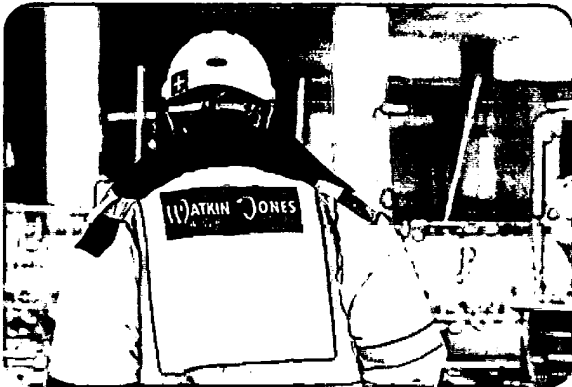




Creating the future of living

Annual report and financial statements 2022

Company number 9791105



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COMPANIES HOUSE

Watkin Jones is a leading developer and manager of residential for rent homes in the UK. We focus on the student accommodation, build to rent and affordable housing sectors.

We source sites for development in high quality, mainly urban, locations. Through our capital-light model, we forward sell these developments to institutional investors, working with them to achieve the right design. Our Delivery team then builds the project to that specification.

Fresh, our Accommodation Management business, completes our end-to-end solution. Fresh also generates invaluable insight from residents, helping us to evolve our developments in line with 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 within our purpose – we transform mainly urban brownfield sites into homes and communities. Our sustainability strategy encapsulates three elements: 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 52 to 70



Sam Smyth '21

Our year in numbers

Revenue

£407.1 million

-5.4%

2021 £430.2m

2020 £354.1m

Gross profit

£67.6 million

-20.3%

2021 £84.8m

2020 £75.9m

Operating profit

£24.3 million

-57.6%

2021 £57.3m

2020 £31.2m

Adjusted operating profit¹

£54.7 million

-4.5%

2021 £57.3m

2020 £51.7m

Adjusted PBT¹

£48.8 million

-4.5%

2021 £51.1m

2020 £45.8m

Adjusted net cash²

£82.6 million

-33.5%

2021 £124.3m

2020 £94.8m

Earnings per share

5.2 pence

-68.3%

2021 16.4p

2020 8.2p

Adjusted earnings per share¹

14.8 pence

-9.8%

2021 16.4p

2020 14.7p

Dividend per share

7.4 pence

-9.8%

2021 8.2p

2020 7.35p

Return on capital employed³

63.1%

-9.0 percentage points

2021 72.1%

2020 58.5%

Adjusted performance measures have been provided where appropriate to help users of the annual report gain a clearer view of the underlying financial performance of the Group. An explanation of the use of the alternative performance measures used and their calculation is provided on page 39.

1. Adjusted operating profit, adjusted profit before tax and adjusted basic earnings per share are calculated before exceptional charges (FY22: £30.4 million, FY21: £Nil, FY20: £20.5 million).

2. Adjusted net cash is stated after deducting interest-bearing loans and borrowings, but before deducting IFRS 16 lease liabilities of £49.1 million at 30 September 2022 (30 September 2021: £129.3 million, 30 September 2020: £134.5 million).

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.

Watkin Jones plc | Annual report and financial statements 2022

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Business overview

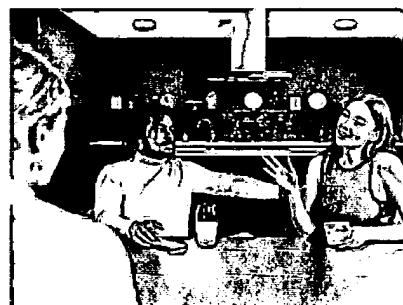
We have four complementary business units, which together position us to achieve our purpose of creating the future of living.



Build To Rent (BTR)

Read more on pages 22 to 24

BTR is a rapidly growing sector. People are increasingly looking for their accommodation to provide more than a home. Access to gyms, cinema rooms and ready-made communities are all part of the attraction of purpose-built rental accommodation. We completed our first purpose-built BTR development in 2017, and we have now completed more than 1,600 apartments, leveraging our PBSA success into the BTR sector.



Purpose Built Student Accommodation

Read more on pages 25 to 27

There is a significant shortage of student accommodation in the UK. As well as providing modern, fit-for-purpose homes for students, they free up private housing for non-student households. We are the UK's leading PBSA developer and have operated in this sector since the 1990s. We have a reputation for high quality and on-time delivery, which is particularly important ahead of the start of the academic year, and have delivered nearly 20,000 student beds since our IPO in 2016.



Affordable-led Homes

Read more on pages 28 and 29

We combine our expertise in developing homes with our low-risk forward sale model to create developments led by affordable housing, for sale to institutions and housing associations. These developments may also include some private homes for sale.



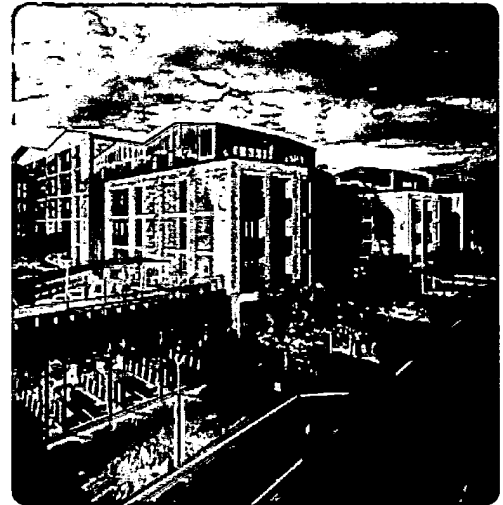
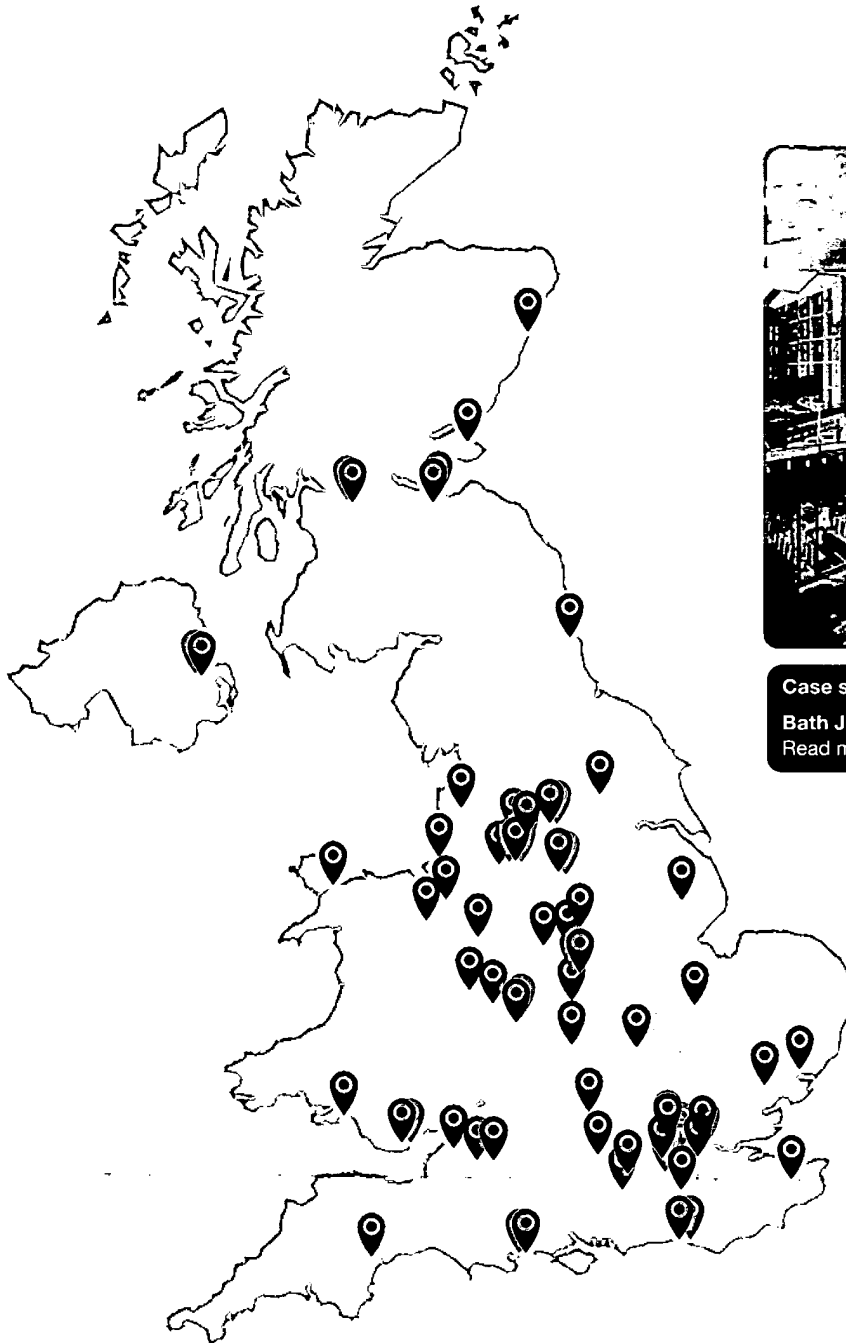
Accommodation Management

Read more on pages 30 and 31

Fresh is a market-leading independent manager of residential for rent assets across the UK and Ireland. We offer a complete management solution for our institutional clients, as well as creating communities for our residents.



Our development locations



Case study

Bath Junction, Bath
Read more on page 32

-  Student Accommodation (PBSA)
-  Build To Rent (BTR)

Chair's statement



Our end-to-end expertise provides us with a distinct competitive advantage.

Alan Giddins
Chair

Dear Shareholder

This has been a year in which Watkin Jones, and indeed the broader property and construction sectors, have had to face into a unique combination of factors across supply chain, build cost inflation, labour availability and latterly significant capital market uncertainty.

Despite these challenges, for the majority of the year, institutional demand in the residential for rent sector remained strong, and we were able to mitigate higher build costs through increased pricing for our assets, thereby maintaining operating margins. In May 2022 we completed our largest ever portfolio sale to EQT Real Estate Fund II of five purpose built student accommodation schemes which included two operational PBSA assets. In aggregate this comprised 2,063 beds which will be managed by Fresh.

In September we saw a period of significant capital markets instability following the government's mini-Budget. This led to a number of our institutional purchasers withdrawing from the market and two significant forward sales, anticipated to close in September, having to be deferred. This had a material impact on forecast revenue and profitability for FY22, which we communicated to the market in early October 2022.

While we have seen some interest from institutional investors since the year end, my expectation is that it will take time before we see a full recovery in the depth of institutional demand. We would therefore expect new forward sales to be weighted to the second half of FY23. In the meantime, we have looked carefully at our cost base and implemented a number of targeted overhead savings.

Financial and operational performance

Revenue for the year was £407.1 million (FY21: £430.2 million) and operating profit was £24.3 million (FY21: £57.3 million). Operating profit, excluding an exceptional charge for fire safety remediation, was £54.7 million. Year-end adjusted net cash was £82.6 million (FY21: £124.3 million).

At an operational level we completed the eight BTR and PBSA developments that were scheduled for delivery. Fresh similarly had a good year, with a number of new contract wins, resulting in a 3.3% increase in the number of units it has under management.

Building safety

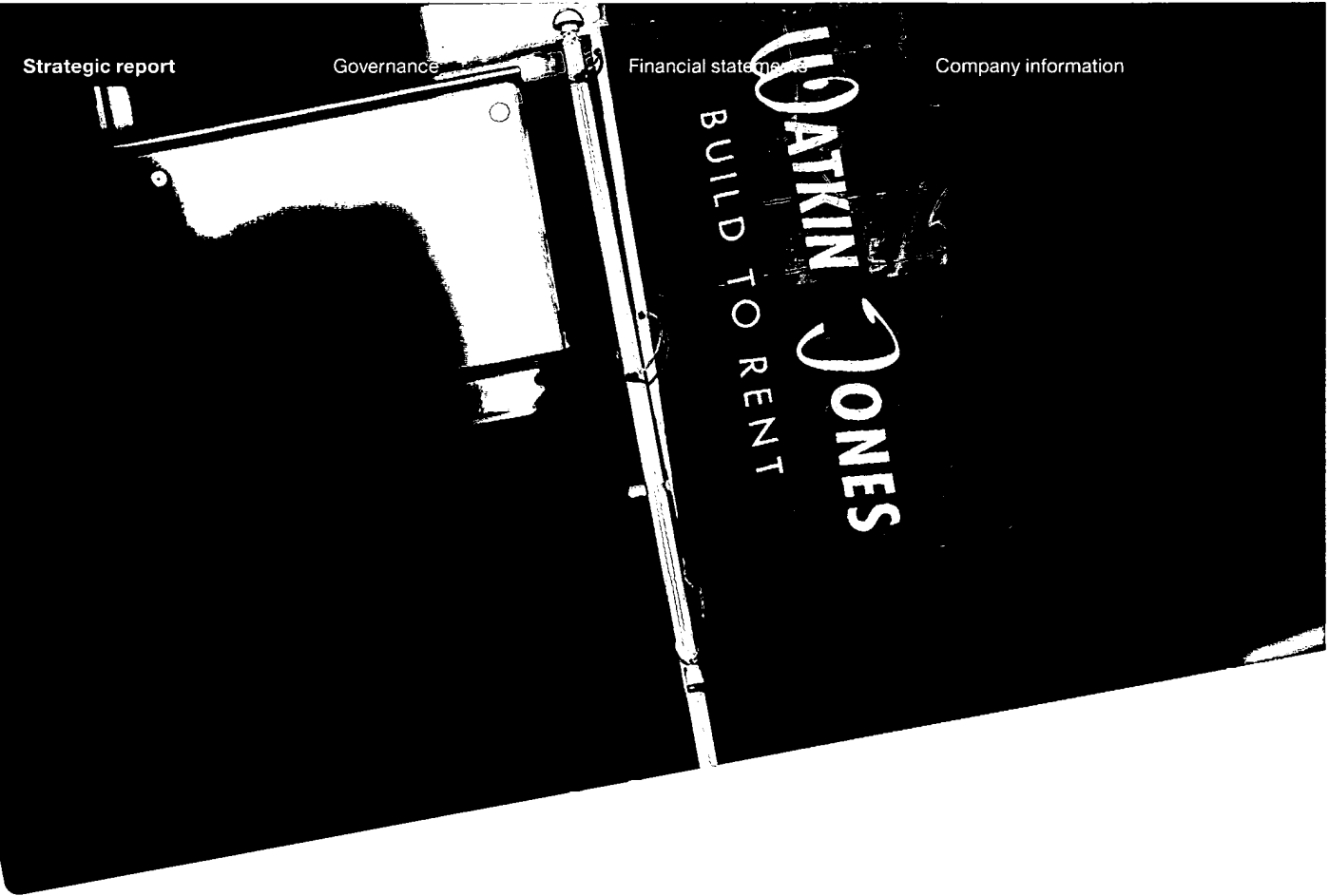
We remain proactive in our approach to building safety. Following updated government guidance on cladding, we made a provision of £15 million in 2020, of which £3 million remained at the end of FY22.

The Building Safety Act, implemented in April 2022, extended developers' liability to fire safety defects on buildings over 11 metres tall and up to 30 years old. While there remains some uncertainty as to how the Act will be implemented in practice, the Group recognised an exceptional charge in the year of £30.4 million for the potential costs of the remediation work required, which is expected to be incurred over a period of up to five years. As we undertake this remedial work, I will be asking management to regularly update the Board both in terms of delivery and cost against the level of provisioning we have made.

People

Listening to and understanding the views of our employees is critical. We ran an all-employee engagement survey again this year. Our overall engagement score increased, reflecting in part the actions we took in response to last year's employee feedback. Our net promoter score, which rates how likely employees are to recommend us as a good place to work, showed particularly strong improvement.

As an organisation, we remain focused on improving diversity across our employee base; during the year we held a diversity summit with partner organisations including Stonewall and Women Into Construction, to share ideas on how we can improve diversity throughout the business.



WATKIN JONES
BUILD TO RENT

Board changes

In my last report, I indicated that the Nomination Committee would look at the shape of the Board to ensure that it has the appropriate level of diversity of thinking and experience to best serve the Group. During the year we welcomed three new members to the Board. Following Simon Laffin's decision to retire from the Board, Rachel Addison was appointed as an independent Non-Executive Director in April 2022, becoming Chair of the Audit Committee in August 2022.

In October 2022, both Francis Salway and Alex Pease were appointed to the Board, the former as an independent Non-Executive Director. Francis was previously Chief Executive Officer of Land Securities PLC and brings with him a wealth of property expertise. Alex joined Watkin Jones in 2010 and has been Chief Investment Officer since 2021.

On behalf of the Board and shareholders, I would like to thank Simon Laffin for his significant contribution to Watkin Jones. Simon joined the Board at the time of the IPO in 2016 and has been instrumental in enhancing the Group's governance and control framework.

ESG

In our annual report last year we talked about our ESG strategy, Future Foundations, which included a set of KPIs and detailed short and medium-term action plans. While there remains much to be done here, I have been impressed by management's commitment to deliver against the targets we set.

Dividend

The Board is proposing a final dividend of 4.5 pence per share. Combined with the interim dividend of 2.9 pence per share, this gives a total dividend for the year of 7.4 pence, down 10% on the total dividend paid in respect of FY21.

The full-year dividend is 2.0x covered by adjusted earnings, in line with our stated policy. The final dividend will be paid on 2 March 2023 to shareholders on the register on 3 February 2023.

Looking forward

The residential for rent sector continues to offer an attractive end market with strong growth fundamentals, and we have entered the new financial year with a record pipeline. Our end-to-end expertise, from identifying prime sites for development through to accommodation management, provides us with a distinct competitive advantage. We also have an excellent senior management team and highly committed employee base.

While we may continue to see certain short-term market challenges, I remain confident about our medium and longer-term prospects.

Alan Giddins

Chair

25 January 2023

Why invest?

Attractive markets with long-term growth trends

The residential for rent market is influenced by trends that are increasing the need for high quality, environmentally friendly homes of the sort we develop.

Demand for new housing exceeds supply

There is a long-standing supply and demand imbalance in the housing market. Between 2017 and 2022, the government targeted 300,000 new homes each year in England but delivery has consistently fallen short, with around 216,000 completed in 2020/21. This means there is a substantial and growing housing deficit and significant unmet demand for much-needed modern housing.

Our response

Residential for rent has a vital role in helping to solve the UK's housing issues. The BTR sector can significantly increase the number of new homes available each year and it is highly suited to modern lifestyles. We are therefore leveraging our expertise and supply chain to capitalise on the growth opportunities in this market.

House purchases are unaffordable for many

Buying a house is increasingly becoming out of reach for many people. UK house prices have consistently risen over many years, while average real earnings have often stagnated. Home buyers need substantial deposits, which can take many years to save, and recent sharp rises in interest rates have increased the cost of mortgages. Growing numbers of people see longer-term rental as an attractive option.

Our response

Our response is twofold. First, we are continuing to expand our pipeline of BTR developments, to provide homes for those who choose to rent. To address affordability, we have created an affordable-led housing business, to create developments in areas of strong demand.

The landscape of the private rental sector is changing

Increasing regulations around landlord responsibilities, together with less favourable tax incentives, have led many private landlords to sell their rental stock. Conversely, institutional investors and pension funds are looking for attractive, stable returns through modern, high quality and sustainable PBSA and BTR developments.

Our response

We have built strong relationships with institutional partners over many years. Our combination of consumer and institutional knowledge helps us to create developments that meet the needs of our clients and provide homes in which people want to live.



