) for the year	11,409	19,836	1,920	547	(66,259)	(32,547)
Profit for the year attributable to ordinary equity shareholders of the parent						(32,547)
Inventory and work in progress (note 21)	83,430	10,970	27,314	—	1,802	123,516

Year ended 30 September 2022	Student Accommodation £'000	Build To Rent £'000	Affordable Homes £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Revenue	180,037	191,228	14,478	9,072	12,261	407,076
Gross profit	26,353	32,808	1,915	5,909	641	67,626
Administration expenses	—	—	—	(5,788)	(25,407)	(31,195)
Profit on disposal of student leasehold properties (note 17)	—	—	—	—	18,253	18,253
Exceptional administrative expenses	—	—	—	—	(30,365)	(30,365)
Operating profit	26,353	32,808	1,915	121	(36,878)	24,319
Share of loss in joint ventures	—	—	—	—	(16)	(16)
Finance income	—	—	—	—	72	72
Finance costs	—	—	—	—	(5,982)	(5,982)
Profit/(loss) before tax	26,353	32,808	1,915	121	(42,804)	18,393
Taxation	—	—	—	—	(4,979)	(4,979)
Continuing profit/(loss) for the year	26,353	32,808	1,915	121	(47,783)	13,414
Profit for the year attributable to ordinary equity shareholders of the parent						13,414
Inventory and work in progress (note 21)	75,840	38,763	29,785	—	2,730	147,188

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8. Exceptional costs

Accounting policy

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items of income or expense that are material to the Group in aggregate and have arisen from one-off or unusual circumstances that could not reasonably have been expected to arise from normal trading.

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Recognised in administrative expenses		
Building Safety provision	35,000	30,365
Restructuring costs	3,140	—
Total exceptional items recognised in administrative expenses	38,140	30,365
Recognised in finance costs		
Unwind of discount rate on Building Safety provision	1,458	—
Total exceptional items recognised in finance costs	1,458	—
Total exceptional costs	39,598	30,365

There have been exceptional items during the year of £35,000,000 (2022: £30,365,000) relating to a further net provision made for Building Safety related costs. The provision made in the prior year has been unwound to its present value, resulting in £1,458,000 of finance costs. Further information on these charges is included in note 4 and note 27.

Action has been taken during the year ended 30 September 2023 to manage the Group's cost base, with exceptional restructuring and redundancy costs of £3,140,000 incurred.

All of the exceptional costs in the year were treated as allowable deductions for corporation tax purposes.

9. Total operating profit

This is stated after charging/(crediting):

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Audit services to the parent company	100	100
Audit services to the subsidiaries	275	275
Amortisation of intangible assets	559	559
Impairment of land assets (see note 21)	5,496	—
Depreciation:		
Property, plant and equipment	697	747
Investment property (leased)	4,217	6,156
Right-of-use assets	1,474	949
Profit on disposal of student leasehold properties (see note 17)	—	(18,253)
Loss on disposal of PRS assets (see note 21)	4,584	—
Loss on disposal of other right-of-use assets	—	116
Profit on disposal of property, plant and equipment	(294)	(2,783)

10. Staff numbers and costs

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

	Number of employees	
	Year ended 30 September 2023	Year ended 30 September 2022
Construction	**217**	229
Accommodation management	**371**	346
Management and administration	**123**	134
	711	709

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Wages and salaries	**28,976**	28,894
Employee incentive – long-term incentive plans (note 32)	**1,067**	199
Social security costs	**3,911**	4,082
Defined contribution pension costs	**1,081**	965
	35,035	34,140

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 £1,081,000 (2022: £965,000). There were £138,088 unpaid contributions at the end of the year (2022: £60,000).

The Group also operates a small defined contribution scheme for the benefit of certain former employees. This scheme is closed to new entrants. The assets of the scheme are administered by trustees in a fund independent from those of the Group. Contributions during the year amounted to £nil (2022: £nil).

Key management personnel

The Group considers that its Directors and other senior managers who are either members of the Executive Committee or 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 personnel were as follows:

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Wages and salaries	**2,810**	2,962
Employee incentive – long-term incentive plans (note 32)	**822**	210
Social security costs	**391**	504
Pension costs	**181**	172
	4,204	3,848

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11. Directors' emoluments

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Wages and salaries	1,461	1,724
Long-term employee incentives exercised in period	—	155
Social security costs	210	318
Pension costs	114	113
	1,785	2,310
Highest paid Director:		
Emoluments	430	718
Long-term employee incentives exercised in period	—	134
Pension costs	73	79

During the year ended 30 September 2023, no share options were exercised (2022: 175,326).

12. Finance costs

Accounting policy

All borrowing costs are recognised in the Group's profit for the year on an effective interest rate (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.

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Finance charges	1,735	1,503
Interest on lease liabilities (note 17)	1,779	4,479
Unwind of discount on Building Safety provision (note 8)	1,458	—
	4,972	5,982

During the year the Group has capitalised interest payable on bank loans of £1,908,000 (2022: £361,000) in development land and work in progress. The capitalised interest related to borrowings for specific developments funded using the Group's revolving credit facility, at the rates described in note 26.

13. Income taxes

Accounting policy

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 other comprehensive income (OCI) or those recognised directly in equity, in which case it is recognised in accordance with the underlying item.

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

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

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Current income tax		
UK corporation tax on profits for the year	–	2,708
Adjustments in respect of prior periods	318	1,133
Foreign taxes	27	55
Total current tax	345	3,896
Deferred tax		
Origination and reversal of temporary differences	(9,229)	808
Adjustments in respect of prior year	216	4
Remeasurement of deferred tax for changes in tax rates	(1,244)	271
Total deferred tax	(10,257)	1,083
Total tax (credit)/expense	(9,912)	4,979

Reconciliation of total tax (credit)/expense

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
(Loss)/profit before tax	(42,459)	18,393
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 22% (2022: 19%)	(9,341)	3,495
Fixed asset differences	40	(7)
Expenses not deductible	86	34
Income not taxable	(36)	33
Remeasurement of deferred tax for changes in tax rates	(1,244)	271
Other differences	178	45
Differences to foreign tax rates	(20)	(29)
Adjustments in respect of prior periods	318	1,133
Prior year adjustment to deferred tax	107	4
At the effective rate of tax of 23.3% (2022: 27.1%)	(9,912)	4,979
Income tax (credit)/expense reported in the statement of profit or loss	(9,912)	4,979

As a result of the Finance Act 2021, the rate of UK corporation tax increased to 25% from 6 April 2023. The deferred tax assets and liabilities held by the Group at the start of the current year have been revalued to reflect this increase. The deferred tax asset arising from losses in the period is expected to be fully utilised in the short to medium term.

14. Earnings per share

Accounting policy

Basic

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

Diluted

Diluted EPS is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the parent may potentially issue relating to its contingent share awards under the Group's share incentive schemes, based upon the number of shares that would be issued if the year-end date was the end of the contingency period. Where there is a loss from operations in the financial year, such shares are not considered dilutive.

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14. Earnings per share continued

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

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
(Loss)/profit for the year attributable to ordinary equity holders of the parent	(32,547)	13,414
Add back exceptional costs for the year (note 8)	39,598	30,365
Less corporation tax benefit from exceptional costs for the year	(8,716)	(5,769)
Adjusted (loss)/profit for the year attributable to ordinary equity holders of the parent (excluding exceptional items after tax)	(1,665)	38,010

	Year ended 30 September 2023 Number of shares	Year ended 30 September 2022 Number of shares
Weighted average number of ordinary shares for basic earnings per share	256,434,903	256,385,882
Adjustment for the effects of dilutive potential ordinary shares	—	1,338,930
Weighted average number for diluted earnings per share	256,434,903	257,724,812

	Year ended 30 September 2023 Pence	Year ended 30 September 2022 Pence
Basic earnings per share		
Basic (loss)/profit for the year attributable to ordinary equity holders of the parent	(12.692)	5.232
Adjusted basic earnings per share (excluding exceptional items after tax)		
Adjusted (loss)/profit for the year attributable to ordinary equity holders of the parent	(0.649)	14.825
Diluted earnings per share		
Basic (loss)/profit for the year attributable to diluted equity holders of the parent	(12.692)	5.205
Adjusted diluted earnings per share (excluding exceptional items after tax)		
Adjusted (loss)/profit for the year attributable to diluted equity holders of the parent	(0.649)	14.748

15. Dividends

Accounting policy

Dividends are recognised through equity when approved by the parent's shareholders or on payment, whichever is earlier.

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Final dividend paid in February 2023 of 4.50 pence (February 2022: 5.6 pence)	11,539	14,345
Interim dividend paid in June 2023 of 1.40 pence (June 2022: 2.9 pence)	3,590	7,436
	15,129	21,781

An interim dividend in relation to the year ended 30 September 2023 of 1.40 pence per ordinary share was paid on 30 June 2023 (2022: 2.9 pence per ordinary share).

The final dividend proposed for the year ended 30 September 2023 is nil pence per ordinary share (2022: 4.5 pence per ordinary share). As such, no liability (2022: liability of £11,539,000) has been recognised at that date. At 30 September 2023, the Company had distributable reserves available of £41,115,000 (30 September 2022: £56,058,000).

16. Intangible assets

Accounting policy

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

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

- customer relationships: 11 years; and
- brand: ten years.

	Customer relationships £'000	Brand £'000	Goodwill £'000	Total £'000
Cost				
At 1 October 2021, 30 September 2022 and 30 September 2023	**5,604**	**499**	**9,744**	**15,847**
Amortisation				
At 30 September 2021	2,844	279	—	3,123
Amortisation for the year	510	49	—	559
At 30 September 2022	3,354	328	—	3,682
Amortisation for the year	**510**	**49**	**—**	**559**
At 30 September 2023	**3,864**	**377**	**—**	**4,241**
Net book value				
At 30 September 2023	**1,740**	**122**	**9,744**	**11,606**
At 30 September 2022	2,250	171	9,744	12,165

Intangible assets relate to the acquisition of Fresh Property Group Ltd (formerly Fresh Student Living Limited), which was acquired by the Group in the year ended 30 September 2016.

The Directors have assessed whether there are indicators of impairment against each of the customer relationship and brand assets in line with IAS 36 as at 30 September 2023. No indicators of impairment have been identified, and therefore no impairment test has been performed.

The Directors have reviewed the carrying value of the goodwill in Fresh Property Group Ltd, which is a single CGU, at 30 September 2023 compared to its recoverable amount and are satisfied that no impairment is required. The recoverable amount has been based on value in use, by reference to the budgets and projected cash flows for the CGU over a five-year period, with future pre-tax cash flows discounted at a rate of 12.25% (2022: 10.09%) to reflect the time value of money. Cash flows beyond the five-year period are extrapolated using a 3.0% growth rate, which is seen as the long-term average growth rate for the business.

The following are the key base case assumptions used in projecting the cash flows as at 30 September 2023:

- contracted management agreements in place are renewed in line with past experience;
- new management agreements are secured to deliver the budgeted units under management for the CGU for the five-year period ending 30 September 2028. Units under management are forecast to be approximately 22,000 in FY24, 24,000 in FY25, 27,000 in FY26, 29,000 in FY27 and 30,000 in FY28. This reflects the CGU's past success in securing new management agreements in the student accommodation sector along with assumed growth in apartments under management in the build to rent market;
- management fees charged will increase in line with inflation;
- the achieved gross margin is maintained in line with past experience; and
- indirect costs are incurred in line with the budgets and five-year plan for the CGU up to the period ending 30 September 2026 and thereafter increase at 3.0% per annum.

Impairment calculations are sensitive to changes in the assumptions around trading performance and discount rate. Reasonable sensitivities have been applied to these assumptions as two separate scenarios, being **a)** a shortfall in revenue of 5% against forecasts with no cost mitigation applied, and **b)** an increase in the discount rate of 1 percentage point. In both scenarios there remained significant headroom against the carrying value of the goodwill held.

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17. Leases

Accounting policy

The Group assesses at contract inception whether a contract is, or contains, a lease.

Group as a lessee

Investment property (leased)

The Group has entered into a number of student accommodation sale and leaseback arrangements for which the associated right-of-use assets are classified as investment property (leased). Investment property (leased) is measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of the investment property (leased) includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Investment property (leased) is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- investment property (leased): 15 to 17 years.

Investment property (leased) is also subject to impairment in accordance with accounting policy 3.4.

Right-of-use assets

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

- office properties: two to 25 years; and
- motor vehicles: three years.

The right-of-use assets are also subject to impairment in accordance with accounting policy 3.4.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses a company-specific incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in lease payments resulting from a change in an index or rate used to determine such lease payments, or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment for a term of 12 months or less. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value, being those with a value on acquisition of less than £10,000.

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.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Investment property (leased) £'000	Offices £'000	Motor vehicles £'000	Total £'000
Cost				
At 30 September 2021	161,629	10,132	974	172,735
Additions/adjustment	—	119	1,173	1,292
Disposals	(78,038)	—	(591)	(78,629)
At 30 September 2022	83,591	10,251	1,556	95,398
Additions/adjustment	**1,126**	**843**	**1,509**	**3,478**
Disposals	**—**	**(1,370)**	**(485)**	**(1,855)**
At 30 September 2023	**84,717**	**9,724**	**2,580**	**97,021**
Depreciation				
At 30 September 2021	57,364	5,785	853	64,002
Charge for the year	6,156	691	258	7,105
Disposals	(12,958)	—	(518)	(13,476)
At 30 September 2022	50,562	6,476	593	57,631
Charge for the year	**4,217**	**829**	**645**	**5,691**
Disposals	**—**	**(1,300)**	**(215)**	**(1,515)**
At 30 September 2023	**54,779**	**6,005**	**1,023**	**61,808**
Impairment				
At 30 September 2021	5,698	—	—	5,698
Charge for the year	—	—	—	—
At 30 September 2022	5,698	—	—	5,698
Charge for the year	**—**	**—**	**—**	**—**
At 30 September 2023	**5,698**	**—**	**—**	**5,698**
Net book value				
At 30 September 2023	**24,240**	**3,719**	**1,557**	**29,516**
At 30 September 2022	27,331	3,775	963	32,069
At 30 September 2021	98,567	4,347	121	103,035

Investment property (leased) assets relate to the Group's four (2022: four) student leaseback arrangements. Each of the four leaseback arrangements are considered to be a separate CGU. The Directors have reviewed the carrying value of these leases where there is an indication of impairment and compared them to their respective recoverable amounts. No impairment charge (2022: no impairment charge) has been recognised during the year.

Notes to the consolidated financial statements continued
for the year ended 30 September 2023

17. Leases continued

The recoverable amount for each CGU has been calculated as its value in use. The valuation technique used is a discounted cash flow. Due to the bespoke nature of these arrangements, these valuations are also considered to represent the fair value of each of the investment property (leased) assets. The key inputs into the valuation are gross rental income, operating costs, lease term and an estimated discount rate reflecting the market assessment of risk that would be applied to each asset. The estimated discount rates for each property, together with their value in use, are included in the following table.