Thames
Quarter,
Reading

Demand for UK university places remains strong

The number of 18 year olds in the UK is set to rise steeply in the coming years, and the proportion who want a university place is also increasing, with more than 44% of 18 year olds applying for a full-time undergraduate course during 2022. International demand also remains strong, with rising application numbers from outside the EU. In addition, much university-owned accommodation is outdated, meaning there is strong demand for new PBSA. PBSA also has the benefit of freeing up private housing, for sale or rent to non-student households.

Our response

We continue to see excellent prospects for high quality PBSA developments. Selectivity is key and we therefore look to build in the towns and cities which are most in-demand with students and choose the most attractive locations within those areas.

Onsite amenities are increasingly attractive

People are increasingly looking for their accommodation to provide more than a home. Many want amenities such as gyms, cinema rooms and workspaces. Wellbeing is another area of focus, particularly since the pandemic – BTR provides an opportunity to move into a community. Residents are also looking for greater flexibility in how they live, making BTR accommodation a natural lifestyle choice.

Our response

Fresh provides us with valuable feedback about what residents want from their accommodation. We have a team focused on design innovation to ensure we harness this feedback and continue to evolve our offering. Flexible tenancy arrangements help meet residents' lifestyle needs.

Sustainability is key

The built environment is responsible for around 40% of the UK's carbon footprint. Net zero legislation and growing public concern about climate change mean our clients and residents are increasingly focused on the environmental sustainability of our developments, both during construction and in operation. The building's design and the materials and fittings play an important part here. A sustainable development must also remain an attractive place to live for years to come, with residents looking for excellent amenities and a strong sense of community.

Our response

We have set net zero targets for our emissions. We aim to achieve net zero scope 1 and scope 2 emissions and make a meaningful impact on scope 3 emissions by 2030. We have also set targets to increase the amenity space and improve the environmental performance of our buildings, and we are implementing modern methods of construction, which can reduce waste and maximise efficiency.

Why invest? continued

Capital-light business model

Our capital-light forward sale model allows us to operate the business with a highly attractive return on capital employed.



Identify potential development sites

End-to-end access to investor and consumer insights:

Our target locations are informed by a range of data together with insight from our institutional partners and Fresh, which interacts with thousands of students and residents every day.

Creating communities:

We generally target urban brownfield sites, bringing them back to life with energy-efficient homes and vibrant communities.

Strong relationships:

Our extensive network and ability to deliver enables us to buy many of our sites off-market, at attractive prices.

Track record:

Our track record, reputation and financial standing help us to close transactions, since we can offer vendors greater certainty of completion.

In-house know-how:

Our in-house knowledge of markets, planning and understanding of institutional client demand is crucial to making the right investments.

Disciplined selection:

Site acquisitions are subject to our rigorous investment approval process before they can proceed.



Site procurement and planning

Risk mitigation:

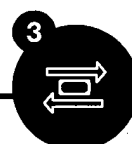
We typically secure sites subject to satisfactory planning consent, to reduce risk. Occasionally we buy sites unconditionally, where the margin potential outweighs the additional risk and we are confident of obtaining planning consent.

In-house expertise:

Our in-house teams liaise with the planning authorities to obtain planning permission; this maintains planning expertise as well as minimising delays.

Strict environmental and social criteria:

Our planning proposals include environmental and social impact assessments and take into account stakeholder views on matters such as amenity space, affordable housing and the environment. We target the achievement of recognised industry standards around environmental efficiency and residents' wellbeing which would benchmark our developments as best in class.



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 on occasion 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.

Combined vision:

We partner with investors who share the same vision of creating communities and constructing better, environmentally friendly homes that people are proud to live in.



Construction and delivery

Construction expertise:

Unlike many developers, we are experienced constructors. We self-build most of our developments and employ third-party contractors for the remainder.

Our self-build model gives us greater control over delivery and ensures we maintain the environmental and wellbeing industry standards achieved at planning.

We employ expert construction directors and project managers, who know what good looks like and can hold our third-party suppliers to our high standards.

Operational flexibility:

Our mix of self-build and third-party contractors allows us to flex our construction capacity, depending on the progress of our developments.

Strong partnerships:

We have long-term relationships with key suppliers, who understand our requirements. This helps us deliver to consistently high standards.

Common standards:

We select subcontractors and third-party contractors who share our focus on health and safety, sustainability and doing business responsibly.



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.

Portfolio management:

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 level of investment, together with the need to employ experts across disciplines such as health and safety, marketing, property management, customer experience and finance, means that accommodation managers need significant scale to operate and barriers to entry are high.

Focus on wellbeing:

Fresh has invested in a wellbeing programme for residents, for which it has won a number of industry awards.

Resident feedback:

Recent investment in a resident insight tool will give further insight into what residents want, enabling us to drive innovation in the right areas and inform our site identification and planning processes.

Sites acquired since the start of FY22

7

Planning consents granted

7

Developments delivered in the year

8

Sites forward sold since the start of FY22 with a total revenue value of

£852 million

Units under management by Fresh

22,896

Return on capital employed¹

63.1%

Total cash and available facilities²

£196 million

1. Refer to page 39 for calculation of return on capital employed.

2. Refer to page 37 for calculation of total cash and available facilities.

Why invest? continued

Strong development pipeline

Securing the majority of our sites subject to planning limits the capital we tie up in land and enables us to build a substantial pipeline of development opportunities. The estimated future revenue value of this pipeline at 30 September 2022 was c.£2 billion.

At 30 September 2022, our development pipeline comprised:

4,400
BTR apartments

6,500
PBSA beds

Some of the successes that contributed to this pipeline are highlighted below.



December 2021

- Agreed a £47 million forward funding deal with Vita Group to deliver a 285-unit mixed development in Edinburgh, consisting of 60 BTR apartments, 20 affordable apartments and 205 student beds.

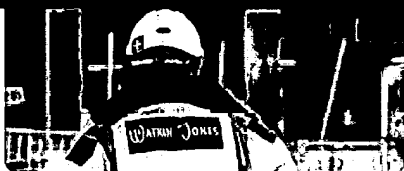


February 2022

- Exchanged contracts to acquire a 214-home BTR scheme with planning consent in Leatherhead, Surrey, including 36 affordable homes to rent. The scheme was forward sold to Get Living for £71 million in July 2022.

October 2021

- Acquired a brownfield site in Stratford, East London, on an unconditional basis, for a 397-bed PBSA development. Planning permission was granted in April 2022.
- Agreed a £130 million forward funding deal with Legal & General Investment Management to deliver a 322-apartment BTR scheme in Lewisham, South East London.



March 2022

- Completed the acquisition of an 819-bed PBSA development scheme with planning consent in Bedminster, Bristol.





May 2022

- Agreed the sale of a PBSA portfolio totalling 2,063 beds to EQT Exeter, comprising a forward funding deal for three PBSA development schemes and the sale of two operational PBSA assets.

July 2022

- Achieved practical completion of a 250-bed PBSA development in Leicester.

September 2022

- Agreed a £200 million forward funding deal with Legal & General to deliver 715 BTR apartments in Central Quay, Cardiff.
- Agreed a \$100 million forward funding deal with OWS to deliver 313 BTR homes on a brownfield site in Bath, with nearly one-third of the homes to be at a discount to market rent, increasing affordability in the area.
- Achieved on-time practical completion of a 291-bed PBSA development in Bristol.

April 2022

- Agreed a £136 million forward funding deal with Get Living to deliver 551 BTR homes in Birmingham, including 47 affordable apartments.
- Secured planning permission for 778 BTR, social and affordable apartment homes in the Titanic Quarter, Belfast.

August 2022

- Achieved on-time practical completion of a 368-bed PBSA development in York.

Q&A:

Richard Simpson

Our Chief Executive Officer Richard Simpson answers key questions about the Group's performance, our operating environment and our markets.



Q

Build costs have risen significantly this year. How has this affected your performance and how are you managing it?

A

The cost of materials has increased throughout the year and unfortunately this was exacerbated by the war in Ukraine, which produced a sharp spike in energy prices. For the first half of our financial year, rental growth in the residential sector meant that we were able to sell our developments at higher valuations, thus protecting our margins. However, in the second half of the year interest rates started to increase, which has meant higher funding costs for our institutional clients. That's led to some pricing softness on our forward sales, which in turn affected our margin.

We have very strong and long-standing relationships with our supply chain partners, which helps us to secure good prices and maintain availability of materials. We've continued to improve the way we manage our procurement, so we're more efficient and can make sure we're getting maximum benefit from our scale. One benefit of a recession is likely to be the easing of build cost inflation, which should help margin recovery.

Q

Can you explain your views on building safety and the provision you took this year?

A

The Building Safety Act came into force in April 2022 and extended developers' responsibilities for remediating fire safety issues in certain buildings. Specifically, it increased the scope to buildings developed up to 30 years ago, brought more buildings into scope (those over 11 metres, rather than the previous 18 metres) and expanded the scope to include fire safety defects other than cladding.

We're committed to acting responsibly and agree that leaseholders shouldn't have to pay to have their buildings remediated. We had already made a provision of £15 million in 2020 following updated government guidance on cladding (of which £3 million remained at the end of FY22). To reflect the increased scope under the Building Safety Act, we have made an additional provision of £30.4 million.

There's still some uncertainty about exactly what's required, and the government needs to introduce secondary legislation to clarify the impact. We're continuing to monitor the situation and, in the meantime, we will of course comply with our legal and contractual obligations.

Q

What are the biggest challenges facing the business at the moment?

A

The uncertainty around macroeconomic conditions – in particular, how far interest rate will rise and property prices will fall. Investors want more certainty on these points before purchasing assets.

The good news is that we are well positioned to withstand this period of uncertainty. Demand for residential for rent assets remains strong – indeed, given rising mortgage costs and concern around house prices, many people who were considering buying a house may now keep renting.

We have very good visibility over our development pipeline. We have over £600 million of secured revenue on forward sold developments, of which £270 million comes in FY23. The remainder will come through between FY24 and FY27. We're seeing positive progress on planning consents following delays in the planning system which should support our forward fund transactions as the market recovers. And as we're capital light, we aren't exposed to significant asset devaluation on our balance sheet. Our balance sheet strength means we can look to take advantage of attractive land acquisition opportunities. Additionally, we've been taking steps to ensure we're as disciplined and efficient as possible.

FUTURE FOUNDATIONS



Future people.



Future places.



Future planet.

Connect 22
employee
conference

Q

There has been a lot in the news about a significant shortage of student housing. Does that reflect what you're seeing in the market?

A

Yes. The demand for university places remains really strong from both UK and overseas students, so there's a lot of competition for accommodation. We've seen stories about students being sent to live in accommodation outside their university cities or given temporary accommodation in hotels, or queuing outside estate agents because of the shortage of private rented houses. PBSA can house greater numbers of students in a smaller footprint than private rented stock, provide better amenities, and free up private housing for families.

The number of 18 year olds in the UK is set to increase until 2030 and demand from international students continues to grow, with applications from students outside the EU increasing by 5% this year. So we think that these drivers, coupled with the shortage in accommodation, will continue to fuel demand for modern PBSA developments.

Q

Are you pleased with your progress in affordable-led housing?

A

It always takes a while to gain momentum in a new area, as we saw when we moved into the BTR sector a few years ago, but we've secured several really good sites and we're already delivering homes on two of those. Progress at Preston has been a little slower than we'd hoped due to supply chain shortages but we're on track to meet our revised plans there.

We've trialled our first timber framed houses at Crewe and see off-site construction as an important part of our approach. We also secured an additional site in Flint and planning permission for 150 units in Belfast.

Q

There has been a lot of focus on the rising cost of living this year and the UK is now in recession. How do you see that affecting tenant demand for BTR properties?

A

There is a shortage of decent, modern housing in the UK – the number of new homes being built continues to fall far short of the government's target. That has led to a big supply/demand imbalance which has caused exponential rental growth.

Despite this, I believe demand for BTR apartments will remain strong. There are a lot of factors that make renting attractive during periods of economic downturns – renters don't need to worry about rising mortgage costs, or the price of their property falling below what they paid for it, and in many cases utility bills and amenities such as on-site gyms are included within the rent so there are fewer additional costs.

The appeal of BTR is broadening beyond young professionals to other generations and it will be interesting to see whether these benefits accelerate that trend.

Chief Executive Officer's review



The resilience of our business model means we are well placed to withstand the current uncertain economic environment.

Richard Simpson
Chief Executive Officer

We delivered a good operational performance across the Group during FY22 and made further progress with implementing our strategy. The resilience of our business, based on our strong balance sheet, capital-light model and high visibility of development pipeline, gives us confidence that we can withstand the current uncertain economic environment and benefit from opportunities created by it. Occupier demand across the residential for rent sector remains strong, which should support investor demand for our assets once market conditions normalise.

Performance

The Group performed solidly across all four divisions. We delivered eight developments and secured new sites and planning consents, finishing the year with a record pipeline capable of delivering £2.0 billion of revenue over the coming years. We completed £0.9 billion of forward sales, across 11 schemes, as investor demand for residential for rent assets remained strong for most of the year. Fresh also further enhanced its reputation for great customer service, supporting new mandate wins.

As we announced in October 2022, our overall revenue and profit was impacted by market volatility towards the end of our financial year. This impacted two forward sale transactions which were planned to close in September 2022. The effect of these was partially offset by the profit on the sale of two leased assets, which together resulted in our adjusted operating profit being 10% below our expectations for the year. These forward sales are now expected to transact in FY23.

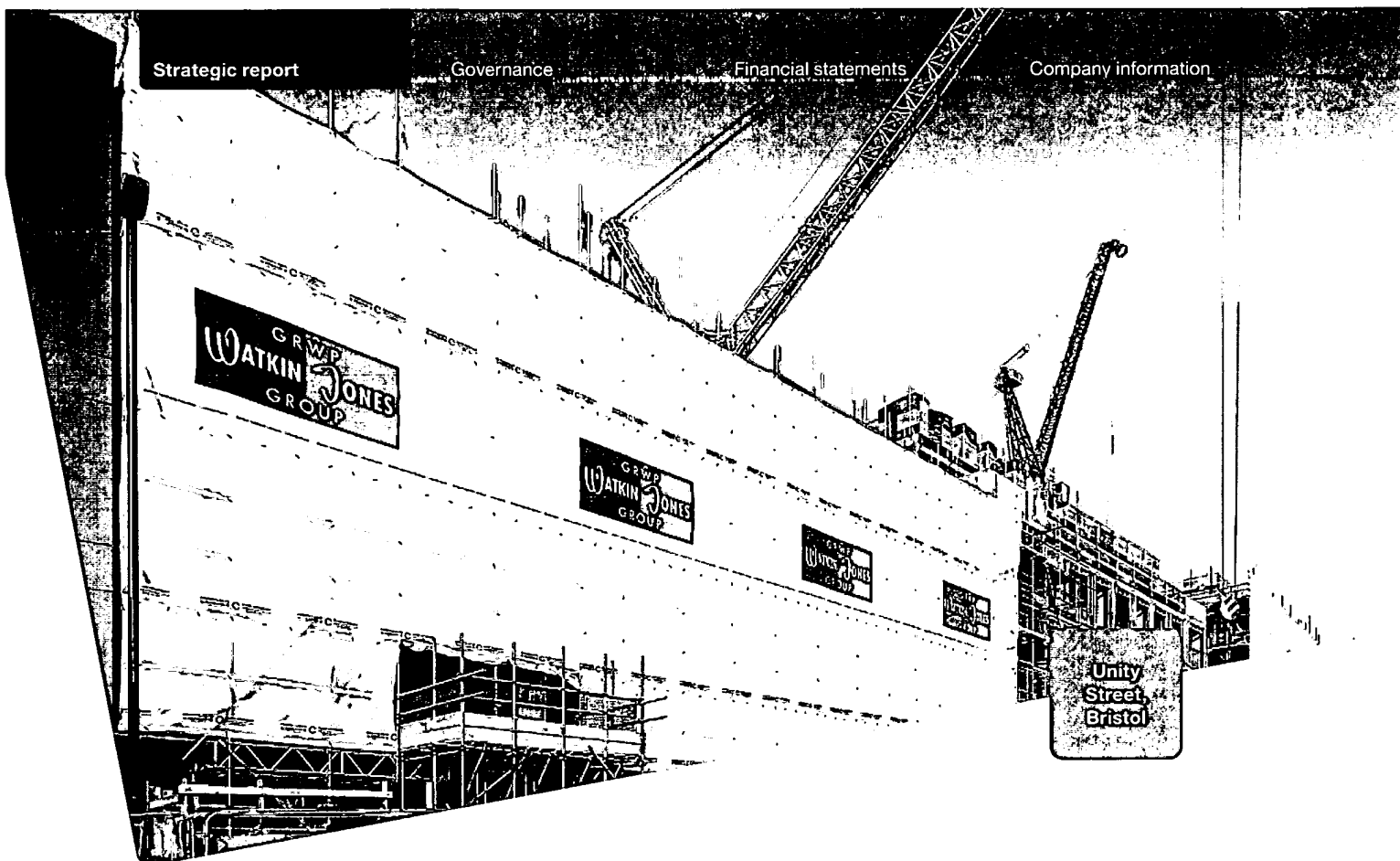
Despite the market volatility, our business remains cash generative. As we generally only start construction once developments are forward sold, our exposure to significant expenditure is limited. As a result, we were able to maintain our dividend payments to shareholders, declaring a dividend of 4.5 pence per share.

Results

Revenue for FY22 was £407.1 million, down 5% (FY21: £430.2 million), while gross profit was 20% lower at £67.6 million (FY21: £84.8 million). Adjusted operating profit, which excludes the impact of the £30.4 million exceptional provision for building remediation, was £54.7 million (FY21: £57.3 million).

BTR has continued to grow rapidly. Revenues were £191.2 million, representing 38% growth (FY21: £138.6 million). We made good progress with our schemes on-site and forward sold five developments during the year. Our secured pipeline stands at 4,400 apartments. Notable successes in the year included agreeing a £200 million forward fund transaction on a 715-unit development in Cardiff.

In PBSA, we delivered seven schemes with 1,813 beds ahead of the 2022/23 academic year. Revenues were £180.0 million (FY21: £259.9 million) and we forward sold five developments. Our secured pipeline now stands at around 6,457 beds. During the year, we acquired an 819-bed consented site in Bristol and a 397-bed site in Stratford, London, subsequently securing planning consent on the Stratford development. We also agreed the sale of a PBSA portfolio totalling 2,063 beds, comprising a forward funding deal for three PBSA development schemes and the sale of two operational PBSA assets.



We progressed our affordable-led developments, continuing to work through the remaining sites from our traditional business building private homes for sale. Revenue was £14.5 million (FY21: £22.7 million).

Fresh performed well, with revenue increasing to £9.1 million (FY21: £7.8 million), reflecting higher student occupancy and an increased number of units under management. It achieved outstanding ratings for customer service, both from clients and residents, and won a number of prestigious awards. At the year end, Fresh had 22,896 student beds and apartments under management. By 2024, it is currently expected to manage almost 25,000 units, including expected renewals.

The Group remains cash generative, reflecting our capital-light model. At the year end, we had adjusted net cash of £82.6 million.

Strategy

We continue to follow a clear strategy based on delivering growth across the Group, operational excellence through continuous improvement and ensuring we have responsible operations.

There is good momentum underlying the sectors we operate in, with rising consumer demand for student accommodation, BTR and affordable housing.

Despite current investment market volatility, we expect these sectors will remain highly attractive to institutional investors, based on strong consumer demand, forecast rental growth and the secure income that residential for rent assets deliver.

Our self-delivery model helps to ensure we deliver on time and to budget, and we have continued to refine our operational structures and processes to further enhance our delivery. We also work with third-party contractors to provide additional capacity where needed, particularly in locations where we do not have a local presence.