	Impairment charge/(reversal) £'000				Value in use £'000	
	Year ended 30 September 2023	Year ended 30 September 2022	Discount rate	Lease termination date	**Year ended 30 September 2023**	Year ended 30 September 2022
Collegelands, Glasgow	**—**	—	5.5%	6 September 2026	**8,170**	11,129
Europa, Liverpool	**—**	—	6.5%	18 March 2030	**9,598**	10,317
Optima, Loughborough	**—**	—	5.0%	18 March 2030	**1,615**	1,785
Glassyard Building, London	**—**	—	6.0%	10 September 2034	**9,283**	9,854
Total	**—**	—			**28,666**	33,085

These impairment calculations are sensitive to changes in the assumptions around discount rate. Reasonable sensitivities have been applied to these assumptions, including an increase in the discount rate applied of 1 percentage point and assuming no revenue growth from 2025 onwards. In these scenarios there remained headroom against the carrying value of the assets held.

Set out below are the carrying amounts of lease liabilities and movements during the period:

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
At the start of the period	**49,099**	129,252
Additions	**3,262**	1,292
Disposals	**(360)**	(76,728)
Accretion of interest	**1,779**	4,479
Payments	**(8,585)**	(9,196)
At the end of the period	**45,195**	49,099
Current	**7,567**	6,248
Non-current	**37,628**	42,851

Group as lessor – operating lease rentals receivable

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Non-cancellable operating lease rentals are receivable as follows:		
Within one year	**8,316**	8,094
Later than one year and less than five years	**135**	703
After five years	**43**	63
	8,494	8,860

The Group acts as lessor in respect of certain commercial property and for the student accommodation properties operated under the sale and leaseback arrangements detailed above.

18. Property, plant and equipment

Accounting policy

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 cost of assets less their residual values over their estimated useful lives, on the following basis:

Plant and machinery:	
Cranes:	6.7% reducing balance
Other:	20% reducing balance
Motor vehicles:	25% reducing balance

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.

	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost			
At 30 September 2021	8,573	157	8,730
Additions	660	—	660
Disposals	(5,936)	(2)	(5,938)
At 30 September 2022	3,297	155	3,452
Additions	**550**	**—**	**550**
Disposals	**(416)**	**(155)**	**(571)**
At 30 September 2023	**3,431**	**—**	**3,431**
Depreciation			
At 30 September 2021	4,919	155	5,074
Charge for the year	747	—	747
Disposals	(4,378)	—	(4,378)
At 30 September 2022	1,288	155	1,443
Charge for the year	**697**	**—**	**697**
Disposals	**(350)**	**(155)**	**(505)**
At 30 September 2023	**1,635**	**—**	**1,635**
Net book value			
At 30 September 2023	**1,796**	**—**	**1,796**
At 30 September 2022	2,009	—	2,009
At 30 September 2021	3,654	2	3,656

Notes to the consolidated financial statements continued

for the year ended 30 September 2023

19. Subsidiaries

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

Name	Class of shares	Nature of business
Anderson Wharf (Student) Limited[5]	Ordinary	Property developer
Battersea Park Road London Limited[5]	Ordinary	Property developer
Bridge Road Bath Limited[5]	Ordinary	Property developer
Bridle Path Watford Limited[5]	Ordinary	Property developer
Conington Road Lewisham Limited[5]	Ordinary	Property developer
Crown Place Woking Limited[5]	Ordinary	Property developer
Customhouse Student Limited[5]	Ordinary	Property developer
Dalby Avenue Bedminster Limited[5]	Ordinary	Property developer
Duncan House Developments Limited[5]	Ordinary	Property developer
Ellen Street Hove Limited[5]	Ordinary	Property developer
Elliot Road Selly Oak Limited[5]	Ordinary	Property developer
Gas Lane Bristol Limited[5]	Ordinary	Property developer
Goldcharm Residential Limited[5]	Ordinary	Property developer
Grove Crescent Stratford Limited[5]	Ordinary	Property developer
Gorse Stacks Development Limited[6]	Ordinary	Property developer
Headrow House Leeds Limited[5]	Ordinary	Property developer
Heol Santes Helen Limited[5]	Ordinary	Property developer
High Street Swansea Limited[5]	Ordinary	Property developer
India Street Glasgow Limited[5]	Ordinary	Property developer
Iona Street Edinburgh Limited[5]	Ordinary	Property developer
LPS Nottingham Limited[5]	Ordinary	Property developer
Malago Road Bristol Limited[5]	Ordinary	Property developer
New Mart Road Limited[5]	Ordinary	Property developer
Northop Road Flint Limited[5]	Ordinary	Property developer
Onega Centre Bath Limited[5]	Ordinary	Property developer
Pirrie Belfast Limited[5]	Ordinary	Property developer
Randalls Road Leatherhead Limited[5]	Ordinary	Property developer
Sherlock Street Birmingham Limited[5]	Ordinary	Property developer
Stylegood Limited[5]	Ordinary	Property developer
Superscheme Limited[5]	Ordinary	Property developer
Walnut Tree Close Guildford Limited[5]	Ordinary	Property developer
Watkin Jones & Son Limited[4]	Ordinary	Property developer
Wilmslow Road Manchester Limited[5]	Ordinary	Property developer
WJ AS1 Bristol Limited[1,5]	Ordinary	Property developer
WJ GQ London Limited[1,5]	Ordinary	Property developer
Fresh Property Group Ltd[9]	Ordinary	Accommodation management
Fresh Property Group Ireland Limited[10]	Ordinary	Accommodation management
DR (Student) Limited[5]	Ordinary	Holding company
Fresh Property Group Holdings Ltd[5]	Ordinary	Holding company
Watkin Jones Group Limited[2]	Ordinary	Holding company
Watkin Jones Holdings Limited[3]	Ordinary	Holding company
Newmark Developments Limited[5]	Ordinary	Holding company and property development services
Watkin Jones AM Limited[5]	Ordinary	Property fund asset manager
Dunaskin Student Limited[5]	Ordinary	Property letting
Finefashion Limited[5]	Ordinary	Property letting
New Bridewell Limited[5]	Ordinary	Property letting
New Bridewell 1 Limited[8]	Ordinary	Property letting

Name	Class of shares	Nature of business
Nicelook Limited[5]	Ordinary	Property letting
Polarpeak Limited[5]	Ordinary	Property letting
Qualityoffer Limited[5]	Ordinary	Property letting
Scarlet P Limited[5]	Ordinary	Property letting
Spiritbond Stockwell Green Limited[5]	Ordinary	Property letting
Swiftmatch Limited[5]	Ordinary	Property letting
Bailey Lane Student Limited[5]	Ordinary	Dormant
Blackhorse Lane Student Limited[5]	Ordinary	Dormant
Bridge Street Student Limited[5]	Ordinary	Dormant
Christchurch Road Bournemouth Limited[5]	Ordinary	Dormant
Darley Student Accommodation Limited[7]	Ordinary	Dormant
Extralap Limited[6]	Ordinary	Dormant
Extraneat Limited[5]	Ordinary	Dormant
Fairleague Limited[5]	Ordinary	Dormant
Five Nine Living Limited[9]	Ordinary	Dormant
Forest Road Student Limited[5]	Ordinary	Dormant
Garthdee Road Aberdeen Limited[5]	Ordinary	Dormant
Gladstone Road Exeter Limited[5]	Ordinary	Dormant
Goldcharm Student Lettings Limited[5]	Ordinary	Dormant
Gorgie Road Edinburgh Limited[5]	Ordinary	Dormant
Holdenhurst Road Bournemouth Limited[5]	Ordinary	Dormant
Hunter Street Chester Limited[5]	Ordinary	Dormant
Kelaty House Wembley Limited[5]	Ordinary	Dormant
Kyle Street Student Limited[5]	Ordinary	Dormant
Liverpool Road Chester Limited[5]	Ordinary	Dormant
Lower Bristol Road Bath Limited[5]	Ordinary	Dormant
Lucas Student Lettings Limited[5]	Ordinary	Dormant
Military Road Canterbury Limited[5]	Ordinary	Dormant
New Bridewell 2 Limited[8]	Ordinary	Dormant
Oxford House Bournemouth Limited[5]	Ordinary	Dormant
Quarter House Studios Limited[5]	Ordinary	Dormant
Rockingham Street Student Limited[5]	Ordinary	Dormant
Saxonhenge Limited[5]	Ordinary	Dormant
Sutton Court Road Limited[5]	Ordinary	Dormant
TG Southall Limited[5]	Ordinary	Dormant
The Hale Tottenham Limited[5]	Ordinary	Dormant
Trafford Street Chester Limited[5]	Ordinary	Dormant
Victoria Park Bath Limited[5]	Ordinary	Dormant
Westfield Avenue Edinburgh Limited[5]	Ordinary	Dormant
Wisedeed Limited[5]	Ordinary	Dormant
WJ Developments (Residential) Limited[5]	Ordinary	Dormant