In times of supply chain disruption, it is important that we partner with the best. We have long-standing relationships with much of our supply chain, including firms we have worked with for decades. We are further improving the way in which we manage and work with our supply chain, to ensure efficiency and consistency of product. We know the sustainability of our supply chain is key to achieving our own sustainability targets, and in November 2022 we held a supplier conference to set out our expectations in this regard.

One of the key demonstrations of our responsible business principles in action during the year related to remediating fire safety issues in the Group's historical developments, which I discuss on page 12.

More broadly, this was the first full year of the ESG strategy we launched in FY21, covering people, places and planet. We are pleased with our progress so far and while there is a long way to go, we remain on track to meet our multi-year targets. More detail is set out in our sustainability report on pages 52 to 70.

Chief Executive Officer's review continued

People

Achieving high health and safety standards is critical and our approach has continued to produce a significantly better performance than the national average. Our incident rate, which is the number of incidents recorded per 100,000 employees, was 175 (FY21: 102). This compares with 2,880 for the wider industry (source: HSE).

Unfortunately, in November 2022, we took the difficult decision to enter into an employee consultation to restructure some areas of the business and reduce headcount by around 40 roles. This followed a review of our ways of working and took into account the macroeconomic uncertainty. The restructure will reduce our cost base while ensuring we are operating more effectively and efficiently to support our long-term success.

Outlook

Macroeconomic conditions remain challenging and uncertain in the short term. However, the underlying market drivers supporting the residential for rent sector remain strong. We expect the housing supply/demand imbalance, rising interest rates and increasing numbers of full-time students to continue to fuel strong consumer demand for rented homes. This should translate into strong occupancy levels and further rental growth.

We therefore anticipate that, despite elevated borrowing costs, the opportunity for higher yields and long-term returns will ensure that residential for rent assets remain attractive to institutional investors. However, we also believe it is prudent to assume that higher borrowing costs for our institutional clients will result in margin pressure continuing into FY23, and that new forward sales will be weighted to the second half of FY23.

Our balance sheet strength provides a distinct competitive advantage for the Group and we have a resilient business model which is well positioned for success. Our cash-generative, forward-selling, capital-light model means we have very good visibility of our development pipeline and minimal assets on the balance sheet that are exposed to a decline in value. We have £2 billion of secured development pipeline and entered FY23 with secured revenue of around £270 million.

Delays in the UK planning system appear to be easing and we have secured a number of planning consents on prime assets which will enable us to respond quickly to investor demand as capital markets recover. In the meantime we will look for attractive land acquisition opportunities to drive future revenue and profit growth and restore margins back to target.

Richard Simpson

Chief Executive Officer

25 January 2023



Our strategy

We have three strategic priorities which aim to deliver sustainable growth across the Group.

1 Growing our presence across the residential for rent sectors

Strategic focus

- Leverage our leadership position in PBSA development
- Build momentum in the growing BTR market by drawing on our PBSA expertise, selecting high quality locations and listening to resident insight to develop our products
- Continue to evolve our affordable-led homes development business, replicating our capital-light model by forward selling developments
- Offer high quality institutional-grade letting and management services

Link to risk

- Economic cycle
- Increased competition
- Land availability
- Liquidity

Our progress in FY22

- Secured seven new sites, including a major PBSA site in Bristol
- Obtained seven planning consents, including a BTR scheme in Belfast and a PBSA scheme in Stratford
- Forward sold 11 developments for £0.0 billion
- Secured an affordable housing site at Flint for 200 units and obtained planning permission for 150 affordable housing units in Belfast
- Grew our units under management by 3%

Priorities for FY23

- Identify attractive land acquisition opportunities which may arise due to the recessionary environment
- Forward sell the developments for which we obtain planning
- Find further sites to support our affordable-led housing pipeline
- Continue to grow Fresh by winning new mandates to manage PBSA, BTR and co-living schemes



Our strategy continued

② Operational excellence

Strategic focus

- Optimise the way the business is structured, to support cross-functional working and empower our teams

- Invest in our systems and processes to increase efficiency and effectiveness
- Continue to embed our desired culture throughout the Group

Link to risk

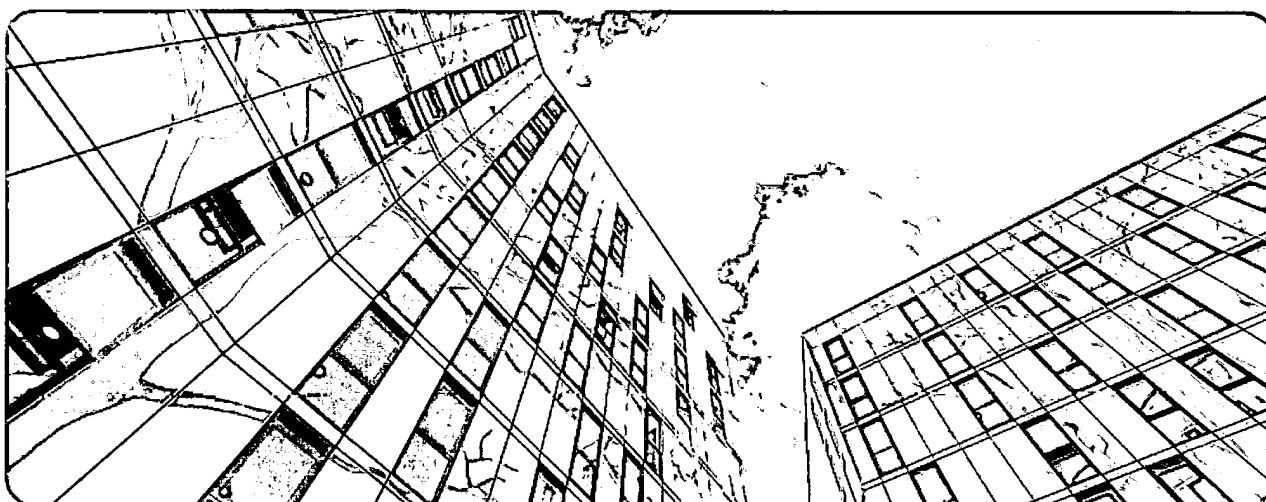
- **Project delivery**
- **Build quality**
- **Capacity and capability**

Our progress in FY22

- Continued to implement our target operating model in Group Delivery, including establishing a Product Development, Innovation & Supply Chain Management discipline
- Formed a Product Development Group, agreed product innovation workstreams and agreed design guides for each of our products
- Analysed and rationalised our supply chain to ensure standardisation and consistency of product and identify our strategic subcontractors
- Conducted a trial on timber frames at our site in Crewe
- Rolled out our bespoke property management platform across our Fresh portfolio

Priorities for FY23

- Embed new ways of working following an efficiency review which led to a reduction in the size of our workforce
- Work with our supply chain to drive further efficiencies and standardisation
- Continue to embed our property management platform in Fresh
- Assess the outcome of our timber frame trial and consider how to further utilise modern methods of construction



3 Responsible operations

Strategic focus

- Our future people: create and maintain a company that is great to work for, celebrates diversity and inclusion, and prioritises everyone's health and wellbeing
- Our future places: enhance customer experience and client satisfaction by delivering the highest-quality buildings and services
- Our future planet: minimise our environmental footprint by reducing carbon emissions focusing on our supply chain, making our workplaces and developments more energy and water efficient, reducing waste and being innovative

Link to risk	
Health and safety	Health and safety
Capacity and capability	Capacity and capability
Increased competition	Increased competition
Climate change	Climate change
Water and energy	Water and energy
Waste	Waste
Carbon emissions	Carbon emissions
Supply chain	Supply chain
Customer experience	Customer experience
Client satisfaction	Client satisfaction
Employee engagement	Employee engagement
Diversity and inclusion	Diversity and inclusion
Health and wellbeing	Health and wellbeing
Community relations	Community relations
Reputation	Reputation
Legal and regulatory	Legal and regulatory
Financial performance	Financial performance
Shareholder value	Shareholder value

Our progress in FY22

- Achieved 6% of the national average incident rate for the construction industry, slightly above our 2025 target of 5%
- Outsourced the provision of plant and machinery to ensure the use of newer, more environmentally friendly cranes, general plant and tools without capital investment
- Gained accreditation under the ISO 45001 occupational health and safety standard with no non-conformities
- Strengthened procurement processes for suppliers to take account of our sustainability agenda and net zero ambitions
- Received a client net promoter score of +47 and a resident net promoter score of +34 for Fresh
- Of seven PBSA schemes submitted for planning, designed five to Excellent and one to Outstanding under BREEAM quality standards which measure environmental performance

Priorities for FY23

- Set near and long-term science-based targets for the reduction of our greenhouse gas emissions
- Hold supplier conferences to set out our expectations on sustainability for our suppliers
- Build on our strong progress in designing environmentally efficient buildings by maintaining those ratings through the construction phase



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 (%)

FY22	16.6%
FY21	19.7%
FY20	21.4%

Purpose

Shows 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 slightly due to changes in mix, with a higher proportion of land sales in the year which typically are made at a lower margin than development revenue.

Basic EPS (adjusted) (pence)

FY22	14.8p
FY21	16.4p
FY20	14.7p

Purpose

Shows 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 fell slightly to 14.8 pence, supported by the continued strong growth of the BTR sector, offset by the deferred completion of two forward sales from September.

Return on capital employed (ROCE) (%)

FY22	63.1%
FY21	72.1%
FY20	58.5%

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 slightly to 63.1%, but remained in line with historic performance despite the deferred completion of two forward sales in September. This reflects the benefit of our capital-light forward sale business model, with our operating profit generated from a relatively consistent and modest level of capital employed.

Non-financial KPIs:

Secured BTR pipeline (apartments)

FY22	4,380
FY21	4,012
FY20	4,466

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

Progress in evolving the secured BTR pipeline was maintained, increasing by 368 apartments on the prior year. The future estimated revenue value of the secured pipeline is £1.0 billion (FY21: £0.95 billion), of which £517 million is currently forward sold.

Secured PBSA pipeline (beds)

FY22	6,457
FY21	7,806
FY20	7,910

Purpose

Shows our ability to maintain our PBSA development pipeline, which currently provides the core of our earnings and cash flow.

Definition

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

Performance

The lower number of student beds at the year end reflected the completion of over 1,800 beds during the year.

Student beds and BTR units under management

FY22	22,896
FY21	22,155
FY20	20,179

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 four additional PBSA and BTR schemes during the year.

Operating review



Build To Rent



BTR development delivered further strong growth, with revenues of £191.2 million (FY21: £138.6 million), up 38% due to the five forward sales that we completed during the year. The 71-bed BTR element of the Steelworks development in Sheffield achieved practical completion in March 2022 and we continued to progress the forward sold developments at Hove and Lewisham, which are due to reach practical completion in 2023 and 2024 respectively.

We forward sold five BTR schemes in FY22, totalling more than 2,000 apartments, which generated revenue from the associated land sales during the year. These schemes are in:

- Lewisham (322 apartments);
- Birmingham (551 apartments, including 47 affordable homes);
- Leatherhead (214 apartments, including 36 affordable homes);
- Bath (316 apartments, with nearly one-third to be let at a discount to market rent); and
- Cardiff (718 apartments).

BTR generated gross profit of £32.8 million (FY21: £29.8 million), an increase of 10%. The gross margin for the year was 17.2% (FY21: 21.5%). We continue to target a BTR gross margin of 15% in the medium term, comprising a margin on land sales of 10% and a development margin of 16%.

During the year, we received a resolution to grant planning consent for a 778-apartment development in the regeneration area of Titanic Quarter in Belfast. We also secured sites in Leeds (230 apartments) and Hove (82 apartments) subject to planning. The current secured development pipeline for BTR is shown opposite.





Loxley Heights, Sheffield

Key statistics

Forward sold

5

schemes

2,121

apartments

Secured pipeline

11

schemes

4,380

apartments

Delivered FY22

1

scheme

71

apartments

BTR apartments (estimated year of physical completion)

	Total pipeline	FY23	FY24	FY25	FY26	FY27
Forward sold	2,380	397	456	809	402	316
Forward sales in legals	—	—	—	—	—	—
Sites secured with planning	1,144	—	—	151	993	—
Sites secured subject to planning	856	—	—	312	393	151
Total secured	4,380	397	456	1,272	1,788	467

The secured development pipeline has an estimated future revenue value to us of £1.0 billion (FY21: £0.95 billion), of which £517 million is currently forward sold (FY21: c.£197 million).



Operating review



Build To Rent



The market opportunity

Increasing numbers of people in the UK are renting their homes for the medium to long term, resulting in strong demand for high quality BTR accommodation.

The UK has a long-standing need for new homes, with supply failing to keep up with demand. Between 2017 and 2022, the government targeted a net increase of 300,000 homes in England each year. However, actual completions have consistently fallen short, with the most recent figures showing there were 232,820 additional homes in England in 2021/22. This was a 10% increase on 2020/21.

Urbanisation is another important factor. The UK has one of the highest rates of urbanisation, which influences issues such as infrastructure constraints, competition for land, planning, logistics and housing affordability. Many of the locations where we see the greatest potential for BTR are in urban areas with universities, where education leads to employment and the need for housing.

Lifestyles are also changing. People are getting married and having children later, delaying the point at which they buy a house. Young people often see renting as a better lifestyle choice, providing quality of living while maintaining flexibility, in the expectation of moving locations for jobs more frequently than in the past. BTR also offers good home-working facilities and a sense of community, which is increasingly attractive given the move to flexible and home working since the pandemic.

Affordability is becoming increasingly important, particularly in the current climate of rising mortgage costs and record house prices. As the cost of living crisis continues, renters are likely to look for ways of reducing costs – this might include zero deposit schemes such as those provided in many BTR developments. Further added value is gained through inclusive amenities such as co-working or meeting spaces, outdoor space, gyms, security and concierges.

With consistently strong demand for housing, the supply of BTR apartments continues to grow. At the end of September 2022, the British Property Federation estimated that the BTR sector had grown by 15% compared to one year earlier. The total number of BTR homes completed, under construction or in the pipeline was over 240,000 units. Of these, around 77,000 had been completed, with 50,000 under construction and the remainder in planning. Almost half of local authorities had BTR in their planning pipeline – a record number – and growth in the regions was significantly stronger than in London, partly due to the growth of single family BTR.

Savills has calculated that there are 4.5 million households in private rented accommodation. With consensus estimates showing that BTR could account for 30% of the market at full maturity, there is considerable scope for growth for years to come.

Ownership of UK rented housing remains highly fragmented, with only around 1.7% estimated to be owned by institutional investors, well below the levels seen in countries with more mature rental markets such as Germany and the USA. This percentage should rise over time, as BTR assets are attractive to institutional investors, given their rental growth, high levels of occupancy and rent collection rates that typically exceed 95%. Investment into BTR assets exceeded £5 billion in the 12 months to Q3 2022, with investment in Q3 alone up 75% on the previous year. There were numerous new entrants to the investor market, primarily from overseas.



Student Accommodation



PBSA revenues were £180 million (FY21: £259.9 million), a decrease of 31%. This was predominantly due to the deferral of the PBSA scheme due to complete in September 2022. We delivered seven PBSA developments totalling 1,813 beds as planned during the year, all of which had been forward sold. We also forward sold a further five schemes in:

- Edinburgh (279 beds, for delivery in FY23);
- Colchester (286 beds, for delivery in FY23);
- Swansea (370 beds, for delivery in FY23);
- Nottingham (354 beds, for delivery in FY24); and
- Bath (335 beds, for delivery in FY24).

For Colchester, the client acquired the land directly, meaning we only recorded revenues on four land sales during the year.

PBSA revenues also include rental income from our historic leased PBSA assets. The rental income on these assets was £13.6 million (FY21: £10.8 million), an increase of 26% as a result of improved student occupancy following the easing of the pandemic restrictions.

During the year, we sold two of the six assets, generating a profit of £18.3 million which was recognised centrally.

Gross profit from PBSA development was £26.4 million (FY21: £50.5 million), representing a gross margin of 14.7% (FY21: 19.4%). This reflected a higher weighting towards lower-margin land sales from forward sales completed in the year.

Our target margin in PBSA is 20%, comprising a c.10% margin on land sales and a development phase margin of c.22.5%.

We have continued to add to the PBSA pipeline and to progress sites through the planning process. Sites acquired during the year included an 819-bed development scheme in Bedminster, Bristol. We also purchased a site in Stratford (397 beds) on an unconditional basis, with the resolution to grant planning permission received in April 2022.

Our first fully co-living studio development, a 133-bed scheme in Exeter, is under construction and will be available to rent to the wider residential tenant market, including students.



Operating review continued



Student Accommodation



The current secured development pipeline for PBSA is as shown below.

	PBSA beds (estimated year of physical completion)					
	Total pipeline	FY23	FY24	FY25	FY26	FY27
Forward sold	1,757	1,068	689	—	—	—
Forward sales in legals	—	—	—	—	—	—
Sites secured with planning	2,329	—	819	1,510	—	—
Sites secured subject to planning	2,371	—	—	406	1,450	515
Total secured	6,457	1,068	1,508	1,916	1,450	515

The estimated future revenue value to the Group of the secured development pipeline is c.£1.0 billion (FY21: £0.9 billion), of which £130 million is currently forward sold (FY21: £160 million).

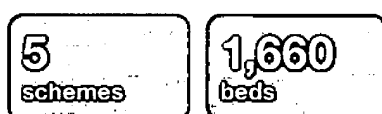
In 2020/21, there were around 2.2 million full-time students, up 8% on 2019/20 (source: HESA). Of these, Cushman & Wakefield (C&W) estimates that 1.6 million students require a bed during their course.

Trends in demand for UK university places remain positive. UCAS reported nearly 684,000 applications had been received for 2022 by the June 2022 deadline, of which 549,000 were from the UK. Demographic factors mean the number of 18 year olds in the UK is set to increase until 2030, while the proportion of 18 year olds applying for higher education continues to grow, reaching 44.1% in 2022.

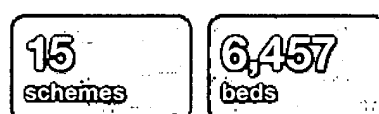
The number of international students is also important, as they are more likely to live in PBSA than UK students. Applications from non-EU countries increased by 9% in 2022, to just under 112,000. The number of EU applications has fallen post-Brexit, reaching 23,000 in 2022, less than half the level in 2020.

Key statistics

Forward sold



Secured pipeline



Delivered FY22



The market opportunity

The number of full-time students in the UK continues to grow steadily and is a key determinant of demand for PBSA.

The growth in non-EU applications has made up much of the difference and with the EU now providing just over 3% of applications, the level of demand from the EU does not have a meaningful impact on overall demand for UK university places.

A notable trend in higher education is the flight to quality. With universities charging the same tuition fees and no cap on student numbers, better institutions have grown and lower-quality institutions have struggled. The latest data show that applications for higher tariff institutions were over 50% higher than applications for lower tariff universities. This has clear implications for the location of new PBSA developments.

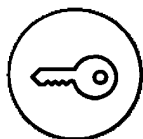
There is a long-term demand-supply imbalance for PBSA. This imbalance is expected to increase, with the predicted annual increase in the number of students exceeding the supply of new beds. There are currently around 698,000 PBSA beds in the UK, with privately owned PBSA accounting for more than 53%. In total, around 24,600 new beds were delivered in 2021/22, only 700 more than in the previous year (source: C&W).

Much PBSA stock is outdated and needs redevelopment, presenting further opportunities. Around one quarter of total PBSA is unrefurbished, first-generation stock, built pre-1999. A number of these beds are therefore reaching the end of their operational lives and will need replacing (source: C&W).