1. Incorporated during the year.
2. Wholly owned by Watkin Jones plc.
3. Wholly owned by Watkin Jones Group Limited.
4. Wholly owned by Watkin Jones Holdings Limited.
5. Wholly owned by Watkin Jones & Son Limited.
6. Wholly owned by Newmark Developments Limited.
7. Wholly owned by DR (Student) Limited.
8. Wholly owned by New Bridewell Limited.
9. Wholly owned by Fresh Property Group Holdings Ltd.
10. Wholly owned by Fresh Property Group Ltd.

Notes to the consolidated financial statements continued
for the year ended 30 September 2023

19. Subsidiaries continued

All of the Group's subsidiaries have the same registered office address of 3 Llys y Bont, Parc Menai, Bangor, LL57 4BN, with the exception of Fresh Property Group Holdings Ltd, Fresh Property Group Ltd and Five Nine Living Limited, whose registered office address is 12 Soho Square, London, United Kingdom, W1D 3QF, and Fresh Property Group Ireland Limited, whose registered office is One Spencer Dock, North Wall Quay, Dublin 1, Ireland.

20. Joint ventures

Accounting policy

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 OCI of the joint venture.

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

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

At 30 September 2023, the Group had the following joint ventures, whose principal place of business is the UK:

Name	Class of shares	Percentage share capital held	Financial year end	Activity
Deiniol Developments Limited[1]	Ordinary	50%	30 September	Property development
Spiritbond Finsbury Park Limited[1]	Ordinary	50%	30 September	Dormant
Spiritbond Elephant & Castle Limited[1]	Ordinary	50%	30 September	Dormant
Freshers PBSH Chester (General Partner) Limited[1]	Ordinary	50%	30 September	Property fund general partner

1. Held by Watkin Jones & Son Limited.

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

Year ended 30 September 2023	All joint ventures £'000	Total £'000
Revenue	—	—
Operating loss	(26)	(26)
Finance income/(expense)	—	—
Loss before tax	—	—
Income tax gain	—	—
Loss for the year	(26)	(26)
Total comprehensive loss for the year	(26)	(26)
Group share of loss for the year	(13)	(13)
Current assets, including cash and cash equivalents	9	9
Non-current assets	40	40
Current liabilities, including financial liabilities	(4)	(4)
Non-current liabilities, including financial liabilities	(47)	(47)
Net liabilities	(2)	(2)
Equity		
At 1 October 2022	3	3
Loss for the year	(17)	(17)
Dividend distribution	—	—
Capital contribution	12	—
At 30 September 2023	(2)	(2)
Remove joint venture partners' share of net assets	1	1
Group's carrying amount of the investment	(1)	(1)

Year ended 30 September 2022	Lacuna Belfast Limited £'000	Lacuna WJ Limited £'000	All other joint ventures £'000	Total £'000
Revenue	—	—	—	—
Operating loss	(12)	(6)	(11)	(29)
Finance income/(expense)	—	—	—	—
Loss before tax	(12)	(6)	(11)	(29)
Income tax gain	—	—	—	—
Loss for the year	(12)	(6)	(11)	(29)
Total comprehensive loss for the year	(12)	(6)	(11)	(29)
Group share of loss for the year	(6)	(3)	(7)	(16)
Current assets, including cash and cash equivalents	—	—	13	13
Non-current assets	—	—	43	43
Current liabilities, including financial liabilities	—	—	(2)	(2)
Non-current liabilities, including financial liabilities	—	—	(52)	(52)
Net assets	—	—	2	2
Equity				
At 1 October 2021	12	6	13	31
Loss for the year	(12)	(6)	(11)	(29)
Dividend distribution	—	—	—	—
Capital contribution	—	—	—	—
At 30 September 2022	—	—	2	2
Remove joint venture partners' share of net assets	—	—	(1)	(1)
Group's carrying amount of the investment	—	—	1	1

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21. Inventory and work in progress

Accounting policy

Inventory is stated at the lower of cost and net realisable value. Cost comprises all costs directly attributable to the purchasing of land and buildings and the development of property, including 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.

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Development land	98,353	66,858
Stock and work in progress	25,163	80,260
Total inventories at the lower of cost and net realisable value	123,516	147,118

During the year a portfolio of non-core private rental sector (PRS) assets held within inventory with a net book value of £21,200,000 was disposed on an accelerated timetable ahead of the completion of remedial works, to allow the business to focus on its strategic priorities. After associated costs, a loss on disposal of £4,584,000 was recorded within administrative expenses. Given the nature of these assets, the disposal proceeds have recognised within investing activities, rather than net operating cashflows.

A number of legacy land bank assets were impaired and early-stage opportunities were strategically aborted in response to volatile market conditions, resulting in an impairment charge of £5,496,000 (2022: £nil) within gross margin.

22. Contract assets and liabilities

(a) Current contract assets

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
At 1 October	50,821	13,810
Transferred to receivables	(50,821)	(13,259)
Balance remaining in relation to contract assets at the start of the year	—	551
Increase relating to services provided in the year	66,368	50,270
At 30 September	66,368	50,821

The contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. Most of the Group's contracts for student accommodation and build to rent developments are structured such that there is a significant final payment which only becomes due upon the practical completion of the relevant property. Most of the Group's developments span at least two financial years, which results in the recognition of a contract asset up until the practical completion of the property, at which point it is transferred to trade receivables. None of the contract assets at the end of the year are past due, and taking into account the historical default experience, an assessment of credit risk and the future prospects in the industry, the Directors consider that no contract assets are impaired.

(b) Current contract liabilities

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
At 1 October	5,052	2,845
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	(5,052)	(2,845)
Balance remaining in relation to contract liabilities at the start of the year	—	—
Increase due to costs associated with performance obligations which have not yet been fully satisfied	1,469	5,052
At 30 September	1,469	5,052

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

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially satisfied at the reporting date in relation to the development of student accommodation, build to rent, affordable homes and commercial projects:

30 September 2023	Year ended 30 September 2024 £'000	Year ended 30 September 2025 £'000	Year ended 30 September 2026 £'000	Total £'000
Construction contracts	**318,558**	**151,468**	**66,016**	**536,042**

30 September 2022	Year ended 30 September 2024 £'000	Year ended 30 September 2025 £'000	Year ended 30 September 2026 £'000	Total £'000
Construction contracts	286,944	242,989	113,703	643,636

23. Trade and other receivables

Accounting policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment in trade receivables is established when there is an expectation of cash shortfalls over the expected life of the amounts due. The movement in the provision is recognised in the statement of comprehensive income.

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Trade receivables	**29,212**	20,534
Less: provision for impairment of receivables	**(137)**	—
Trade receivables – net	**29,075**	20,534
Prepayments and other receivables	**3,365**	4,207
Equity instruments designated at fair value through OCI	**130**	130
Refundable land deposits paid	**2,534**	3,757
Total trade and other receivables	**35,104**	28,628

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

The ageing analysis of trade receivables is as follows:

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Neither past due nor impaired	**29,062**	20,502
Past due but not impaired:		
Not more than three months	**—**	—
Greater than three months	**13**	32
	29,075	20,534

The Group estimates expected credit losses on trade receivables by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. As at 30 September 2023 and 2022, trade receivables that were neither past due nor impaired related to a number of debtors for whom there is no recent history of default and the future credit risk is considered to be low. The other classes of trade and other receivables do not contain impaired assets.

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24. Cash and cash equivalents

Accounting policy

Cash and cash equivalents in the statement of financial position comprises cash at bank and in hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

Cash at bank and in hand as at 30 September 2023 includes £53,000 of cash deposited by the Group in an escrow account in connection with a development in progress, access to which is contingent upon the completion of certain development works (30 September 2022: £53,000). For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand. The Group had not drawn on any overdraft facilities at the year end.

25. Trade and other payables: current

Accounting policy

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Trade payables	**80,932**	51,931
Deferred rental income	**1,561**	2,181
Taxes and social security costs	**1,177**	8,090
Accruals and other payables	**17,053**	27,515
Total trade and other payables	**100,723**	89,717

26. Interest-bearing loans and borrowings

Accounting policy

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Current		
Svenska Handelsbanken AB term loan	**—**	—
HSBC Bank plc RCF arrangement fees	**—**	—
Other interest-bearing loans	**—**	—
	—	—

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Non-current		
Svenska Handelsbanken AB term loan	**—**	3,995
HSBC Bank plc RCF	**28,855**	24,818
HSBC Bank plc RCF arrangement fees	**(325)**	(525)
Other interest-bearing loans	**—**	—
	28,530	28,288

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

The Group holds a five-year revolving credit facility (RCF) with HSBC to a value of £50.0 million (2022: £100.0 million). The facility was amended and extended during the year, and the maturity date of the facility is 15 November 2025. At 30 September 2023, the Group had undrawn borrowing facilities of £31.1 million (2022: £85.2 million) with HSBC Bank plc, comprising its RCF and a £10.0 million on-demand and undrawn overdraft facility. As is the case in most loan agreements, the RCF includes a material adverse event clause but management believe the risk of this clause being exercised is very remote.

The RCF is secured by a debenture over Watkin Jones Group Limited, Watkin Jones Holdings Limited, Watkin Jones & Son Limited, Grove Crescent Stratford Limited, Walnut Tree Close Guildford Limited, Gas Lane Bristol Limited and India Street Glasgow Limited. For the period from 1 October 2021 to 31 December 2021, the applicable interest rate was 2.25% over one-month LIBOR. From 1 January 2022 to 28 September 2023, the applicable benchmark rate has been changed to SONIA, with the margin remaining at 2.25%. Following the extension to the facility, the margin has been set at 2.65% over SONIA.

The loan with Svenska Handelsbanken AB was a 30-month term loan secured by a legal charge over certain operating property stock assets. During the year, the operating property stock assets were disposed of and the loan was fully repaid.

27. Provisions

Accounting policy

Provisions are recognised when three criteria are met: 1) the Group has a present obligation as a result of a past event; 2) it is probable that an outflow of resources will be required to settle the obligation; and 3) a reliable estimate can be made of the obligation.

Building Safety provision

	Provision £'000	Reimbursement asset £'000	Total £'000
At 1 October 2021	9,399	—	9,399
Arising during year	30,365	—	30,365
Utilised	(6,316)	—	(6,316)
At 1 October 2022	33,448	—	33,448
Arising during year	45,865	(10,865)	35,000
Utilised	(15,177)	—	(15,177)
Unwind of discount rate	1,458	—	1,458
At 30 September 2023	**65,594**	**(10,865)**	**54,729**

The balance can be classified as follows:

Year ended 30 September 2023	Provision £'000	Reimbursement asset £'000	Total £'000
Current	24,457	(6,858)	17,599
Non-current	41,137	(4,007)	37,131
Total	**65,594**	**(10,865)**	**54,729**

Year ended 30 September 2022	Provision £'000	Reimbursement asset £'000	Total £'000
Current	7,713	—	7,713
Non-current	25,735	—	25,735
Total	33,448	—	33,448

A provision of £33,448,000 was held at 30 September 2022 for the Group's anticipated contribution towards the cost of building safety remedial works.

A further net increase in provision of £35,000,000 has been made during the year ended 30 September 2023 for building safety remediation costs, comprising an increase in cost provision of £45,865,000 offset by a corresponding reimbursement asset of £10,865,000, reflecting customer contributions to these remedial works which have been contractually agreed during the year. Of this reimbursement asset, £6,973,000 was included in the net provision disclosed at 1 October 2022 which represented the best estimate of the Group's net contribution to remediation costs.

The judgements and estimates surrounding this provision and corresponding reimbursement assets are set out in note 4.

The net provision at 30 September 2023 amounts to £54,729,000, of which £17,599,000 is expected to be incurred in the year ending 30 September 2024 and £37,131,000 is expected to be incurred between 1 October 2024 and 30 September 2027. The provision has been discounted to its present value accordingly, at a risk-free rate of 4.60% based on UK five-year gilt yields (2022: 4.36%).

Notes to the consolidated financial statements continued
for the year ended 30 September 2023

28. Deferred tax

Accounting policy

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

The movement on the deferred tax account is shown below:

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
At the start of the period	**1,941**	2,914
Included directly in equity	**(151)**	141
Statement of comprehensive income (debit)/credit	**10,306**	(1,114)
At the end of the period	**12,096**	1,941
Comprising:		
Deferred tax asset	**12,906**	2,677
Deferred tax liability	**(810)**	(736)
At the end of the period	**12,096**	1,941

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

	Short-term timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 October 2022	2,677	(736)	1,941
Statement of comprehensive income credit/(debit)	**10,380**	**(74)**	**10,306**
Included directly in equity	**(151)**	**—**	**(151)**
At 30 September 2023	**12,906**	**(810)**	**12,096**

	Short-term timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 October 2021	3,366	(452)	2,914
Statement of comprehensive income debit	(830)	(284)	(1,114)
Included directly in equity	141	—	141
At 30 September 2022	2,677	(736)	1,941

In the year ended 30 September 2023, deferred tax debited directly to equity of £151,000 (2022: credited £141,000) related to the Group's share-based Long Term Incentive Plan, the comprehensive income charges for which are recognised as a movement in the share-based payment reserve.

29. Other financial assets and liabilities

Other financial assets

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Financial instruments at fair value		
Equity instruments designated at fair value through other comprehensive income	**1,129**	1,366
Other financial assets	**1,129**	1,366

Equity instruments designated at fair value through other comprehensive income comprise the value of units held by Watkin Jones & Son Limited in the Curlew Student Trust (CST), together with the value of the carried interest held by Fresh Property Group Ltd in CST and Curlew Student Trust 2 (CST2). CST and CST2 are Guernsey-registered unitised funds established to invest in student accommodation. Watkin Jones & Son Limited originally made an investment in CST, as part of an agreement to develop three student accommodation properties for the fund, and Fresh Property Group Ltd made a carried interest investment aligned to its role as preferred property manager for the fund.

Fresh Property Group Ltd subsequently made a carried interest investment of £350,000 in CST2 on its establishment, aligned to its role as preferred property manager for CST2.

The Group received £nil distributions against the carrying value of its investments in CST or CST2 in the year ended 30 September 2023 (2022: £nil).

The Group's investment in CST and CST2 comprises the following:

30 September 2023	**Units**	**Price £**	**Value £'000**
Curlew Student Trust			
Units held by Watkin Jones & Son Limited	**1,689,991**	**0.426316**	**720**
Carried interest investment held by Fresh Property Group Ltd			**62**
Curlew Student Trust 2			
Carried interest investment held by Fresh Property Group Ltd			**347**
Group's carrying amount of the investment			**1,129**

30 September 2022	Units	Price £	Value £'000
Curlew Student Trust			
Units held by Watkin Jones & Son Limited	1,689,991	0.543443	918
Carried interest investment held by Fresh Property Group Ltd			98
Curlew Student Trust 2			
Carried interest investment held by Fresh Property Group Ltd			350
Group's carrying amount of the investment			1,366

The fair value of the units held by Watkin Jones & Son Limited in the Curlew Student Trust, included within equity instruments designated at fair value through other comprehensive income, is based on a quoted fund unit price (Level 2 in the fair value hierarchy). This is an investment and is not related to any individual property. The carried interest investments held by Fresh Property Group Ltd are stated at fair value (Level 2 in the fair value hierarchy).