Institutional investors remain attracted to UK PBSA as a mature, stable and income-producing asset class. Knight Frank reported £6.9 billion of transactions in 2022, the highest investment volume on record, driven by the sale of the Student Roost portfolio. A key trend has been new institutions entering the market, with the likes of EQT Exeter, Ares, Apollo and Cain all making significant acquisitions.



Operating review



Affordable-led Homes



Revenue for the Affordable-led Homes division was £14.5 million (FY21: £22.7 million), a reduction of 36%. This was principally due to the continuing transition of our legacy house-building business to Affordable-led Homes. It was also impacted by construction delays at our site in Preston due to supply chain shortages.

Gross profit for the division was £1.9 million (FY21: £2.6 million), reflecting a margin of 13.2% (FY21: 11.3%). This was the result of the evolving mix of sales during the year, as the FY22 margin included the sale of a number of units at a higher margin.

We are working on site at Crewe, which was forward sold during FY21. Work is progressing well and we have commenced our trial on timber-framed homes. As well as being more environmentally friendly by using renewable construction materials, timber-framed homes have an increased element of off-site construction, which should make progress on site faster and more efficient. At our Llay site, we are continuing to work through the pre-commencement planning conditions.

We made good progress in adding to our pipeline, exchanging contracts on a site in Flint for 200 units. In addition, we obtained planning permission for our Belfast site, which includes 150 affordable units as part of the overall development. In conjunction with good asset management of our existing land bank, this has brought the current affordable homes pipeline to over 500 units for delivery over the period to FY26.

Key statistics

Affordable housing pipeline

544

houses and apartments

Traditional housing pipeline

196

houses

The market opportunity

The National Planning Policy Framework defines affordable housing as housing for sale or rent, for people whose needs are not met by the market.

There are several types of affordable housing. One example is social rent, where local authorities or registered providers (such as housing associations) own the homes. Social rents are set by government guidelines and usually covered by housing benefit or local housing allowance. There are also homes with affordable rents, which are subject to rent controls that require the rent to be no more than 80% of the local market rent, including service charges. In addition, there are tenures such as shared ownership and other forms of low-cost home ownership, where people are supported to buy some or all of the equity in their home.

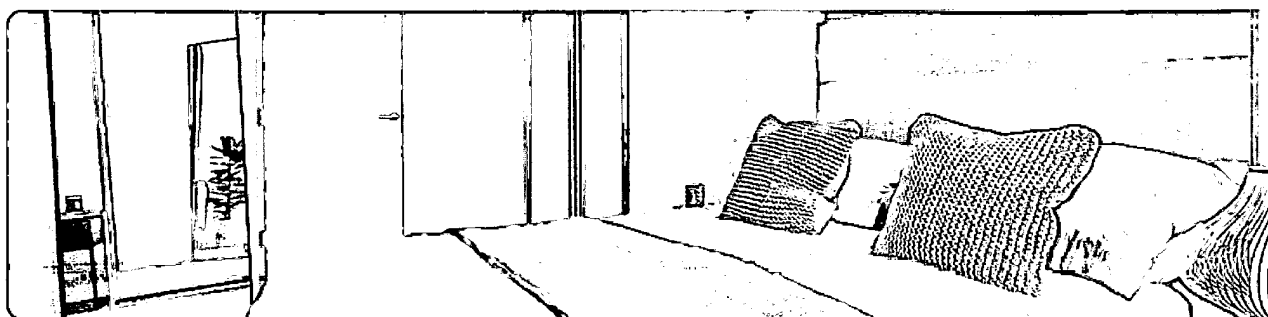
There is significant unmet demand for affordable housing. The National Housing Federation estimates that the UK needs 145,000 new affordable homes to be built each year. However, the average annual delivery since 2013 has been just 46,000 homes, with around 50,000 completed in the year to March 2022 (source: Homes England and the Greater London Authority (GLA)).

Property developers looking to secure planning consent from local authorities will usually be required to undertake what are known as section 106 requirements, designed to reduce the impact of their development on the local community. These requirements often include constructing affordable housing. On average, around 50% of all affordable housing is delivered in this way.

Historically, the balance has been provided by housing associations, usually with grant support from bodies such as Homes England and the GLA. The government has committed £11.4 billion to deliver 180,000 affordable homes between 2021 and 2026. Homes England will be making £7.4 billion available to deliver 130,000 homes outside London, while the GLA will make £4 billion available to deliver 50,000 homes in Greater London. At just under £64,000 per home, this scheme offers more than double the grant per home of the 2016-21 programme.

There has also been a steep rise in private capital looking to deploy into affordable housing, due to the sector's favourable long-term demand, the return characteristics, the potential for growth and insulation from volatility. This investment appetite is now broadening to encompass traditional private housing for single families, enabling investors to access additional BTR income streams. With a growing number of investors looking to diversify investments across different and multiple residential tenures, this new residential option sits comfortably alongside traditional affordable housing and further supports the investment case for a capital-light housing development model.

Affordable housing also provides the best opportunity for social impact and investors are increasingly looking for opportunities to enhance their ESG credentials.



Operating review continued



Accommodation Management



Fresh increased revenue to £9.1 million (FY21: £7.8 million), reflecting higher levels of student occupancy as the sector recovered from the pandemic. It also reflected the increase in student beds and BTR apartments under management, from 22,155 at the start of FY22 to 22,896 at the end of FY22. We saw overall occupancy levels rise to 95.4% (FY21: 84.5%), with the majority of assets achieving between 99% and 100% occupancy.

Gross profit for the year was £5.9 million (FY21: £4.1 million), at a margin of 64.8% (FY21: 52.6%), benefiting from the increase in variable fee income related to occupancy levels in the year.

Fresh took over the management of four schemes during the year, for three student schemes and one BTR scheme. It was also appointed to manage the 133-unit co-living scheme in Exeter developed by the Group. There has been strong interest in the scheme, given the lack of affordable housing options for young people in Exeter.

For FY24, Fresh is currently forecast to manage 24,721 student beds and BTR apartments across 75 schemes.

This was a highly successful year for Fresh from a customer service perspective. The business increased its resident net promoter score to +34 in the Global Student Living Survey, against the benchmark for large providers of +8. It obtained a client net promoter score of +47, an increase of +35. Fresh also won numerous awards during the year, including Student Operator of the Year at the Resi Awards 2021. It also won Best Private Housing (UK & Ireland) for the second year in a row, along with Best Learning Environment (UK & Ireland) and Best Individual Property (UK & Ireland) at the 2022 Global Student Living Awards. These awards are particularly important as they are based on independent feedback from students.

Our Be wellbeing programme has been a key contributor to high levels of customer satisfaction, providing vital support to residents during the pandemic. This year, we expanded the programme by recruiting students to support it, with more than 180 signed up across the portfolio. They research what their fellow residents want and come up with ideas, such as events, that are tailored to those needs and the location.

During the year, we formalised our customer proposition, which we call 'The Fresh Difference'. This will ensure everyone in Fresh has a common understanding of what we stand for, what we are looking to achieve and what we need to do to further improve customer service, so we continue to differentiate ourselves from our competitors. To help us recruit the right people, we have rewritten our job descriptions to reflect our customer proposition.

We introduced and launched the Yardi property management software as a single system to create synergies and efficiencies. Since the launch, we have continued to lead the development of the software and hone the functionality of and expertise in the product. We have focused on securing direct bookings and as a result the Fresh website is performing strongly in the UK and overseas, with a significant increase in traffic compared with the previous website.

Key statistics

FY22 student beds and BTR apartments under management

71
schemes

22,896

FY23 student beds and BTR apartments under management

74
schemes

24,028

The market opportunity

The accommodation management market continues to grow, as institutional investors seek partners to work with them to drive the performance of their residential for rent assets.

The growth in the accommodation management market is directly linked to the number of new developments coming through, as described on the preceding pages. In the student market, there are also opportunities for providers to increase market share by taking on the management of existing developments, as the previous provider's contract comes to an end. As the BTR sector is still at a relatively early stage, this secondary market is yet to emerge.

After a significant slowdown in opportunities during the pandemic, we saw a bounceback during FY22. In PBSA, these have come from a mix of new and existing schemes. There was also a meaningful increase in tenders to manage both BTR and co-living schemes. With build costs increasing during FY22, some schemes that were in the industry pipeline have been delayed. This may result in a slower market for managing new developments in FY23.

Many of the larger accommodation managers are the in-house arms of owner-operators. The pool of pure third-party operators of student accommodation remains small and Fresh is the third largest of these in the UK. Successful operation in the market requires sufficient scale to invest in the infrastructure and the specialist skills. At least 5,000 beds under management is seen as the minimum level, making it difficult for new operators to enter the market.

Even so, we are seeing increasing numbers of providers targeting the accommodation management space. Some owner-operators of residential for rent assets are looking to win third-party management contracts, while existing managers of student accommodation are targeting the BTR and co-living markets.

However, we believe there are several factors that make Fresh a strong competitor. The quality of our customer service and our customer-focused culture will continue to make Fresh stand out. Our scale, with almost 23,000 units under management across the country, means we have a detailed understanding of local markets and the buying power to secure favourable prices for our clients. We also benefit from the efficiencies of having a single brand and management platform, whereas competitors often create different brands for PBSA, BTR and co-living.



Case study

Bath is the only city in the UK to have UNESCO World Heritage Site status. With two universities, a growing population and a high percentage of young professionals, demand for residential accommodation is high.

Its historic buildings and proximity to a number of major employers makes Bath an extremely popular place to live. That heritage comes with challenges from a planning perspective – our in-house planning expertise proved a valuable asset in creating a suitable design to gain planning approval.

The site was attractive to us for several reasons:

- Our residential development would help support the provision of accommodation in a city that has a real shortage of housing.
- Our in-house planning expertise would give us an advantage in obtaining planning without undue delay.
- The site was on brownfield land in a regeneration area which supported our ESG objectives.
- There is significant investor interest in the city.

The desirability of the site was reinforced by the high level of interest from institutional investors. In May 2022, we agreed the sale of a PBSA portfolio to EQT Exeter which included the PBSA element of the site. In September 2022, we agreed a £100 million forward funding deal with DWS for the BTR element of the site.

Meeting the needs of the city's residents

Bath is seeing strong population growth – by 2028, its population is forecast to increase by more than 8%, significantly ahead of the national average. Bath's two universities attract over 24,000 full-time students and that number has also been growing – the number of full-time students at the University of Bath has increased by almost 16% since 2015. Young professionals make up around 30% of the city's demographic.

Coupled with a severe shortage of rental accommodation, this means there is strong demand for PBSA and BTR accommodation in the city.

A development for all

The development comprises 335 student beds and 316 BTR units. The BTR units range from studios to three-bedroom apartments, making them suitable for both young professionals and families. In addition, nearly one-third of the BTR units will be offered at a discount to the market rent in the area, increasing affordability for renters.

The development will include several communal amenity areas and communal landscaped areas to help build a community.

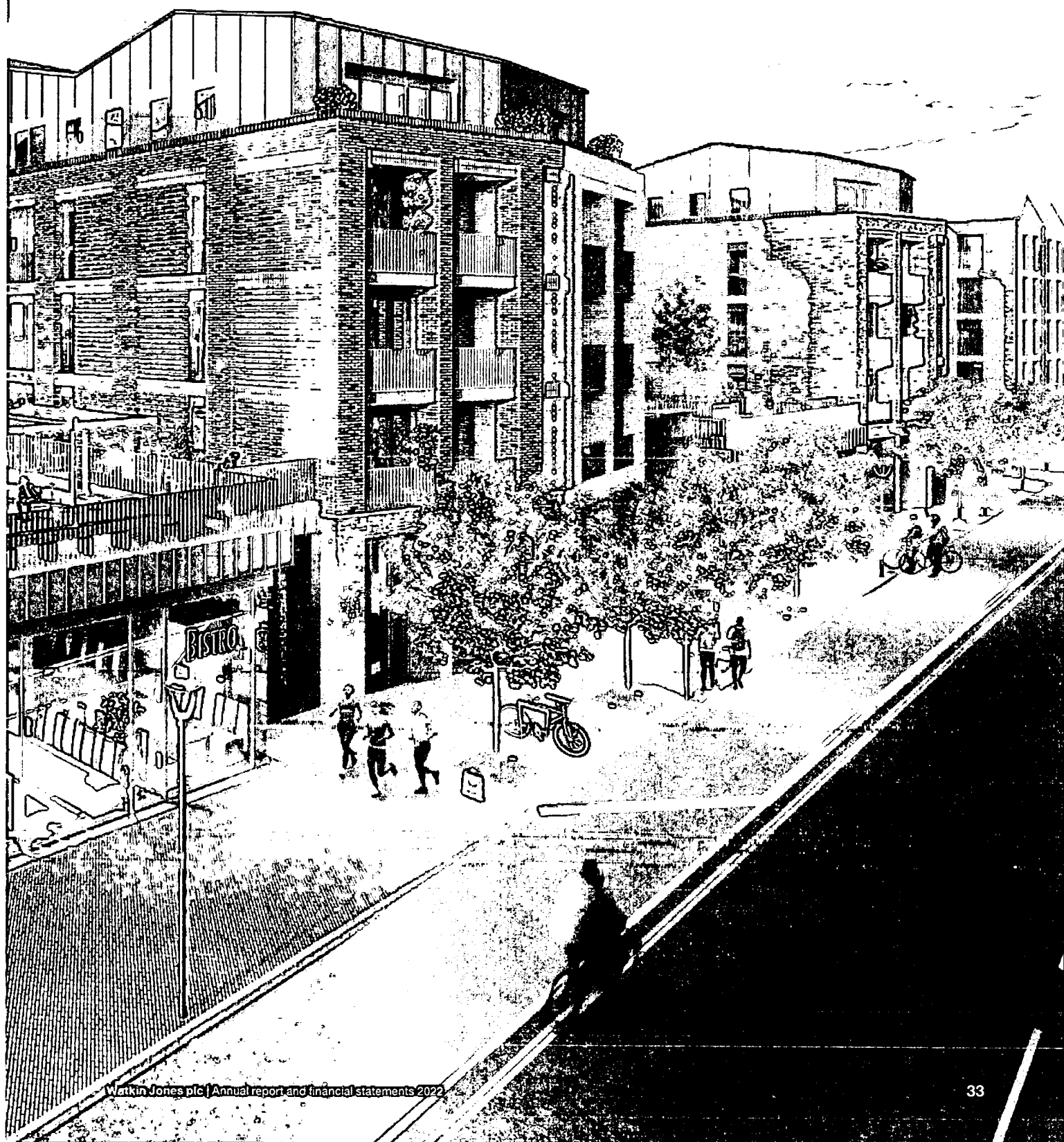
Developing in line with our sustainability objectives

We look to develop sites that align with our ESG objectives and this site was ideal as it is situated on brownfield land within the Riverside regeneration area. Such regeneration reduces pressure to develop greenfield land.

We expect the development to achieve BREEAM Excellent for the PBSA accommodation and Home Quality Mark Level 3 certification for the BTR element. It will include a broad range of sustainable features including air source heat pumps for hot water and heating and water-saving fittings.

The site is situated close to the city centre and boasts excellent sustainable transport options including a nearby cycling route, local bus routes and two rail stations, offering great connectivity to Bristol and other cities. Residents in both the PBSA and BTR developments will be encouraged to cycle, with over 800 secure bicycle parking spaces provided, along with a car club and electric charging points in the BTR development.

Construction commenced in December 2022 and completion is expected in 2025.



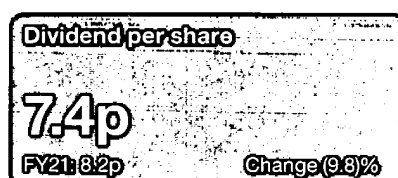
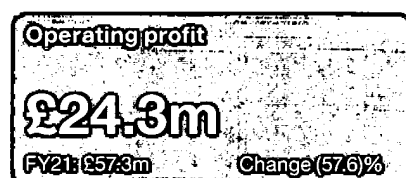
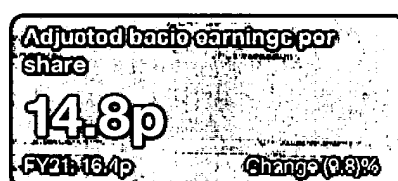
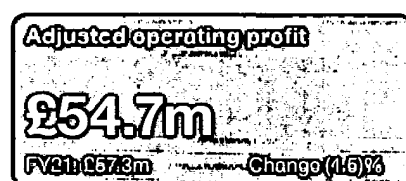
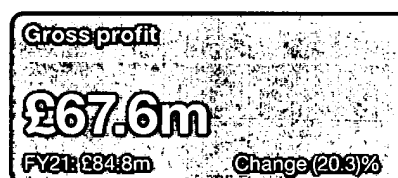
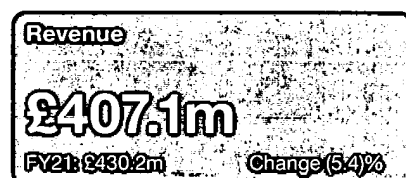
Financial review



The Group stands well positioned for growth, backed by a sound balance sheet.

Sarah Sergeant
Chief Financial Officer

Highlights



Revenue

Revenue of £407.1 million was delivered in the year, down 5.4% from £430.2 million in FY21. Market volatility experienced in September 2022 affected the completion of two forward sales. These sales are now forecast to complete in FY23.

BTR development revenues grew by 38.0% to £191.2 million (FY21: £138.6 million) with the forward sale of five new developments during the year.

Revenues from our PBSA development business were £180.0 million (FY21: £259.9 million), a decrease of 30.7%, predominantly driven by the deferral of the PBSA scheme which was due to complete in September. Seven schemes completed in the year and five developments were forward sold. PBSA revenues also include the rental income from our six leased student accommodation assets. The rental income on these was £13.6 million (FY21: £10.8 million), an increase of 25.9%, driven by strong student occupancy following the easing of the pandemic restrictions.

The Affordable Homes business delivered revenues of £14.5 million, down 36.1% on the £22.7 million recorded in FY21.

The contribution from our BTR business increased to one-third of Group revenues.

Revenues in the year fell below the prior year, predominantly due to the continued transition of our legacy house-building business to Affordable Homes.

Fresh, our Accommodation Management business, achieved record revenues of £9.1 million (FY21: £7.8 million), largely due to improved occupancy levels across its portfolio following the easing of pandemic restrictions.

In addition to our core businesses, we recorded revenues of £12.3 million (FY21: £1.3 million) from developing commercial property alongside PBSA and BTR developments, which is reported within our Corporate segment.

Operating profit

Gross profit for the year was £67.6 million (FY21: £84.8 million), a decrease of 20.3%. This resulted in a gross margin of 16.6% (FY21: 19.7%).

BTR development gross profit increased by 10.1% in the year to £32.8 million (FY21: £29.8 million), reflecting the strong revenue growth but some softening of the gross margin to 17.2% (FY21: 21.5%), although this remains well ahead of the BTR target margin of 15%.

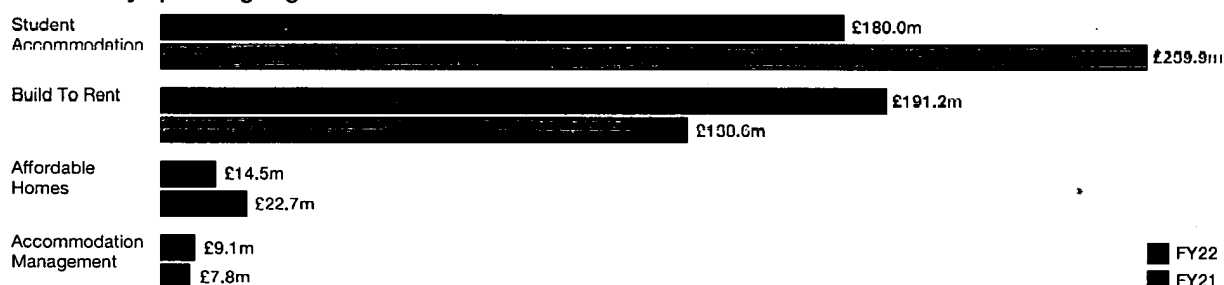
Gross profit from PBSA development of £26.4 million, compared with £50.5 million in FY21, reflected the deferred completion of a forward sale from September. The gross margin was 14.7% (FY21: 19.4%), reflecting a blended margin mix weighed more towards lower-margin land sales from the forward sales completed in the year.