Notes to the consolidated financial statements continued
for the year ended 30 September 2023

30. Financial risk management

Accounting policy

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

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

The Group's investments in unit trusts and equity interests held under shared ownership schemes are classified as equity instruments designated at fair value through OCI. Gains and losses on these assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of comprehensive income when the right to payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Financial liabilities
Financial liabilities are classified, at initial recognition, as loans and borrowings or payables. They are initially recognised at fair value net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings, including bank overdrafts. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

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.

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

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

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

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

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

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

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

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

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

The Group recognises that movements in certain risk variables might affect the value of its loans and also the amounts recorded in its equity and its profit and loss for the period. Therefore, the Group has assessed the following risks:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises 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.

Interest rate risk

Due to the levels of interest-bearing loans and borrowings at 30 September 2023, the Group had no material exposure to interest rate movements. The Group holds an RCF with HSBC with an amount available under this facility of £50 million, which means that the Group could potentially be exposed to increased interest rate risk in the future. The Group has a treasury and hedging policy under which it determines the value at risk that it is willing to accept from a foreseeable movement in interest rates. Interest rate hedging contracts will only be used to keep its interest rate risk exposure within these parameters and there were no hedging contracts utilised during the year ended 30 September 2023 (2022: none).

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

	Effect on profit before tax	
0.5% change in interest rate	**Year ended 30 September 2023 £'000**	Year ended 30 September 2022 £'000
Impact on profit before tax	**143**	141

Foreign currency risk

Capital items that are non-sterling priced are monitored to review the requirement for appropriate hedging. The Group has minimal exposure to foreign currency risk as it rarely carries out transactions in foreign currencies.

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 2023 and 30 September 2022:

Liquidity risk – 30 September 2023	**On demand £'000**	**Less than one year £'000**	**Between one and five years £'000**	**More than five years £'000**	**Total £'000**
Interest-bearing loans and borrowings	**—**	**—**	**28,530**	**—**	**28,530**
Trade and other payables	**—**	**100,723**	**—**	**—**	**100,723**
	—	**100,723**	**28,530**	**—**	**129,253**

Liquidity risk – 30 September 2022	On demand £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	Total £'000
Interest-bearing loans and borrowings	—	—	28,288	—	28,288
Trade and other payables	—	89,717	—	—	89,717
	—	89,717	28,288	—	118,005

Notes to the consolidated financial statements continued

for the year ended 30 September 2023

30. Financial risk management continued

Credit risk

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

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

Our customers are predominantly blue-chip institutional funds and the risk of default on the trade receivables they owe the Group is low. In many cases, the funds for a forward sold development are ring-fenced, placed in escrow, or backed by committed debt funding which reduces the risk of default. Credit evaluations are performed for all customers. Management has policies and procedures in place to monitor the Group's exposure to credit risk and the payment performance of the Group's customers.

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 moderate levels of long-term borrowings to fund operations and working capital requirements. The net cash of the Group is analysed in note 34.

31. Share capital and other reserves

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Allotted, called up and fully paid		
Ordinary shares of one pence each	**2,564**	2,564

The number of ordinary shares in issue at 30 September 2023 was 256,441,253 (30 September 2022: 256,430,367).

In addition to share capital and premium, the Group holds a merger reserve, which was created in prior periods in accordance with merger accounting principles as a result of Group restructuring.

32. Employee benefits – long-term incentive plans

Accounting policy

The Group operates a long-term incentive plan for certain members of the senior management team under which those employees receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). The cost of the equity-settled transactions is determined by the fair value at the date the grant is made using an appropriate valuation model, further details of which are given in the note below.

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

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

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

The Watkin Jones plc Long Term Incentive Plan (the 'Plan') was approved by shareholders at the AGM held on 13 February 2018. Details of the Plan, the vesting requirements and the performance targets applicable to the awards are set out in the Directors' remuneration report on pages 82 to 89.

The Group issues two sets of awards under the Plan: an annual LTIP award (LTIP) and an annual Restricted Stock Award (RSA).

LTIP

LTIP awards can be subject to various performance conditions. The fair value of the share awards granted subject to earnings per share (EPS) performance conditions is the market price of an ordinary share of the Company at the date the award is granted, less the exercise price. The fair value of the share awards granted subject to absolute and relative total shareholder return (TSR) performance conditions have been estimated at the grant date using a Monte Carlo valuation model.

RSA

RSAs are subject only to a service condition, such that employees must remain in service until the vesting date to receive any award. The fair value of the share awards granted subject to this condition is the market price of an ordinary share of the Company at the date the award is granted, less the exercise price.

The aggregate total awards granted under the Plan are as follows:

Share awards granted under the Plan	Year ended 30 September 2023 Number	Year ended 30 September 2022 Number
At 1 October	**2,902,491**	2,951,955
Granted in the year	**2,272,953**	959,808
Exercised in the year	**—**	(281,297)
Lapsed in the year	**(1,578,546)**	(727,975)
At 30 September	**3,596,898**	2,902,491

There were no awards exercised during the year (2022: 281,297). The weighted average exercise price for all awards is one pence per share. The weighted average remaining contractual life for the awards outstanding at 30 September 2023 was 1.5 years (2022: 1.1 years).

Notes to the consolidated financial statements continued
for the year ended 30 September 2023

32. Employee benefits – long-term incentive plans continued

Save As You Earn scheme

The Group operates a Save As You Earn (SAYE) scheme. Participating employees may elect to save funds by means of deductions from post-tax salary up to a maximum contribution per employee per scheme of £3,000 per year. At the end of the three-year vesting period such funds can then be used to acquire shares at a discounted price to the market price on the date of grant (the 'exercise price').

These awards are subject only to a service condition, such that employees must remain in service until the vesting date to receive the discounted exercise price. The fair value of the share awards granted subject to this condition is the market price of an ordinary share of the Company at the date the award is granted, less the exercise price.

The aggregate total awards granted under the SAYE scheme are as follows:

Share awards granted under the SAYE scheme	Year ended 30 September 2023 Number	Year ended 30 September 2022 Number
At 1 October	**—**	—
Granted in the year	**2,077,512**	—
Exercised in the year	**—**	—
Lapsed in the year	**(112,999)**	—
At 30 September	**1,964,513**	—

There were no awards exercised during the year. The weighted average exercise price for all awards is 53.36 pence per share. The weighted average remaining contractual life for the awards outstanding at 30 September 2023 was 2.8 years.

The following table lists the inputs to the model used for the share awards granted in 2023 and 2022:

	2023 SAYE	2023 RSA	2023 LTIP	2022 LTIP
Share price at grant (p)	**76.50**	**112.00**	**112.00**	266.00
Exercise price (p)	**53.36**	**1.00**	**1.00**	1.00
Expected term (years)	**3.3**	**3.0**	**3.0**	3.0
Expected volatility (%)	**42.88**	**40.95**	**40.98**	31.0
Risk-free interest rate (%)	**4.84**	**2.85**	**2.85**	1.05
Are dividend equivalents receivable for the award holder?	**No**	**Yes**	**Yes**	Yes

The fair value of the share awards granted under the Plan is charged to the statement of comprehensive income over the vesting period of the awards, provided that the service conditions attaching to the awards continue to be met. The cumulative charge to the statement of comprehensive income is recognised in the statement of financial position as a 'share-based payment reserve'. For the year ended 30 September 2023, the amount charged to the statement of comprehensive income and credited to the share-based payment reserve was £1,067,000 (2022: £209,000).