In Affordable Homes, gross profit was £1.9 million (FY21: £2.6 million), resulting in a gross margin of 13.2% (FY21: 11.3%). The improvement in gross margin reflects a stronger mix of sales in the year on new developments.

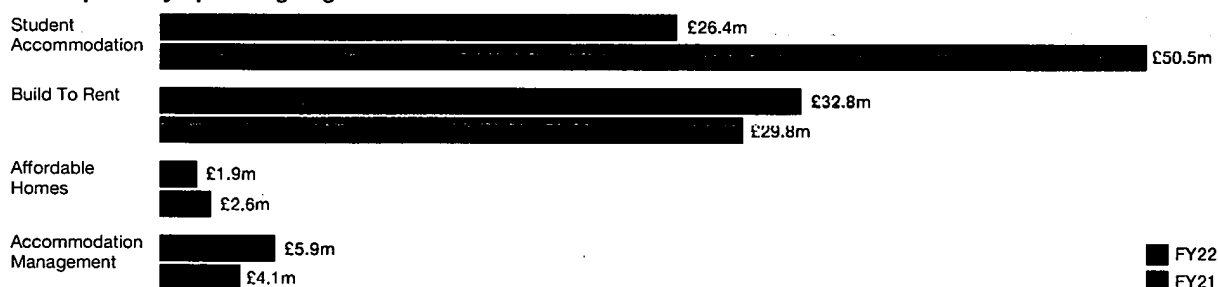
Fresh generated a gross profit of £5.9 million (FY21: £4.1 million) with the gross margin increasing by 43.9% as strong occupancy levels returned.

During the year we disposed of two leased PBSA investment properties (Dunaskin Mill and New Bridewell) which were sold as part of a portfolio, including three new PBSA schemes, to EQT Exeter. A profit on disposal, following the release of net liabilities and adjustments for rent and operating cost apportionment, was recorded of £18.3 million within administrative expenses.

Revenue by operating segment



Gross profit by operating segment



Financial review continued

Operating profit continued

Gross administrative expenses (excluding the above lease disposal) increased by 13.5% to £31.2 million (FY21: £27.5 million), reflecting increased levels of activity and associated staff costs.

Operating profit before exceptional items of £54.7 million was delivered (FY21: £57.3 million), at an operating margin before exceptional items of 13.4% (FY21: 13.3%). This result was despite the impact of market volatility leading to the deferral of two forward sales. Operating profit was £24.3 million (FY21: £57.3 million).

Exceptional items

In response to the new Building Safety Act and following a review of all buildings over 11 metres tall developed by the Group over the last 30 years, we have recognised an exceptional charge of £30.4 million for the potential costs of the remediation work required, which are expected to be incurred over a period of up to five years. No exceptional items were incurred in FY21.

Finance costs

The net finance cost for the year was £6.0 million (FY21: £6.1 million). These costs are primarily the finance cost of capitalised leases under IFRS 16, which totalled £4.5 million (FY21: £4.9 million). 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 we have with Svenska Handelsbanken AB (see 'Bank facilities' on page 38).

Profit before tax

Profit before tax for the year was £18.4 million (FY21: £51.1 million). For FY22, adjusted profit before tax, which excludes the impact of the exceptional items for that year, was £48.8 million (FY21: £51.1 million).

Taxation

The corporation tax charge was £5.0 million (FY21: £9.2 million). The effective tax rate of 27% (FY21: 18%) was more than the standard UK corporation tax rate of 19%, primarily as a result of a £1.1 million adjustment in respect of prior year claims for land remediation relief. The effective tax rate in FY21 was reduced by a prior year tax credit relating to the taxation of distributions from the Curlew Student Fund, which had already been taxed at source, and the higher proportionate benefit relative to the lower profit of specific tax allowances, including land remediation expenditure.

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 5.2 pence (FY21: 16.4 pence). Adjusted basic earnings per share, which excludes the impact of the exceptional items, was 14.7 pence (FY21: 16.4 pence).

Dividends

The Board has proposed a final dividend of 4.5 pence per share (FY21: 5.6 pence per share). Taken together with the interim dividend of 2.9 pence per share (FY21: 2.6 pence per share), this will give a total dividend for the year of 7.4 pence per share (FY21: 8.2 pence per share). The dividend is 2.0x covered by adjusted earnings, in line with our stated policy.

At 30 September 2022, the Company had distributable reserves of £56.1 million available to pay dividends.

EBITDA

EBITDA, which is calculated as set out on page 39, was £32.7 million after the inclusion of exceptional provision costs of £30.4 million (FY21: £65.9 million). Adjusted EBITDA, which excludes exceptional items, was £63.1 million, with an adjusted EBITDA margin of 15.5%.

Return on capital employed

The return on capital employed (ROCE) for the year, calculated as set out on page 39, was strong at 63.1% (FY21: 72.1%). Our ROCE performance reflects the benefit of our capital-light forward sale business model, with our operating profit generated from a relatively consistent and modest level of capital employed.

Statement of financial position

At 30 September 2022, non-current assets amounted to £49.6 million (FY21: £124.7 million), with the most significant item being the carrying value of the leased student accommodation investment properties amounting to £27.3 million (FY21: £98.6 million). The reduction in these balances is mainly due to the disposal of two PBSA leased properties during the year. Right-of-use assets relating to office and car leases amounted to £4.7 million (FY21: £4.5 million). Intangible assets relating to Fresh amounted to £12.2 million (FY21: £12.7 million) and were reduced by the amortisation charge of £0.5 million in the year.

Inventory and work in progress was £147.1 million. These were £19.5 million higher than the prior year (FY21: £127.6 million) and reflect investment in new land sites for development in Stratford, Birmingham and Bristol, partially offset by the sale of the Group's Lewisham site.

Contract assets increased significantly in the year to £50.8 million (FY21: £13.8 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 development typically do. Contract liabilities amounted to £5.1 million and were £2.3 million higher than at 30 September 2021.

The Building Safety Act provision of £33.4 million is predominantly classified as non-current liabilities, based on our anticipated expenditure over the next five years. The increase in the provision of £30.4 million in the year is considered under the review of 'Exceptional items' above, and is in addition to a brought-forward provision of £3.1 million for cladding-related costs.

Interest-bearing loans and borrowings stood at £28.2 million at 30 September 2022, up from £12.0 million a year ago. The increase primarily relates to the drawdown of loans against new sites in Stratford and Bristol. The current portion of our loans has decreased by £4.7 million to £Nil, which reflects the renewal of our facilities with Svenska Handelsbanken AB (see 'Bank facilities' on page 38).

Lease liabilities arising from the adoption of IFRS 16 'Leases' in the prior year were reduced by £80.2 million to £49.1 million (FY21: £129.3 million), reflecting capital repayments made in the year and a disposal of £76.7 million mainly due to the disposal of two PBSA leased properties.

Cash and net debt

	FY22 £m	FY21 £m
Operating profit before exceptional items	54.7	57.3
Profit on disposal of fixed assets	(20.9)	—
Depreciation and amortisation	8.4	8.7
(Increase)/decrease in working capital	(61.7)	10.3
Finance costs paid	(5.8)	(6.7)
Tax paid	(1.6)	(8.2)
Net cash inflow/(outflow) from operating activities	(26.9)	61.4
Sale/(purchase) of fixed assets	11.6	(0.2)
Cash flow from joint venture interests	—	0.1
Dividends paid	(21.8)	(25.5)
Payment of lease liabilities	(4.7)	(6.1)
Cash flow from borrowings	16.3	(27.9)
Increase/(decrease) in cash	(25.5)	1.8
Cash at beginning of year	136.3	134.5
Cash at end of year	110.8	136.3
Less: borrowings	(28.2)	(12.0)
Net cash before deducting lease liabilities	82.6	124.3
Less: lease liabilities	(49.1)	(129.3)
Net cash/(debt)	33.5	(5.0)

Total cash and available facilities

	FY22 £m	FY21 £m
Cash and cash equivalents	110.8	136.3
Revolving credit facility ('RCF')	100.0	100.0
Drawn balance on RCF	(24.8)	(7.8)
Overdraft	10.0	10.0
Total cash and available facilities	196.0	238.5

Financial review continued

Cash and net debt continued

At the year end, we had a cash balance of £110.8 million and loans of £28.3 million, resulting in a net cash position of £82.5 million. At 30 September 2021, we had a cash balance of £136.3 million, loans of £12.0 million and net cash of £124.3 million.

Net cash balances are stated before deducting the lease liabilities of £49.1 million (30 September 2021: £129.3 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.

The cash balance at the year end is therefore 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 £26.9 million (FY21: inflow of £61.4 million), reflecting investment in new development sites and the stages of development of sites under construction. This net outflow was exacerbated by two forward sales that were forecast to complete being affected by the market volatility in September 2022 such that they didn't close before the year end and are now forecast to close in FY23.

Finance costs paid totalled £5.8 million (FY21: £6.7 million), including the finance charges on the capitalised lease liabilities of £4.5 million (FY21: £4.9 million), for which the capital payments amounted to £4.7 million (FY21: £6.1 million).

Dividends paid in the year totalled £21.8 million (FY21: £25.5 million). The dividend payments in FY21 included both the full-year dividend for FY20, following the suspension of the interim dividend for that year, as well as the interim dividend for FY21. Dividends paid in FY22 comprised the final dividend for FY21 and the interim dividend for FY22.

Bank facilities

The Group has a £100.0 million RCF which runs until May 2025. At the year end, £24.8 million was drawn against the facility (30 September 2021: £7.8 million), giving headroom of £75.2 million. This facility can be accessed to fund land acquisitions. We also have an undrawn overdraft facility of £10.0 million. Total cash and available facilities at 30 September 2022 therefore stood at £196.0 million (FY21: £238.5 million).

In addition, the Group has loan facilities with Svenska Handelsbanken AB, which are used to fund our operating build to rent stock in Sheffield and Droylsden, which were renewed during the year and run to September 2024. The outstanding balance at the year end was £4.0 million (30 September 2021: £4.5 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 2024. 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 50 and 51.

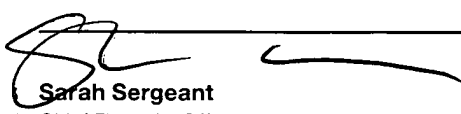
Alternative performance measures (APMs)

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	
			FY22 £'000	FY21 £'000
Adjusted operating profit	1	Operating profit	24,319	57,255
		Add: exceptional items	30,365	—
		Adjusted operating profit	54,684	57,255
Adjusted profit before tax	1,4	Profit before tax	18,393	51,121
		Add: exceptional items	30,365	—
		Adjusted profit before tax	48,758	51,121
Adjusted basic earnings per share	1,3,4	Profit after tax	13,414	41,932
		Add: exceptional items	30,365	—
		Less: tax on exceptional items	(5,769)	—
		Adjusted profit after tax	38,010	41,932
		Weighted average number of shares	256,385,882	256,163,459
		Adjusted basic earnings per share	14.825 pence	16.369 pence
EBITDA	1	Operating profit	24,319	57,255
		Add: share of loss in joint ventures	(16)	(87)
		Add: depreciation	7,852	8,128
		Add: amortisation	559	560
		EBITDA	32,714	65,856
Adjusted EBITDA	1	EBITDA	32,714	65,856
		Add: exceptional items	30,365	—
		Adjusted EBITDA	63,079	65,856
Adjusted net cash	2	Net cash/(debt)	33,454	(4,920)
		Add: lease liabilities	49,099	129,252
		Adjusted net cash	82,553	124,332
Return on capital employed	1,2	Adjusted operating profit	54,684	57,255
		Net assets at 30 September	176,953	184,811
		Less: adjusted net cash	(82,553)	(124,332)
		Less: intangible assets	(12,165)	(12,724)
		Less: investment property (leased)	(27,331)	(98,567)
		Less: right-of-use assets	(4,738)	(4,468)
		Add: lease liabilities	49,099	129,252
		Adjusted net assets at 30 September	99,265	73,972
		Adjusted net assets at 1 October	73,972	84,775
		Average adjusted net assets	86,619	79,374
		Return on capital employed	63.1%	72.1%


Sarah Sergeant
 Chief Financial Officer

25 January 2023

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 December 2022, 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 2022 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.

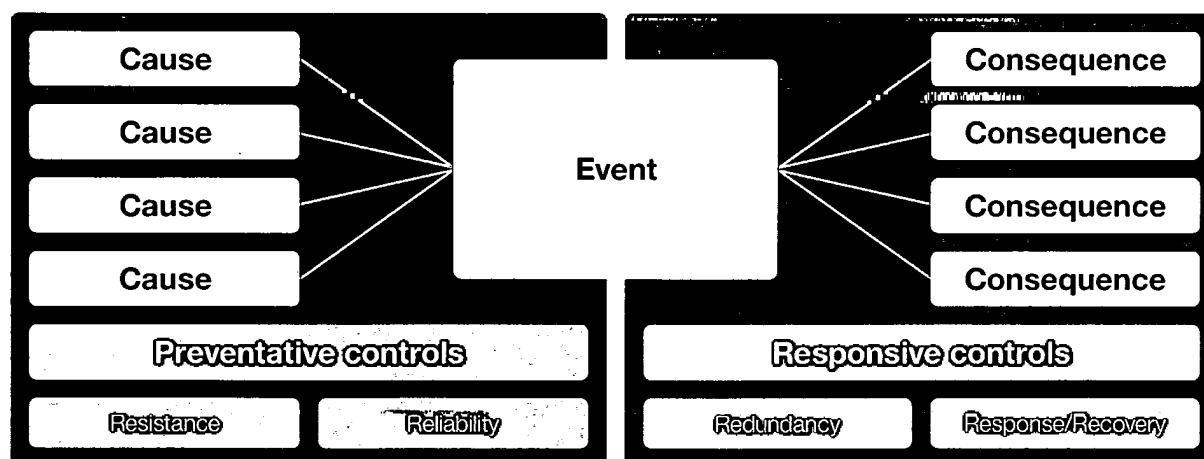
While we also have minimal risk appetite in relation to liquidity, cyber security and build quality, the appetite for these risks is slightly higher in acknowledgement of the high levels of inherent risk in these areas. We have a moderate risk appetite in relation to our remaining principal risks.

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 41 to 49.

Bow-tie model



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.

The ovals on the heat map show the Board's appetite for risk for each risk category, 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

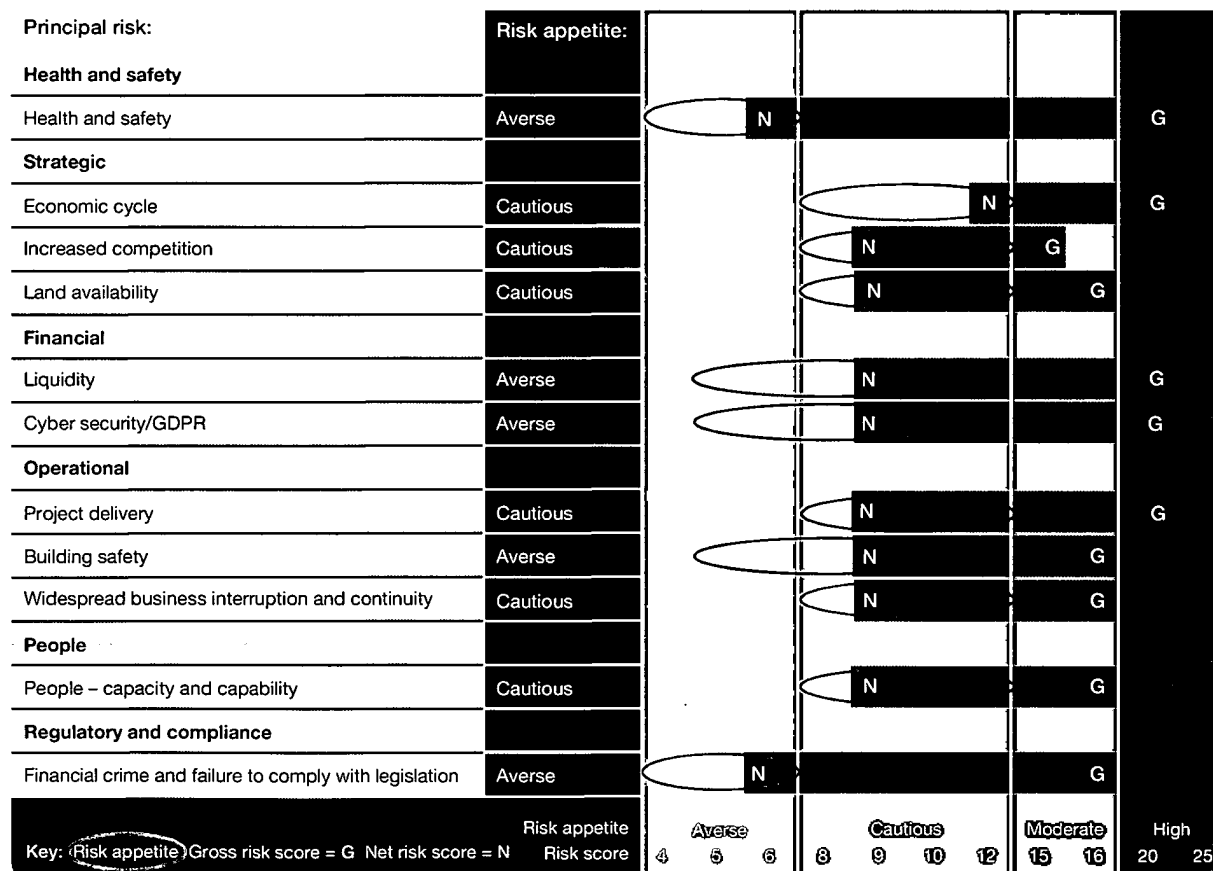
Changes in year

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 – increased due to UK macroeconomic uncertainty, tempered by the Group's relatively resilient business model, attractive end markets and strong pipeline.

Liquidity – increased to reflect the impact of high interest rates on borrowing costs, and the reduced short-term customer appetite for forward sales for existing developments, requiring them instead to be developed on balance sheet.

Project delivery – increased to reflect cost pressures on the supply chain, and the risk associated with new Building Safety Act 2022 legislation.



Risk management and principal risks continued

Health and safety

Change: 

Link to business model:  

Threats		Consequences	
Threats	Preventative barriers	Responsive controls	Consequences
Major fire on site.	Quality assurance procedures and fire risk assessments.	Regular audits and reviews of incidents to identify improvements.	Loss of life or serious injury.
Crane collapse/failure of lifting equipment.	Robust procedures for erection, use and dismantling of major equipment with works undertaken by suitably qualified personnel.	Maintenance of appropriate levels of insurance cover.	Damage to property leading to financial loss.
Falls from height.	Work at height procedures and use of prefabrication of site to avoid work at height where possible.	Formal accident/incident reporting procedures.	Breach of legislation leading to prosecution and reputational damage.
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.		
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.		
		Escalation factors	Preventative barriers
		Unrealistic build programmes create pressures to cut corners.	Management's tone from the top and influence over development programme through control of land.
Risk that failure to follow established health and safety procedures could result in a serious incident or fatality			

Building safety

Change: 

Link to business model:  

Threats		Consequences	
Threats	Preventative barriers	Responsive controls	Consequences
Cladding safety, in particular fire safety.	Group design standards requiring the selection of certified products, with the selection informed by input from specialist consultants, assessed in line with PAS9980.	Customer care team aims to address any defects promptly and ensure a good customer experience.	Damage to reputation.
Selected subcontractors do not have the necessary expertise or capability.	PQQ process for the selection of subcontractors with a focus on technical capabilities.	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.
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.		
		Escalation factors	Preventative barriers
		Labour shortages in the construction industry.	Long-term relationships with the Group's nationwide supply chains.
Risk that poor build quality could result in financial and 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: Link to business model:

Threats

Threats

Input cost inflation.