Historic charges of £186,000 (2022: £2,507,000) related to share awards which have now vested and been fully exercised or lapsed have been recycled from the share-based payment reserve to the profit and loss reserve during the year.

33. Reconciliation of profit before tax to net cash flows from operating activities

	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
(Loss)/profit before tax	(42,459)	18,393
Depreciation of leased investment properties and right-of-use assets	5,691	7,105
Depreciation of plant and equipment	697	747
Amortisation of intangible assets	559	559
Profit on disposal of right-of-use assets	—	(18,137)
Profit on disposal of property, plant and equipment	(294)	(2,783)
Loss on disposal of operational PRS assets	4,584	—
Finance income	(496)	(72)
Finance costs	4,972	5,982
Share of loss in joint ventures	13	16
Decrease/(increase) in inventory and work in progress	4,634	(19,525)
Increase in contract assets	(15,547)	(37,011)
Increase in trade and other receivables	(6,476)	(430)
(Decrease)/increase in contract liabilities	(3,583)	2,207
Increase in reimbursement assets	(10,865)	—
Increase/(decrease) in trade and other payables	9,600	(901)
Increase in provisions	30,688	24,049
Increase in share-based payment reserve	1,067	209
Net cash outflow from operating activities	**(17,215)**	(19,592)

Major non-cash transactions

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2023

34. Analysis of net cash/(debt)

30 September 2023	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
Cash at bank and in hand	**110,841**	**(38,410)**	**—**	**72,431**
Other interest-bearing loans	**—**	**—**	**—**	**—**
Bank loans	**(28,288)**	**(42)**	**(200)**	**(28,530)**
Net cash before deducting lease liabilities	**82,553**	**(38,452)**	**(200)**	**43,901**
Lease liabilities (note 17)	**(49,099)**	**6,806**	**(2,902)**	**(45,195)**
Net cash/(debt)	**33,454**	**(31,646)**	**(3,102)**	**(1,294)**

30 September 2022	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
Cash at bank and in hand	136,293	(25,452)	—	110,841
Other interest-bearing loans	(389)	389	—	—
Bank loans	(11,572)	(16,516)	(200)	(28,288)
Net cash before deducting lease liabilities	124,332	(41,579)	(200)	82,553
Lease liabilities (note 17)	(129,252)	4,717	75,436	(49,099)
Net debt/(cash)	(4,920)	(36,862)	75,236	33,454

Cash at bank and in hand as at 30 September 2023 includes £53,000 of cash deposited by the Group in an escrow account in connection with a development in progress, access to which is contingent upon the completion of certain development works (30 September 2022: £53,000). Non-cash movements relate to the acquisition of property, plant and equipment under other interest-bearing loans, the amortisation of bank loan arrangement fees and changes to the value of lease liabilities as a result of leases entered into or terminated in the period or due to movements in the rent inflation rates assumed.

35. Capital and other financial commitments

There were no material capital commitments at 30 September 2023 (2022: £nil).

36. Contingent liabilities

The Group has contingent liabilities of £39,102,623 (2022: £17,249,000) in respect of performance bonds entered into with a number of surety providers.

Watkin Jones Group Limited, Watkin Jones Holdings Limited, Watkin Jones & Son Limited and certain subsidiaries thereof have given debentures containing fixed and floating charges and have entered into a corporate guarantee of the Group's bank borrowings from HSBC Bank plc, which at the balance sheet date amounted to £28,855,000 (2022: £28,813,000).

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

As described in more detail in notes 4 and 27, the Group holds a provision, and corresponding reimbursement asset, for building safety remediation projects. This is a highly complex area with significant estimates in respect of the cost of remedial works, the quantum of any legal expenditure associated with the defence of the Group's position in this regard, and the extent of those properties within the scope of the applicable government guidance and legislation, which continue to evolve. As such, these estimates may be updated to reflect such changes.

37. Related party transactions

The Group paid rent and service charges to Planehouse Limited and its subsidiary companies amounting to £nil (2022: £228,000). £nil amount was owed to or from Planehouse Limited and its subsidiary companies at 30 September 2023 (30 September 2022: £nil). Planehouse Limited is owned by Watkin Jones family trusts. Certain of the trusts controlled by the Watkin Jones family are shareholders in the Company.

During the year the Group paid an amount of £4,237 to Richard Simpson (2022: £1,177) to cover the costs of a corporate hospitality event which he hosted.

As referred to in note 29, Watkin Jones & Son Limited holds an investment in units in the Curlew Student Trust (CST) and Fresh Property Group Ltd has a carried interest investment in CST and in Curlew Student Trust 2 (CST2). Fresh Property Group Ltd is the preferred property manager for both CST and CST2. The Group did not receive a distribution against the carrying value of its investments in CST or CST2 in 2023 or 2022. The fair value of the units held in CST by Watkin Jones & Son Limited at 30 September 2023 amounted to £720,000 (2022: £918,000) and the fair values of the carried interest investments in CST and CST2 held by Fresh Property Group Ltd amounted to £62,000 (2022: £98,000) and £347,000 (2022: £350,000) respectively.

Under a joint venture agreement, the Group was owed £1,787 at 30 September 2023 from Deiniol Developments Limited (2022: £9,000 due from Deiniol Developments Limited). During the year the Group received no payments from Deiniol Developments Limited and made capital contributions of £6,000 to Deiniol Developments Limited. The Group owns 50% of the share capital in Deiniol Developments Limited.

The Group had a 50% interest in Lacuna Belfast Limited prior to its liquidation (see note 20). During the year, Lacuna Belfast Limited made no dividend distributions. The Group made no payments to Lacuna Belfast Limited during the year. At 30 September 2023, £nil amount was owed to or from Lacuna Belfast Limited (2022: £nil owed to Lacuna Belfast Limited). The company has now been liquidated.

The Group had a 50% interest in Lacuna WJ Limited prior to its liquidation (see note 20). During the year, Lacuna WJ Limited made no dividend distributions. The Group received no payments from Lacuna WJ Limited during the year. At 30 September 2023, £nil amount was owed to or from Lacuna WJ Limited (2022: £nil owed to or from Lacuna WJ Limited). The company has now been liquidated.

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

38. Subsequent events

The Group has performed a review of events subsequent to the balance sheet date. There were no such events requiring recognition or disclosure in the financial statements.

Company statement of financial position
as at 30 September 2023

	Notes	30 September 2023 £'000	30 September 2022 £'000
Fixed assets			
Investments	42	**259,875**	258,808
Current liabilities			
Trade and other payables	43	**(130,177)**	(115,048)
Total liabilities		**(130,177)**	(115,048)
Net assets		**129,698**	143,760
Equity			
Share capital	44	**2,564**	2,564
Share premium		**84,612**	84,612
Share-based payment reserve		**1,407**	526
Retained earnings		**41,115**	56,058
Total equity		**129,698**	143,760

The notes on pages 144 to 146 are an integral part of these Company financial statements.

No income statement has been presented as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year after taxation was £nil (2022: £nil).

Approved by the Board of Directors on 23 January 2024 and signed on its behalf by:

Alex Pease
Director

Company statement of changes in equity

for the year ended 30 September 2023

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 30 September 2021	2,562	84,612	2,824	75,332	165,330
Dividend paid (note 41)	—	—	—	(21,781)	(21,781)
Share-based payments	2	—	209	—	211
Recycled reserve for fully vested share-based payment schemes	—	—	(2,507)	2,507	—
Balance at 30 September 2022	2,564	84,612	526	56,058	143,760
Dividend paid (note 41)	**—**	**—**	**—**	**(15,129)**	**(15,129)**
Share-based payments	**—**	**—**	**1,067**	**—**	**1,067**
Recycled reserve for fully vested share-based payment schemes	**—**	**—**	**(186)**	**186**	**—**
Balance at 30 September 2023	**2,564**	**84,612**	**1,407**	**41,115**	**129,698**

Notes to the Company financial statements

for the year ended 30 September 2023

39. Accounting policies

General information

Watkin Jones plc (the 'Company') is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 9791105) and its shares are listed on the Alternative Investment Market of the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered address is 12 Soho Square, London, United Kingdom, W1D 3QF.