Short-term market turbulence including increased interest rates or reduction in available capital.

Increases in investment yields.

Changes in employment, demographics or immigration controls.

Political risks in occupier markets including controls over rent setting or lease termination.

Preventative barriers

In-house construction expertise and supply chain relationships, quarterly Inflation Committee reviews to mitigate impact.

Forward funding sales model reduces impact of interest rate movements in the short to medium term.

Forward funding sales model and use of sensitivity analysis when appraising developments.

Target cities selected on the basis of their strong economic and demographic characteristics to help insulate them from any nationwide downturn.

Diversification across different property classes/forward funding model means completed properties are not retained.

Consequences

Responsive controls

Control over land usually conditional and construction costs typically procured in advance to fix prices.

The Group's strong liquidity position gives it the flexibility to look through short-term disruption and fund selected developments on balance sheet.

Forward funding model insulates the Group from short-term yield movements.

Consequences

Increased costs reduce profits or render developments unviable.

Short-term economic turbulence leads to a closure of the forward funding market.

Increase in the yield expectations of institutional clients reduces the value of developments.

Escalation factors

'Black Swan' event causing a sharp economic deterioration and closure of forward funding market.

Preventative barriers

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

Risk management and principal risks continued

Increased competition

Change:  Link to business model:    

Threats		Consequences	
Threats	Preventative barriers	Responsive controls	Consequences
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.	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.
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 LPAs during applications.	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.
Increased competition leads to gazumping of land acquisitions.	The Group's strong track record can demonstrate to vendors its ability to perform and transact.	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.
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.		
		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			

Key



Identify potential developments



Site procurement and planning



Transaction and funding



Construction and delivery



Accommodation management



Increase



Decrease



No change

Land availability

Change:

Link to business model:

Threats

Threats

Finite supply of land increases the risk of accepting sites with more development constraints.

National or local political factors delay the planning process or result in planning refusals.

Alternative uses for land become more viable than the Group's core markets.

The land market closes in response to a significant economic event.

Increased competition reduces our success rate in bidding for land.

Preventative barriers

Due diligence procedures in place for assessing the financial and technical viability of developments.

In-house planning expertise helps to identify locations with higher planning risk, with early interaction with LPAs during applications.

Regular reviews of our core markets and the property market in general to identify emerging trends.

The Group has the experience to structure deals in different ways to adapt to the expectations of vendors.

Credible market presence due to track record of bringing land through planning and competitive pricing due to in-house construction capability.

Consequences

Responsive controls

Established macro and micro economic analysis used to identify target cities and locations, leveraging on-the-ground knowledge from Fresh.

Robust investment appraisal methodology and governance structure.

Vendor and agent relationships and credibility in the market.

Consequences

Land acquired in secondary locations or with significant technical and environmental challenges.

Overpaying for land.

The Group does not acquire enough land to meet its growth plan.

Escalation factors

Significant unexpected change in planning policy.

Preventative barriers

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

People – capacity and capability

Change: Link to business model:

Threats

Threats

Uncompetitive remuneration packages.

Failure to improve diversity and inclusion in under-represented groups.

Absence of succession plans.

A misaligned employee culture, including the impact of hybrid working.

Increasing awareness of employee wellbeing.

Preventative barriers

Salary benchmarking undertaken to ensure our remuneration packages are competitive.

Promotion of the 'People' pillar in the Group's Future Foundations initiative; introduction of equity, diversity and inclusion charter.

Formal executive succession plan and senior management talent plan reviewed annually.

Employee engagement is a core personal objective for all senior employees across the organisation.

Promotion of mental health wellbeing through training programmes and internal communications.

Consequences

Responsive controls

Use of counter-offers or use of succession plans to cover responsibilities.

Identify those at risk and put in place additional short-term incentives.

Use of external contractors or consultants to cover prolonged periods of absence.

Consequences

Loss of key personnel.

Increased strain on personnel.

Inability to maintain key functions within the business.

Escalation factors

Pressure on people from stress of achieving business objectives.

Preventative barriers

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

Risk management and principal risks continued

Liquidity

Change: 

Link to business model: 

Threats		Consequences	
Threats	Preventative barriers	Responsive controls	Consequences
Major disruption to, or closure of, the forward funding market.	Recent market transactions considered when acquiring land and target locations based on macro and micro economic analysis to help ensure its sites remain appealing.	Existing forward sold pipeline combined with debt facilities provides insulation from short-term market disruption. Development of unfunded sites considered on a case-by-case basis.	Unable to sell developments on a forward funded basis.
Credit and counterparty risk.	Counterparty risk appraised before entering into sale agreements with clients which are typically blue-chip institutions.	Maintenance of overdraft and undrawn debt facilities.	Inability to meet short-term commitments.
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.	£100 million RCF of which only £24.8 million was drawn at the reporting date, with funding options considered in each development appraisal.	Insufficient liquidity to acquire enough land to support the Group's growth plans.
Maintaining adequate debt facilities and covenant compliance to support long-term growth plans.	The Group's £100 million RCF has a five-year term running to May 2025 and there is currently significant headroom against its covenants.		
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.		
		Escalation factors	Preventative barriers
		'Black Swan' event causing a sharp economic deterioration and 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			

Key



Identify potential developments



Site procurement and planning



Transaction and funding



Construction and delivery



Accommodation management



Increase



Decrease



No change

Cyber security/GDPR

Change:

Link to business model:

Threats		Consequences	
Threats	Preventative barriers	Responsive controls	Consequences
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.	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.
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.	Delegated limits and controls in place for payments.	Financial loss due to a phishing attack.
Phishing.	Email security filters are in place, supplemented by internal training and simulated attacks.	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.
Data breach and GDPR compliance.	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.		
Insider threats.	Internal monitoring measures alongside limits to email sizes and restrictions to access.		
		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			

Financial crime and failure to comply with legislation

Change:

Link to business model:

Threats		Consequences	
Threats	Preventative barriers	Responsive controls	Consequences
Poor or absent tone from the top.	Compliance given a high priority as evidenced by the matters considered by the Board and Executive Committee.	Specific Group policies reinforced by annual training.	Failure to comply with ABC or anti-slavery legislation leading to reputational damage or possible financial penalties.
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.	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.
Lack of awareness of regulations and expectations.	Initial compliance training for all new employees which is reinforced by annual refresher modules.	Controls framework governing bank payments.	The Group is a victim of financial crime.
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.		
		Escalation factors	Preventative barriers
		Shortages in subcontractors increases pressure to appoint subcontractors with poor compliance controls in place.	PQQ processes for appointments.
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		Consequences	
Threats	Preventative barriers	Responsive controls	Consequences
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.	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.
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.	QA data collated and monitored in monthly senior management review meetings.	Poor quality workmanship.
Poor quality workmanship.	Management processes on site for ensuring build quality with QA procedures in place for monitoring and capturing QA data.	Monitoring of progress against compliance with discharge of statutory requirements in monthly senior management review meetings.	Completed properties do not comply with statutory requirements.
ESG strategy not implemented.	Work closely with supply chain to monitor compliance with ISO 14001, with all suppliers to be accredited by 2025.	Monitoring of progress against ESG targets, with regular reporting to the Board.	ESG commitments not met, leading to reputational damage.
Poorly drafted or unclear specification documents.	Construction management software utilised to ensure all parties are working to the latest drawings and documents.		
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.		
		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 business continuity

Change: Link to business model:

Threats		Consequences	
Threats	Preventative barriers	Responsive controls	Consequences
Natural disaster.	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.	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.
Man-made disaster.	Robust design and specification of materials alongside well-established HS&E management framework.	Formal business continuity plan to inform initial crisis response. Maintenance of a comprehensive suite of insurance policies.	Significant damage to construction sites.
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.	Remuneration benchmarking to ensure employees are well rewarded and reduce the risk of defections and use of consultants to cover.	Absence or loss of key employees for prolonged periods.
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.		
		Escalation factors	Preventative barriers
		Additional pressure placed on employees during recovery period.	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			

Risk management and principal risks continued

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 2024 (the 'forecast period'). This review has been undertaken taking into consideration the following matters.

Liquidity

At 30 September 2022, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £196.0 million, as set out below.

	£m
Cash balances	110.8
RCF headroom	75.2
Overdraft facility	10.0
Total cash and available facilities	196.0

Strong liquidity has been maintained through the first quarter of the year ending 30 September 2023, 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 a five-year term to May 2025. All financial covenants under the RCF facilities were met at 30 September 2022 and are forecast to be met throughout the period to 31 January 2024. This facility can be accessed to fund land acquisitions.

The Group also has a loan with Svenska Handelsbanken AB which is secured against its three operational BTR properties. We intend to sell these properties during the period of this review, and in our forecast scenarios it has been assumed that this facility will be retained until it is repaid upon the completion of these sales.

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.

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-led 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 and operational BTR 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 2022/23.

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 six PBSA developments and six BTR developments for delivery during the period FY23 to FY27, as well as the reserved/exchanged and forward sales for our Affordable-led 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. We have also assumed that the Group's three operational BTR properties will be sold during the period following the completion of works currently in progress to improve their saleability.

Risk analysis

In addition to the base case forecast, and though considered unlikely given the stabilisation in market interest rate expectations since the Autumn Budget statement and the long-term attractiveness of our core markets, we have considered the possibility of disruption to the forward sale market in the event of a resurgence in the market turbulence seen in the UK in the early autumn. This is our most significant risk as it would greatly limit our ability to achieve any further forward sales and would potentially mean that we would have to complete on secured site acquisitions without a subsequent forward sale in place.

We have run various model scenarios to assess the possible impact of the above risks, including a severe but plausible downside scenario assuming no further forward sales are achieved other than for one of the Group's PBSA assets which benefits from an agreement for lease for all its rooms and where the construction is already well-progressed.

In the severe but plausible downside scenario, we have included for the payment of our FY22 full-year proposed dividend in line with our dividend policy. 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.

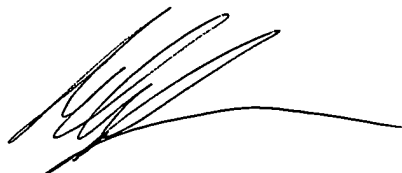
The minimum total cash and available facilities balance under this scenario was £52.2 million (excluding the £10.0 million overdraft). We consider the likelihood of events occurring which would exhaust the total cash and available facilities balances remaining to be remote. However, should such events occur, management would be able to implement reductions in discretionary expenditure and investments in unsold developments to ensure that the Group's liquidity was maintained.

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 2024 and has therefore adopted the going concern basis in preparing the financial statements.

This strategic report, comprising pages 1 to 77, has been approved by the Board and signed on its behalf:

Richard Simpson
Chief Executive Officer
25 January 2023



Sustainability



Building on solid foundations.

Richard Simpson
Chief Executive Officer

Letter from the CEO

Since the launch of our sustainability strategy in November 2021, we have continued to embed ESG into our everyday operations. Our clear commitment to sustainability is understood throughout the business and we are making good progress against our ESG targets.

Future Foundations

A key strand of our Group strategy is being a responsible business. The responsible business element of our strategy, Future Foundations, is designed to ensure that when we make decisions, we balance the impact on the planet, the places we create and the people who work with us.

Our people

The health, safety and wellbeing of our employees is always our top priority. We had two RIDDOR reportable incidents during the year, meaning our reportable incident rate was 6% of the National Construction Industry rate, slightly above our 2025 target of 5%. We set ourselves very high standards and while we were pleased to be so close to our target, we will look to improve further next year. As always, we learn lessons from every incident to avoid it happening again. Positively, the total number of incidents decreased by 28% and our manual handling injury rate reduced by 65%, so we continue to make good progress. We expanded our wellbeing events, with training and workshops on mental health awareness for managers.

Having set a baseline of 70% with the launch of our employee engagement survey last year, we were pleased to see improvement in this year's engagement index score to 73%. The index score benchmarks how engaged our employees are compared to other companies. We also measure our overall engagement score, which increased from 69% in FY21 to 75% this year.

Last year's survey identified three key themes in participants' responses: investing in our people, supporting and managing workload, and creating a great place to work. We worked hard on initiatives to address these themes, so it was encouraging to get positive feedback from colleagues, in particular around recognition, reward and learning opportunities. We aim to increase our engagement index score to 80% by 2025, so this was a meaningful step towards our target.

Unfortunately, having reviewed our ways of working and taking into account the uncertainty around the economic environment, in November 2022 we entered into consultation about restructuring some areas of the business and reducing the number of roles in some teams. While it was a difficult decision, and one not taken lightly, we have to make sure we are operating as effectively and efficiently as possible to support our long-term success.

Our places

Once again, Fresh performed strongly at the National Student Housing Awards, receiving three awards.

The awards are based on resident feedback through the Global Student Living Survey. This built on very strong net promoter scores of +34 from residents (compared to an average of +8 for all private halls of residence) and +47 from clients. This is testament to Fresh's hard work to provide great customer service for residents and clients alike.

Our planet

Our scope 1 emissions increased slightly for FY22. This reflected the positive impact of our initiatives around plant and machinery, offset by a more normal year of travel post-pandemic. Our transition to electric and hybrid vehicles should start to reduce transport emissions as leases on company vehicles are renewed. Meanwhile, our scope 2 emissions reduced significantly, reflecting our relocation to newer, more energy efficient offices where appropriate.

Looking forward

We have made good progress on many of our ESG targets during the year. Our progress around supply chain was slower than anticipated as we dealt with shortages in building materials and skilled labour, and record inflation in build costs. We are well aware that our supply chain is crucial to achieving our net zero ambitions and we will look to make more rapid progress in this area in the coming year.

Richard Simpson
Chief Executive Officer

Our sustainability governance framework

Board of Directors

Endorses overarching ESG strategy and receives updates from Executive Steering Group.

Remuneration Committee

Sets ESG bonus objectives and validates achievement of those objectives.

Executive Steering Group

Lead: Chief Executive Officer

Sets overarching strategy to achieve ESG agenda and considers costs, risks and opportunities associated with strategy.

ESG Working Group

Lead: Company Secretary

Develop the Group's approach to ESG, agrees the ESG roadmap and recommends initiatives and actions to the Executive Steering Group.



Our Future People

Lead: Chief People Officer

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



Our Future Places

Lead: Chief Investment Officer

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



Our Future Planet

Lead: Managing Director of Group Delivery

Considers the design and use of materials for our developments taking into account environmental and social considerations.

Performance

Lead: Chief Financial Officer

Responsible for reporting and monitoring the performance of ESG key performance indicators.

Policies

We have a number of Group policies which can be found on the corporate website [watkinjonesplc.com/about-us/our-policies](https://www.watkinjonesplc.com/about-us/our-policies).

UN Sustainable Development Goals framework:

Potential for high positive impact



See 'Our future people' and 'Our future places'

Potential for positive impact



See 'Our future people'

Responsibility to mitigate potential negative impact



See 'Our future people', 'Our future places' and 'Our future planet'

Sustainability continued

Sustainability strategy

Future Foundations

Commitment

Our Future People:

- Create a great place to work, which celebrates diversity and inclusion, where everyone's health and wellbeing is a priority and we make a positive difference to the Group and society.



Our Future Places:

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



Our Future Planet:

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



2022 performance and highlights

- 75% employee engagement score (2021: 69%)
- Watkin Jones development businesses 26% female
- Fresh 63% female
- Group investment in learning: 5.8 days per employee
- 94% below the National Construction Industry average with a health and safety incident rate of 176/100,000 employees, (2021: 102/100,000 employees and 96% below)
- Partnered with Talent Tap, a social mobility charity, to launch our employee volunteering programme
- Achieved ISO 45001 OH&S Standard
- Fresh customer net promoter score (NPS) of +34 in the National Student Survey (2021: +32)
- Fresh client NPS of +47 (2021: +12)
- 86% of PBSA schemes submitted for planning were rated as BREEAM Excellent or Outstanding, with the remainder rated as Very Good
- Maximum scores achieved for two sites under the Considerate Constructors Scheme
- Agreed internal design guides for our developments to formalise our standards and ensure we meet our clients' needs
- 6% increase from FY21 in scope 1 greenhouse gas emissions, reflecting an increase in travel following the pandemic
- 51% reduction in the use of red diesel following the outsourcing of plant and machinery to access more environmentally friendly tools
- Significant reduction in scope 2 emissions from FY21 of 29% on a location basis and 38% on a market basis
- Air source heat pumps incorporated into all current and future design briefs where permitted by local planning regulations
- 97% waste diverted from landfill (2021: 95%)

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
-
- Focus on the use and layout of shared amenity space to enhance residents' experience
 - Carbon reduction (see below)
 - Maintain and improve strong net promoter scores
-
- Scope 1 and 2 emissions:
 - Company car policy
 - Energy procurement review
 - Scope 3 emissions:
 - Include solar panel installations where suitable
 - Strengthen partnerships with key suppliers
 - Maintain environmental campaigns to raise awareness among Fresh residents
 - Waste and water:
 - Increase diversion of waste from landfill
 - Reduce water consumption on sites

Targets (2025 unless specified)

- Group employee engagement rating: **80%**
 - Voluntary staff turnover: **below 20%**
 - Group investment in learning: **4.5 days**
 - 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**
-
- 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**
-
- Carbon reduction: **net zero scope 1 and 2 carbon emissions and meaningful impact on scope 3 emissions by 2030**
 - ISO 14001 accreditation in supply chain: **100%**
 - Car fleet: **full electric vehicle fleet by 2026**
 - Air source heat pumps: **in all development designs by 2023**
 - EPC rating: **all developments rated A by 2030**
 - Waste diversion from landfill: **>95%**
 - Waste produced (t/m² of gross internal area): **40% reduction on 2021**
 - Water consumption (corporate and development) (litres/m² GIA): **10% reduction on 2021**

Sustainability continued



The People strand of our ESG strategy is based on one simple commitment: to create and maintain a company that is great to work for. The themes of our work in this area are driven by the output of our employee engagement survey.

What we said we would do in 2022

Invest in our people

Increase percentage of employees from under-represented groups

Maintain zero non-compliance performance of our policies

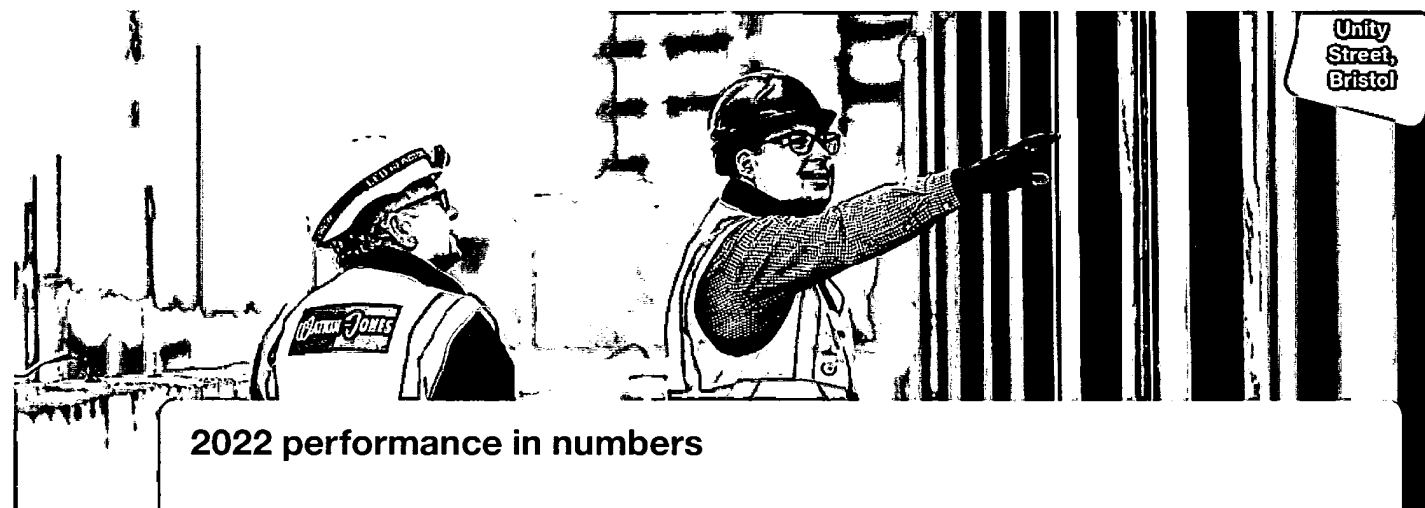
Drive a zero harm at work agenda

Support and manage workload

Reduce staff turnover

What we did

- Increased the number of learning days per employee to 5.8 days
- Set up a senior leaders forum to build collaboration across the Group
- Developed a greater curriculum of internal learning and development courses with more than 1,200 training hours provided
- Supported more than 50 apprentices
- Drew up and communicated a diversity charter
- Updated HR policies and recruitment approach with support from Stonewall to ensure they contained inclusive language
- Held an equity, diversity and inclusion summit with presentations from five partner organisations
- We had zero cases of non-compliance during the year
- Reduced our manual handling injury rate by 65%
- Reduced our total number of incidents by 28%
- Focused on supporting managers, running workshops on mental health and stress management
- Expanded our wellbeing curriculum from mental health and personal resilience to include a range of topics such as assertiveness, nutrition, coaching and managing change
- Launched Aspiring Manager and Professional Manager programmes, giving employees the opportunity to gain accreditation as a qualified manager
- Introduced our reward, benefits and recognition platform for all employees
- Evaluated and benchmarked jobs across the business to make sure people were being paid fairly and competitively for their work



2022 performance in numbers

5.8

learning days per employee achieved

30%

voluntary employee turnover

28%

reduction in total H&S incidents

Zero

non-compliance events

69

promotions

45%

female employees

Policies

We have a wide range of people policies covering maternity, paternity and adoption leave, equality and diversity, employee privacy, dignity at work, equal opportunities, pensions and grievance procedures.

We have several routes for our people to report compliance issues relating to our people policies. They can discuss any issues with their line manager or, if they feel unable to do so, with their HR manager. If the issue remains unresolved, we have a formal grievance procedure and policy. In addition, we have an external whistleblowing service, which allows our people to raise concerns anonymously and confidentially about a wide range of matters.

Engaging with our people

Employee wellbeing and engagement are integral to our success, so it was important for us to have a reliable way of measuring employee engagement. Last year we launched Your Voice, our employee engagement survey.

We look at two scores produced by the survey. The first is our engagement index score, which benchmarks our results against other companies based on three key questions relating to pride, loyalty and recommending our Company as a good place to work. We set a baseline of 70% for this score last year, which increased to 73% this year.

The second score measures satisfaction around areas such as wellbeing, reward, leadership and realising potential. Following last year's results, the ESG Steering Committee agreed a number of initiatives to address feedback received. We were pleased to see significant improvement in this year's results, from 69% to 75%. The strongest improvements were seen in recognition of contributions, fair rewards and learning opportunities.

We aim to increase employee engagement to 80% by 2025 so this was a meaningful step forward.

Training and development

Providing learning and development opportunities is a valuable tool in employee retention and satisfaction. Learning activities range from health, safety and compliance, through vocational and professional qualifications, to personal development, skills building and wellbeing.

Our performance management process includes identifying training needs and aligning them to roles. This process includes monthly one-to-ones, mid-year and annual reviews, and individual objective-setting. We provide mandatory training, courses and workshops.

During the year, we launched our Aspiring Manager and Professional Manager programmes. We mapped these workshops to an accredited qualification so that completing the programme would contribute to gaining a formal qualification, either at Level 3 or Level 5, to become a qualified manager. The qualifications are accredited by the Chartered Management Institute and lead to Chartered Manager status. A total of 36 employees took up the programme.

Sustainability continued



Our Future People continued

Future people

Commitment

To create a great place to work, which celebrates diversity and inclusion, where everyone's health and wellbeing is a priority, and we make a positive difference to the Group and society.

Training and development

Mandatory training and development

We have a standard list of training that must be covered and each site must report their training schedule each month.

Health and safety

We place health, safety and wellbeing at the centre of our organisation. We want people to feel safe and happy at work.

We have well-established health and safety management systems in place, with regular auditing and a monthly review of performance by the Executive Committee. We also have monthly health and safety awards which champion best practice.

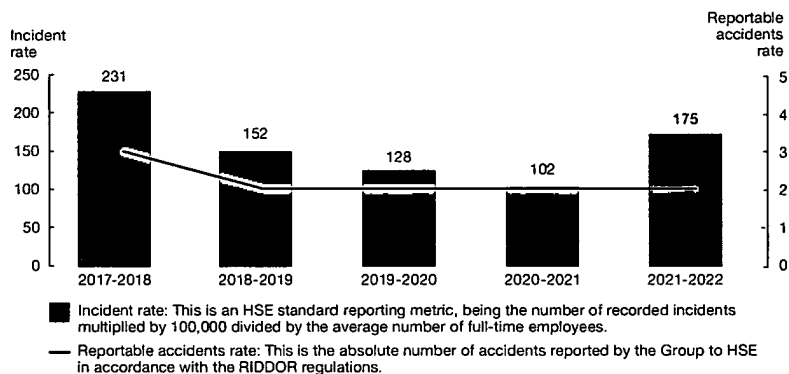
We have a Group-wide health and safety policy which provides a comprehensive description of responsibilities from Board level to the people working on sites. It also details the arrangements which form our robust health and safety management system, such as necessary training, risk assessments, supervision and the use of protective equipment. The Board reviewed the policy during the year, noting some organisational changes in health and safety line management.

The divisional managing directors lead health and safety for their divisions. They are supported by advisers in the Group health and safety department.

The health and safety advisers:

- inspect and audit all sites every two weeks and all offices each month;
- score sites after each audit;
- report results to the divisional managing directors on a weekly, monthly and quarterly basis; and
- hold weekly conference calls with the site teams to discuss performance, any issues identified and any incidents that have occurred.

Annual incident rate comparison (last five years)¹



Manual handling incidents²



1. The graph above left shows the reportable incident rate/100,000 employees. We had two RIDDOR reportable accidents during the year, consistent with FY21, but the rate was higher due to the lower number of employees and subcontractors employed. Both accidents were classed as the lowest level of reportable injury where the individual was unable to carry out their normal duties for more than seven days.
2. The graph to the left shows the manual handling injury rate/100,000 for 2021/2022 compared to the previous year 2020/2021. This represents a 65% reduction in this type of injury.



Monthly meetings are held with the divisional managing directors to review health and safety issues, initiatives and other key areas such as training. The quarterly analysis looks to identify any recurring incidents and trends in performance. Contract managers and directors are also required to audit sites each month, with the results reviewed by the Group team.

Our subcontractors play a key role in on-site safety. Everyone working on site must have a general induction before they reach the site, followed by a site-specific briefing before starting work. No one is allowed on site without proving their competency, for example by checking they hold a valid Construction Skills Certification Scheme card. This proves their identity, the qualifications they hold and the training they have received. All sites must have a team talk with contractors on health, safety and environment topics each week.

We carry out annual internal health and safety audits where we analyse our performance across the Group.

Recruitment and retention

In an industry with a high employee turnover and critical health and safety risks, the induction process is vital in setting out our expectations and embedding people in our culture.

Our voluntary turnover target is 20% by 2025 and 15% by 2030. We remained above our target this year. The employment market was particularly competitive within the construction industry in the past year, although we expect this to normalise in the coming year.

Diversity and inclusion

We want to be an organisation where everyone belongs and feels truly included and the makeup of our organisation reflects society. We are a Disability Confident employer and a member of Stonewall, the leading employers' programme for ensuring all LGBT staff are accepted in the workplace. As a member of the We Are Inclusive scheme, we aim to increase the percentage of employees from under-represented groups so that the makeup of our employees reflects the national average by 2030.

Building upon the foundations for addressing equity, inclusion and dignity at work, during the year, we held our first equity, diversity and inclusion summit with representatives from around the business and our partner organisations. We also rolled out our diversity charter. Our next step is to build a network of diversity champions to get feedback on how we can improve.

We have further developed our suite of e-learning for new and current employees. The content includes information on diversity, equality, inclusion, harassment and bullying. During the year, we also automated our onboarding process to create a better experience for new joiners and updated our HR policies and recruitment approach with support from Stonewall to ensure they contained inclusive language.

Gender diversity

The table below shows our gender diversity as at the year end.

	2022		2021	
	Men	Women	Men	Women
Board	2	3	5	1
Senior management	50	9	49	10
Other employees	354	321	332	312
Total	406	333	386	323

At the end of the year, the Board was 40% male and 60% female. Since the end of FY22, Francis Salway and Alex Pease have joined the Board. This means that our Board gender diversity is now 57% male and 43% female.

Overall we have a good level of gender diversity across the Group, with 55% male and 45% female employees. This is in part due to Fresh (63% female) which has helped bring more women into the Group, including in senior roles. We know that we have more to do in our Group Delivery division and we are looking at ways of attracting women into the construction industry, which has traditionally been male-dominated. We are a member of Women Into Construction and are working to increase our gender diversity in this area.

Sustainability continued



Our Future People continued

Wellbeing and mental health

Within wellbeing and mental health, we have four pillars:

- mental health;
- physical health;
- financial wellbeing; and
- digital wellbeing – particularly with people working at home and remotely.

We actively encourage conversations around mental health and work to reduce the stigma. We continued to provide refresher training for our Mental Health First Aiders (MHFAs) so that they could support colleagues as necessary. In support of International Men's Day, we hosted a lunch and learn webinar to raise awareness around men's wellbeing. Speakers and colleagues came together to talk about prostate cancer, health risks to men and nutrition. For Mental Health Awareness Week, we ran big breakfasts around offices and sites to give colleagues the opportunity to come together to discuss mental health and loneliness. We also provide an Employee Assistance Programme which gives employees free access to expert support, through face-to-face, telephone or online counselling for help and advice with personal and work-related issues.

Last year, we ran training and workshops on mental health and personal resilience. In 2022, we focused on the importance of good management practice in supporting people at work. In addition to wellbeing subjects covering mental health and personal resilience, we expanded our curriculum to include a range of management and people-focused workshops and training.

This approach covers the employee lifecycle from recruitment and onboarding, through setting objectives and maintaining drive and motivation through challenges and change.

The figures below highlight some of the topics we addressed during FY22.

Course	Attendees
Thrive (mental health awareness)	17
Team motivation	46
Time management	24
Respond (mental health awareness for managers)	32
Inclusive Team Working (dignity at work and equity, diversity and inclusion)	8
Mental Health First Aider (including refresher training)	14

Financial wellbeing has been a particular focus as a result of the cost of living crisis. As well as conducting a job evaluation and salary benchmarking exercise to ensure colleagues were being paid fairly and competitively, during the year we launched a reward and recognition platform to help employees access discounts across hundreds of retailers, including supermarkets. We also highlighted the government's 'Talk Money Week' awareness campaign.

Our target was to increase investment in learning to 4.5 days per employee by 2025 and we have exceeded that target this year. We will keep our progress under review and assess whether we need to increase our target.

Human rights

Human rights policies

We have several policies covering aspects of human rights, both within Watkin Jones and in our supply chain. These include our policies on dignity at work, equal opportunities, equality and diversity, and anti-slavery and human trafficking.

The aims of these policies include ensuring 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;
- avoid any kind of discrimination on the basis of colour, race, nationality, ethnic background, language, religion, sex, age, marital status, sexuality or disability; and
- prevent any slavery or human trafficking in our own operations or within our supply chain.

Ensuring compliance

We ensure all new and existing employees have appropriate training to understand their rights and responsibilities under our human rights-related policies. Any person with concerns about slavery or human trafficking must raise them through their line manager, our Compliance Officer or through our whistleblowing procedures. Our Compliance Officer has primary responsibility for overseeing the anti-slavery and human trafficking policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in countering modern slavery. We are not aware of any material breaches of our human rights policies during the year.

Anti-bribery and corruption (ABC)

Anti-bribery and corruption policy

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

We promote compliance with the ABC policy in a number of ways. These include:

- conducting risk-based due diligence on all agents and other third parties who will be conducting business on our behalf;
- promoting employee and third-party awareness of, and compliance with, the ABC policy through appropriate communication, training and disciplinary procedures;
- raising ABC awareness through specific online training during induction and annual refresher training; and
- requiring each employee to sign an annual declaration to confirm they have complied with the policy.

Directors, managers and supervisors are personally responsible for monitoring compliance:

- in respect of all business matters they are managing or supervising; and
- by everyone involved in matters they are managing or supervising, including third-party agents, joint ventures and contractors working for and on behalf of Watkin Jones.

Anyone with suspicions about an ABC policy violation must report it to their supervisor, manager or director, or by contacting the Compliance Officer or the external whistleblowing hotline. An update on all whistleblowing submissions is given to the Audit Committee.

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

Key activities

Employee experience

- We extended our focus on wellbeing with additional workshops focusing on managers' mental health.
- We are committed to providing valuable learning and development opportunities for our people. We increased our investment in both mandatory and voluntary training. Every employee has a personal development plan, and we invested more in professional development to support and upskill our people.
- We want to be an organisation where everyone belongs and feels truly included. The makeup of our organisation is broadly reflective of society but we need to ensure we have sufficient representation across the business and at a senior level.

Health and safety

- Obtained ISO 45001 OH&S accreditation.

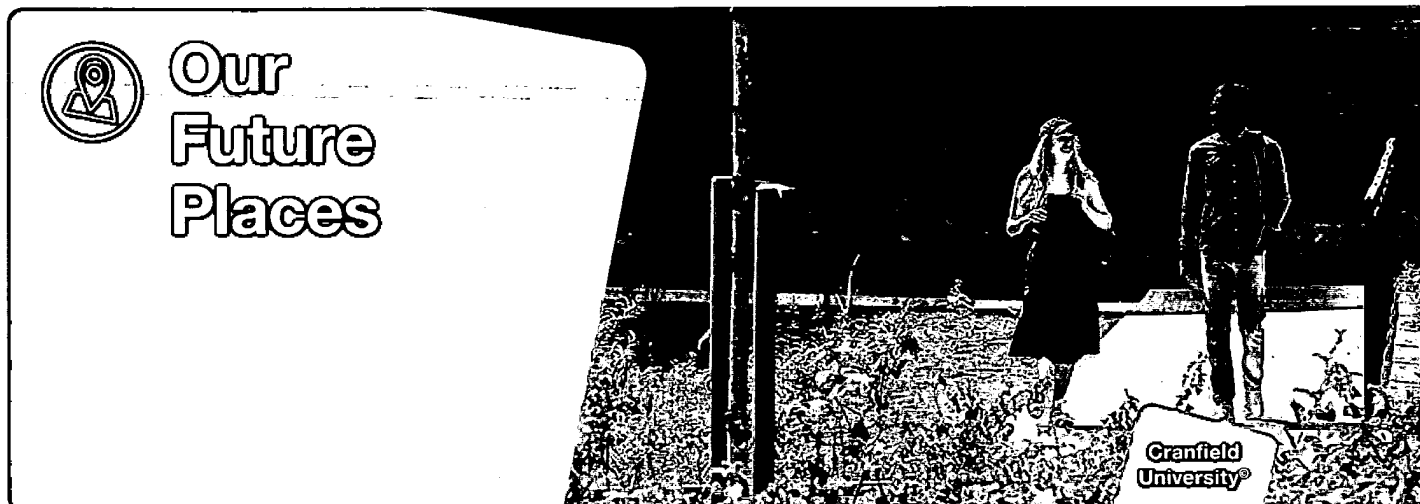
Social impact

- We actively engage with local communities as part of our development and construction activities.
- We introduced a community volunteering scheme called Giving Back to support local charities to make a positive difference.
- We have partnered with Talent Tap, a social mobility charity, to launch our employee volunteering programme.

2025 objectives

- Increase employee engagement to 80%
- Reduce voluntary staff turnover to below 20%
- Gain recognised accreditations for our approach to inclusivity
- Increase our diversity to better reflect society
- Less than 5% of the HSE industry-wide national incident rate
- 5,000 volunteering hours annually

Sustainability continued



What we said we would do in 2022

Drive further engagement with our BTR and PBSA occupants to inform our strategy

Support our supply chain to know what is expected of them and to meet increasing environmental and social expectations

Continue to evolve our approach to community engagement and impact

Further align our ESG principles with those of our institutional clients

What we did

- We launched The Fresh Difference in early 2022, to ensure that everyone in Fresh has a common understanding of what we stand for, what we are looking to achieve and what we need to do to further improve customer service.
- We set ESG expectations in pre-qualification questionnaires and scoring systems. We engaged with suppliers with the largest environmental footprint about improving performance.
- Recruited more than 180 student ambassadors across over 50 properties to find out what their fellow residents want and generate ideas tailored to those needs.
- Conducted a pilot with clients to ascertain residents' use of electricity and water.
- Held client breakfasts, discussing topics such as energy and net zero ambitions.



2022 performance

+34

resident net promoter score

+47

client net promoter score

3

awards won at the National Student Housing Awards 2022 based on feedback from Fresh residents

Future places**Commitment**

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

Responsibility and management

The cornerstones of our strategy include leveraging our development pipeline, expanding into emerging areas of the residential for rent market and growing Fresh's property management business.

Fulfilling these objectives requires us to deliver consistently a great living experience for residents. We do this through a combination of finding the right sites, getting the right design, building quality homes and providing excellent customer service for the people who live there.

We have several inputs to help us achieve this. Through Fresh, we serve over 22,000 residents in more than 65 locations across the UK and Ireland. The insight from these residents supplements our in-house planning expertise to enhance our designs.

Proposals for the acquisition of new sites must be approved by our Investment Committee, and for larger sites by the Board. Our Delivery team aims to develop buildings to high standards; as well as compliance with building and safety regulations, this now includes more stringent sustainability criteria to make our buildings more energy efficient.

Managing our supply chain

Our supply chain is crucial to delivering our schemes and we work closely with our supply chain partners. Through careful management, we can simplify construction processes, reduce risk, and generate cost, maintenance and environmental benefits. Any new contractor goes through a rigorous pre-qualification process, including obtaining references and details of qualifications and accreditations. The evaluation also considers their quality, HSE and financial performance.

We encourage continuous improvement by using a bespoke system to record and communicate defects directly to suppliers. This improves efficiency and ensures accountability. We are now looking to work with them on reducing carbon throughout the supply chain.

Ensuring fire safety

The safety of the buildings we develop is paramount. We construct our developments to high fire management specifications which comply with applicable building and fire regulations. We also have rigorous fire safety management and maintenance regimes. We use external consultants to conduct assessments where necessary and employ accredited subcontractors on fire protection to undertake their own independent surveys of the work.