Basis of preparation

The Company's financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of United Kingdom adopted International Accounting Standards ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of key management personnel.

No income statement has been presented as permitted by Section 408 of the Companies Act 2006. The Company's profit for the year after taxation was £nil (2022: £nil).

The Company has provided parent company guarantees to the following of its subsidiaries at 30 September 2023 under Section 479C of the Companies Act 2006 (the 'Act'). These entities are exempt from the requirements of the Act relating to the audit of individual accounts by virtue of Section 479A of the Act.

Company name	Company number
Anderson Wharf (Student) Limited	06126636
Battersea Park Road London Limited	13168454
Bridge Road Bath Limited	12445011
Bridle Path Watford Limited	14175079
Conington Road Lewisham Limited	12870250
Crown Place Woking Limited	11826151
Customhouse Student Limited	09767068
Dalby Avenue Bedminster Limited	13724075
Dunaskin Student Limited	08748667
Duncan House Developments Limited	09694863
Ellen Street Hove Limited	12044774
Elliott Road Selly Oak Limited	11165995
Finefashion Limited	06686047
Gas Lane Bristol Limited	12482112
Goldcharm Residential Limited	09568372
Gorse Stacks Development Limited	04351332
Grove Crescent Stratford Limited	13380481
Headrow House Leeds Limited	13899071
Heol Santes Helen Limited	06256807
High Street Swansea Limited	13113187
Holdenhurst Road Bournemouth Limited	09162309
India Street Glasgow Limited	12789502
Iona Street Edinburgh Limited	10872784
Liverpool Road Chester Limited	10597515
LPS Nottingham Limited	13206896
Malago Road Bristol Limited	14044675

Company name	Company number
New Bridewell Limited	09027661
New Bridewell 1 Limited	09132046
Nicelook Limited	07145637
New Mart Road Limited	12738337
Newmark Developments Limited	05614426
Northop Road Flint Limited	13920741
Onega Centre Bath Limited	09685453
Pirrie Belfast Limited	13009889
Polarpeak Limited	06686090
Qualityoffer Limited	06710999
Randalls Road Leatherhead Limited	13371252
Scarlet P Limited	07268296
Sherlock Street Birmingham Limited	12054262
Spiritbond Stockwell Green Limited	07262463
Stylegood Limited	06092932
Swiftmatch Limited	07145665
TG Southall Limited	13500432
Trafford Street Chester Limited	10710653
Walnut Tree Close Guildford Limited	12251752
Watkin Jones AM Limited	07321534
Westfield Avenue Edinburgh Limited	12706956
Wilmslow Road Manchester Limited	12456538
Wisedeed Limited	06825836
WJ AS1 Bristol Limited	15110160
WJ GQ London Limited	14972231

40. Employee costs

The only employees of Watkin Jones plc are the Executive and Non-Executive Directors. Details of the employee costs associated with the Directors are included in the Directors' remuneration report and summarised below. All employee costs incurred by the Company are recharged to Watkin Jones & Son Limited, the Company's principal trading subsidiary.

	2023 £'000	2022 £'000
Wages and salaries	**1,461**	1,724
Employee incentive – long-term incentive plans	**651**	155
Social security costs	**210**	318
Pension costs	**114**	100
	2,436	2,297

41. Dividends

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend paid in February 2023 of 4.50 pence (February 2022: 5.6 pence)	**11,539**	14,345
Interim dividend paid in June 2023 of 1.40 pence (June 2022: 2.9 pence)	**3,590**	7,436
	15,129	21,781

An interim dividend in relation to the year ended 30 September 2023 of 1.40 pence per ordinary share was paid on 30 June 2023 (2022: 2.9 pence per ordinary share).

The final dividend proposed for the year ended 30 September 2023 is nil pence per ordinary share (2022: 4.5 pence). As such, no liability (2022: liability of £11,539,000) has been recognised at that date. At 30 September 2023, the Company had distributable reserves available of £41,115,000 (30 September 2022: £56,058,000).

42. Investments in subsidiaries

Accounting policy

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

	Subsidiary undertakings £'000
Cost	
At 30 September 2021	258,599
Capital contribution relating to share-based payments	209
At 30 September 2022	258,808
Capital contribution relating to share-based payments	**1,067**
At 30 September 2023	**259,875**

The Company owns 100% of the issued shares in Watkin Jones Group Limited, a company incorporated in England and Wales (note 19). The principal activity of Watkin Jones Group Limited and its subsidiary companies is that of property development.

Notes to the Company financial statements
for the year ended 30 September 2023

43. Trade and other payables: current

	2023 £'000	2022 £'000
Financial liabilities		
Amounts owed to Group undertakings	**130,177**	115,048

Amounts owed to Group undertakings are repayable on demand.

44. Share capital

	2023 £'000	2022 £'000
Allotted, called up and fully paid		
Ordinary shares of one pence each	**2,564**	2,564

The number of ordinary shares in issue at 30 September 2023 was 256,441,253 (30 September 2022: 256,430,367).

45. Share-based payments

Accounting policy

Details of share awards granted by the Company to Executive Directors and to employees of its subsidiaries, and that remain outstanding at the year end over the Company's shares, are set out in note 32 to the Group financial statements. The Company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

The cost of the equity-settled transactions is determined by the fair value at the date the grant is made using an appropriate valuation model, further details of which are given in note 32 to the Group financial statements.

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

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

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

Advisers

Nominated adviser and broker
Peel Hunt LLP
7th Floor
100 Liverpool Street
London EC2M 2AT

Joint broker
Jefferies International Limited
100 Bishopsgate
London EC2N 4JL

Auditor
Deloitte LLP
The Hanover Building
Corporation Street
Manchester M4 4AH

Solicitors to the Company
DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Company registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Financial PR
Buchanan
107 Cheapside
London EC2V 6DN

Shareholder information

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

Number of securities in issue
As at 22 January 2024, the Company's issued share capital consists of 256,441,253 ordinary shares with a nominal value of one pence each. The Company has no treasury shares.

Securities not in public hands
As at 22 January 2024, the percentage of the Company's issued share capital that is not in public hands is 0.8%.

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

Company registration
Registered office: 12 Soho Square, London W1D 3QF.

Registered in England and Wales (company number 9791105).

Glossary

AGM	Annual general meeting
AIM	Alternative Investment Market
APM	alternative performance measures
BSA	Building Safety Act 2022
BTR	build to rent
CGU	cash-generating unit
CST	Curlew Student Trust
CST2	Curlew Student Trust 2
EBITDA	earnings before interest, tax, depreciation and amortisation
EIR	effective interest rate
EPS	earnings per share
Fresh or FPG	Fresh Property Group
FVOCI	fair value through other comprehensive income
GDPR	General Data Protection Regulation
HSE	health, safety and environment
IFRS	International Financial Reporting Standards
IPO	initial public offering
OCI	other comprehensive income
PBSA	purpose built student accommodation
PRS	private rental sector
RCF	revolving credit facility
SDGs	UN's Sustainable Development Goals
TSR	total shareholder return

Financial calendar

Annual general meeting (AGM)

The Company's AGM will be held at 10.30am on Thursday 29 February 2024 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. The Notice of Meeting is available on the Group's website watkinjonesplc.com.

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Watkin Jones plc
12 Soho Square
London
W1D 3QF

+44 (0)330 912 4000
info@watkinjones.com
watkinjonesplc.com

Watkin Jones Group

@Watkin_Jones

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