We have further enhanced our quality assurance processes during the year, for example by using a bespoke system to store photographs and videos showing the installation of fire protection.

Our buildings are designed for residents' safety in the event of a fire. Every resident has a responsibility to ensure they are familiar with their building's safety features, exits and evacuation procedures. We test the fire alarms weekly and ensure all residents know their fire escape routes. Fire blankets are available in each shared kitchen and each room is fitted with a fire door which acts as fire safety protection.

Sustainability continued



Our Future Places continued

Ensuring fire safety continued

Safety guidance and regulations evolve over time and we are proactive in addressing issues where appropriate. In 2020, the government issued updated guidance on the suitability of certain cladding systems which had previously been widely used on high rise residential buildings. The guidance expressly covered high-pressure laminate cladding. Following the issue of the guidance, we carried out a review of all properties we had developed to identify those where some cladding remediation might be required and, without accepting liability, worked proactively with the owners of the relevant properties to ensure the continued safety of tenants.

In 2022, the Building Safety Act was enacted, which 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. While it is not clear whether the legislation extends to PBSA and BTR properties, which do not contain individual leaseholders, we have made a provision for works to all relevant buildings regardless of tenure and we are in advanced discussions with clients to agree cost sharing and timing for remediation works.

Innovation

Innovation is playing an increasingly important role in the design and construction of our developments. This is being driven by recent trends, including:

- a focus on environmental considerations which is driving the use of modern methods of construction such as timber-framed houses. Timber is more sustainable than bricks or concrete and produces much lower carbon emissions. We are piloting timber-framed houses at our development in Crewe;

- the pre-fabrication of some elements of construction. Using modular construction produces less waste, is safer to build and can be built more quickly and efficiently than traditional methods. We use pre-fabricated elements such as bathroom pods where possible; and
- the evolving use of our homes. The pandemic accelerated the trend towards working from home and consequently a desire for a suitable working area and more amenity space. Our designs incorporate changes in the way we live in order to ensure our buildings remain attractive to live in.

Engagement

We work to maintain positive relationships with our residents, our institutional clients and the communities around our developments. To help us achieve this, we have committed to a number of initiatives.

Engaging with our communities

We look to provide tangible benefits and minimise disruption to the communities around our sites.

- When obtaining planning consent for our developments, we often undertake improvement work in the local area. This can range from providing affordable homes to contributions towards new schools, landscaping and enhancing roads and public areas.
- BTR developments are a high quality source of new homes which help to relieve pressure on local housing stock. Councils often see PBSA developments as a good way of addressing housing shortages by freeing up homes previously occupied by students to make them available for families.

- Last year we committed to register all our sites with the Considerate Constructors Scheme. Sites are externally monitored against criteria such as respecting the community, protecting the environment and worker safety. We have now set a target that all sites will reach a Very Good rating by 2025. Two of our sites received maximum scores with an Outstanding rating during the year.
- Each site has an administrator who keeps the local community informed through a monthly newsletter covering, for example, how the scheme has progressed and our planned works.

Giving back to the community

Fresh engaged with local communities throughout the year, particularly during July when we celebrated #FreshGivingBack. As part of our 'Be' programme, #FreshGivingBack gave teams the opportunity to organise events such as local litter picks, charity car boot sales, collections for food banks and clothing donations.

July also saw many of our PBSA residents check out of our buildings, providing an opportunity to create awareness for those less fortunate. Foodbank and clothes bank collection points were established across most of our properties, allowing for donations to charities.

Engaging with our residents

We aim to provide an exceptional living experience for residents through best-in-class customer service. Accommodation has become increasingly important to students' decisions about where to study and this trend continued throughout the pandemic.



The stress of being away from home and the pressures of everyday life can be overwhelming, so looking after our students' mental health and wellbeing is a top priority.

We provide a number of support services throughout our residents' stay. Our 'Be' wellbeing and lifestyle programme also helps residents to settle in, provides opportunities to make new friends and looks to ensure they enjoy their time with us.

Recognition

Fresh won three awards at the National Student Housing Awards 2022. The awards are based on resident feedback in the Global Student Living Survey, which gathered feedback from Fresh residents amongst students worldwide.

Within the Global Student Living Survey, Fresh achieved a net promoter score (NPS) of +34 against our target of +10. NPS is a commonly used score that organisations use to track their overall performance and word-of-mouth track record.

Compared with industry benchmarks, Fresh scored much higher than the average, which is testament particularly to its focus on resident wellbeing during the pandemic.

Engaging with our clients

We understand the importance of maintaining a strong reputation with our clients. We therefore set a high baseline for standards in our Facilities Management Agreement and engage with clients to tailor our service for their needs. In our client survey, we achieved an NPS of +47, which is a fantastic achievement.

There is broad industry recognition that asset operators must do more to make accommodation more operationally efficient and environmentally friendly. Across the board, we are working with our clients on new ideas to enhance the quality and efficiency of their properties.

Engaging on environmental matters

The Building Research Establishment's Environmental Assessment Method (BREEAM) and Home Quality Mark (HQM) are third-party standards used to assess both the environmental performance of a building and how it contributes to the wellbeing of its residents more generally. We have been developing plans to incrementally improve the design of our developments so that all new developments are rated either BREEAM Excellent by 2025 or HQM four-star by 2030.

In 2022, we conducted a pilot of technology with two clients that showed, among other things, how residents used electricity and water at three sites, as well as their use of amenity spaces. The rise in energy costs means that building owners are increasingly focused on energy-saving measures. The pilot helped us to introduce improved practices to reduce environmental impact and helped our clients to monitor their assets. One client has taken forward the pilot to an extended number of sites.

We are investigating different tools to help us measure and improve tenants' and clients' overall satisfaction with both the design and specification of our developments and property management services.

Key activities

- Excellent performance in terms of both satisfaction and resident net promoter score (NPS) of +34.
- Achieved a very positive NPS of +47 in our client survey.
- Reviewed the output of a pilot to collect data and analytics software at three PBSA sites managed by Fresh, to demonstrate how it can support the Group's ESG strategy. One client chose to extend the pilot to further sites.

2025 objectives

- Net promoter score (customer) +10
- Net promoter score (client) +10
- Design quality of PBSA developments: 100% BREEAM Excellent
- Wired score for digital connectivity and smart technology: Silver
- Considerate Constructors Scheme: Very good rating for all sites

Sustainability continued



What we said we would do in 2022

Achieve further increase in percentage of waste diverted from landfill

Ensure our developments were designed to provide strong environmental performance and support future residents' wellbeing

What we did

- Improved our waste diversion from landfill from 95% to 97%
- Continued to work with GoGreen to conduct site audits and provide advice
- Designed 86% of PBSA schemes submitted for planning to BREEAM standards of Excellent or Outstanding, with the remainder rated Very Good

Future planet Commitment

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

Responsibility and management

Improving the environmental performance of both our business and the buildings we develop is important to our long-term success. We recognise the potential impact of climate change on society generally and on our operations, for example through storms and flooding affecting construction on our sites. Our institutional clients are also increasingly aware of their environmental responsibilities. Our buildings are constructed to high BREEAM standards and the growing focus on energy efficiency helps to underpin demand for our products, as they replace older and less energy-efficient buildings.

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 in a number of ways.

These include:

- 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 to raise awareness of environmental issues and ensure effective management of our environmental impacts.

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.

Sienna
House,
Sutton

2022 performance

-0.3%decrease in scope 1 and 2
energy consumption (kWh)**-29%**reduction in location-based
scope 2 greenhouse gas
emissions (kWh)**97%**

waste diverted from landfill

Minimising our environmental impact

The environmental impacts in our corporate, development and management activities occur through waste disposal, water use, energy use and carbon emissions. Our development activities can also impact local habitats. We use a range of measures to ensure waste is disposed of responsibly, energy resources are used efficiently and any impact on biodiversity is minimised.

Design

We design our buildings using the principles of high insulation and low air leakage. Where possible, we also use options such as combined heating and power supplies, solar photovoltaic cells and air source heat pumps to keep energy use as low as possible.

On occasion, we acquire sites with planning permission already granted which means there are limited improvements we can make to the design.

Waste

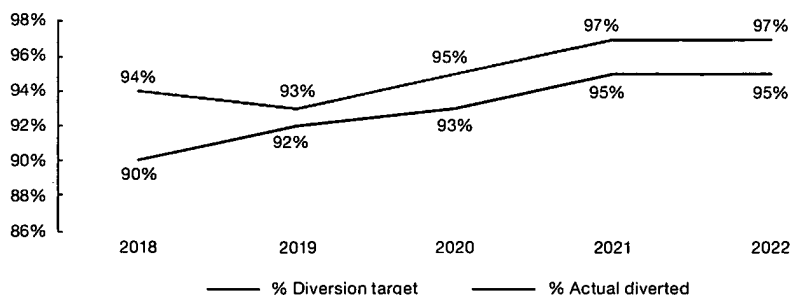
We monitor waste management on site and carry out duty-of-care checks on our own and our contractors' waste carriers and environmental permits. Regular waste management inspections of skips, including their contents, ensure waste is placed in the correct skips. We recycle timber on site and segregate and divert timber waste for recycling away from landfill sites. We only use sustainable sources for our timber used on sites.

Our target was to reduce the amount of waste diverted from our development sites to landfill to 5% by 2025 and zero by 2030, by which time we would have approximately halved the total amount of waste we produce. We exceeded our 2025 target by diverting 97% of our waste from landfill in 2022.

Our skip waste has reduced because we are constructing buildings which by design create less waste, we have more components constructed off site and carefully manage the ordering of general building materials. We also use a training programme to teach the benefits of segregating our waste when possible.

We will reassess our 2025 target and consider what an appropriate target would be going forward.

Waste diversion from landfill



Sustainability continued



Our Future Planet continued

Minimising our environmental impact continued

Water

Our water use is continually monitored, so we can address any increase. Through incremental improvements and detailed management of our corporate activities, we believe we can reduce our direct consumption by 10% by 2030.

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 and we produce a water strategy with the aim of reducing the consumption of potable water for sanitary use in new buildings. 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.

Energy

We monitor our energy use across our offices and sites and set targets to improve efficiency. We use low energy options such as LED lighting and energy-efficient cooling and heating systems.

Biodiversity

The majority of our developments are on brownfield sites. However, we commission ecological appraisals of our development sites to ensure we do not negatively affect existing habitats. An environmental impact report for each project details specific measures to be taken to protect the surrounding environment.

Measuring the environmental footprint of our managed assets

In 2022, we piloted data collection and analytics software to identify its potential in supporting our ESG strategy by showing how residents used electricity and water at three PBSA sites managed by Fresh. One client has taken forward the pilot to a further four sites.

Carbon emissions

As well as being the right thing to do, our commitment to reducing our environmental impact is becoming central to our relationship with shareholders, institutional clients, planning authorities, residents and employees.

We have therefore set ourselves the challenge of achieving net zero carbon emissions for our scope 1 and 2 emissions by 2030 and making a meaningful impact on scope 3 emissions by the same year.

Scope 1 includes our direct emissions and scope 2 includes indirect emissions from the electricity we purchase and use. Scope 3 includes all other indirect emissions from our activities.

In 2021, we engaged a sustainability consultancy to calculate our carbon emissions baseline. This provided us with a starting point on putting together a roadmap to work towards net zero. In order to create a more granular roadmap, we plan to set near and long-term science-based targets for the reduction of our greenhouse gas emissions.

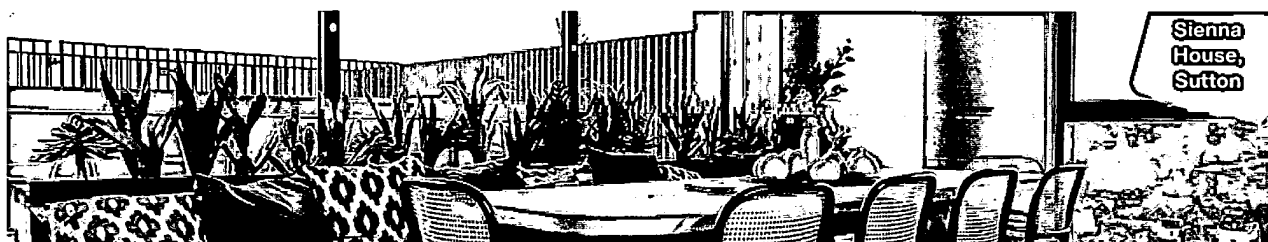
While we recognise this will be a journey, a lot of good practice already exists within the business. We are already taking a proactive approach to carbon reduction in some areas. Key initiatives include:

- removing traditional petrol and diesel-powered vehicles from our company car policy in favour of hybrid and electric vehicles;

- outsourcing our plant and machinery to source energy-efficient alternatives with a lower carbon footprint;
- ensuring we are efficient in our use of offices – during the year we closed one office and deployed those employees to other offices;
- a series of consumer campaigns aimed at encouraging environmentally conscious behaviour among residents in properties managed by Fresh;
- a closer dialogue with clients about the environmental performance of the buildings they forward fund or own and, in the case of Fresh's clients, their choice of energy supplier;
- rationalising our supply chain as a first step towards building closer partnerships with key suppliers and setting our expectations such that our commitment to reducing our scope 3 emissions is reflected in their business strategy and throughout our supply chain; and
- incremental improvements in the design of our developments, such that by 2030:
 - they all achieve an Energy Performance Certificate of A;
 - all our PBSA and commercial developments are rated Excellent under the Building Research Establishment's Environmental Assessment Method (BREEAM); and
 - all our BTR and co-living schemes are rated 4* under the Building Research Establishment's Home Quality Mark.

Going forward, these improvements will mean optimising the use of alternative energy-efficient materials and technologies such as 'green switches', photovoltaic solar panels and air source heat pumps in all our developments.

By 2025, we expect all our suppliers to meet the requirements of the internationally recognised ISO 14001 standard and other relevant standards.



Streamlined Energy and Carbon Reporting

Energy consumption (kWh) ¹		2021/22	2020/21	Variance
Scope 1: Combustion of fuel and operation of facilities	Natural gas	123,278	138,985	-11%
	Direct transport	4,634,000	2,834,061	+63%
	Red diesel	1,367,268	2,800,638	-51%
	Total scope 1	6,124,546	5,773,684	+6%
Scope 2: Electricity purchased	Total electricity	1,306,475	1,675,148	-22%
Total scope 1 and 2 energy consumption		7,431,021	7,448,832	-0.3%
Greenhouse gas (GHG) emissions (tonnes CO ₂ e) ²		2021/22	2020/21	Variance
Scope 1: Combustion of fuel and operation of facilities	Natural gas	23	25	-8%
	Direct transport	1,103	668	+65%
	Red diesel	355	719	-51%
	Total scope 1	1,481	1,412	+5%
Scope 2: Electricity purchased and heat and steam generated	Location based	253	356	-29%
	Market based	289	464	-38%
Location based	Total scope 1 and 2 emissions	1,733	1,768	-2%
Market based	Total scope 1 and 2 emissions	1,769	1,876	-6%
Intensity metric assessment (tonnes CO ₂ e/£m revenue)		2021/22	2020/21	Variance
Intensity ratio ¹		4.4	4.1	+7%

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 are carrying out full reviews of 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. Electric charging points are being installed at our new Bangor office and have already been installed at our Chester office;
- taking into account the move to more flexible working, we reviewed our office strategy to ensure it remained appropriate and efficient. As a result, we closed one office during the year and deployed those employees to other offices;
- our Procurement function is setting 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; and
- we are increasing our use of renewable energy sources for our site accommodation and task lighting.

For FY23, we are looking to gain approval for science-based targets. This scope of works includes a review of our scope 1 and 2 GHG emissions and a scope 3 gap analysis.

1. Energy from electricity, natural gas, red diesel (used for off-road equipment such as cranes and generators) and direct transport fuel have been included. We have used the conversion factors published in the 2021 Defra GHG conversion factors for company reporting. The reporting methodology for natural gas energy has been updated to reflect actual energy consumption in kWh and our natural gas total for FY21 has been restated as a result.

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

Sustainability continued



Our Future Planet continued

Key activities

Scope 1 and 2 carbon emissions

- We replaced 30% of our petrol and diesel-powered company cars with hybrid and electric vehicles.
- We outsourced our plant and machinery across all operations to source more energy-efficient alternatives.
- We reviewed our office strategy to ensure it remained appropriate.

Scope 3 carbon emissions

- Incorporated technologies such as photovoltaic solar panels and air source heat pumps into the design of all our developments where possible.
- Rationalised our supply chain and established closer partnerships with key suppliers with a view to meeting our scope 3 emissions ambitions.
- Promoted resident campaigns through Fresh to encourage environmentally conscious behaviour.

Waste and water

- We exceeded our 2025 target for waste diversion from landfill.
- We continued to monitor waste management on site and carry out duty-of-care checks on our own and our contractors' waste carriers and environmental permits.
- Our buildings are designed in accordance with BREEAM Wat 01 and we produced a water strategy, with the aim of reducing the consumption of potable water for sanitary use in new buildings.

Objectives

- Net zero scope 1 and 2 carbon emissions by 2030
- Full electric vehicle fleet by 2026
- Air source heat pumps designed in all developments by 2023
- Design quality of PBSA developments: 100% BREEAM Excellent by 2025 and 50% Outstanding by 2030
- Design quality of BTR developments: 100% HQM four-star rating by 2030
- All developments designed to EPC 'A' by 2030
- All suppliers to have ISO 14001 accreditation
- Meaningful impact on scope 3 emissions by 2030
- Diverted waste from landfill: >95% by 2025, >97.5% by 2030
- Waste reduction: 40% by 2025, 80% by 2030
- Water usage reduction: 10% by 2025

Non-financial 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 - Waste management policy - ISO14001 accreditation	- Sustainability report - Carbon emissions - Waste diversion from landfill - Section 172 statement	Pages 52 to 71 and 76 and 77
Employees	- Health and safety policy - Equality, diversity and inclusion policy - Whistleblowing policy - Dignity at work policy - Family friendly policy - Agile working policy - Employee handbook	- Sustainability report - Section 172 statement	Pages 52 to 71 and 76 and 77
Social matters	- Corporate social responsibility policy - Health and safety policy	- Sustainability report - Section 172 statement	Pages 52 to 71 and 76 and 77
Human rights	- Anti-slavery and human trafficking policy - Code of conduct - Anti-bribery and corruption policy - Equality, diversity and inclusion policy	Sustainability report	Pages 52 to 71
Anti-corruption and anti-bribery matters	- Anti-bribery and corruption policy - Gifts and hospitality policy	Sustainability report	Pages 52 to 71 and 76 and 77
Principal risks and impact on business activity	N/A	Principal risks and uncertainties	Pages 40 to 51
Description of business model	N/A	Capital-light business model	Pages 8 and 9
Non-financial key performance indicators	N/A	- Key performance indicators - Sustainability report - Section 172 statement	Pages 20 and 21, 52 to 71 and 76 and 77

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

Why we engaged

Having a highly engaged and motivated employee base is central to building our pipeline and delivering high quality developments on time and safely.

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

Key metrics

- Employee engagement survey: 73%



Institutional clients

Key stakeholder issues

- Quality
- On-time delivery
- Track record
- Value for money
- Sustainability

Why we engaged

It's important for us to understand the types of development and locations that are attractive to clients so that we can develop high quality, desirable assets that meet their investment criteria.

Key metrics

- Forward funding transactions: £852 million of pipeline currently forward sold
- Client net promoter score: +47



Residents

Key stakeholder issues

- Good 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

- Resident net promoter score: +34

How we engaged during FY22

We ran our employee engagement survey for the second year. Feedback and proposed actions arising from the survey were discussed with the Board.

We also gather feedback through meetings, appraisals, internal newsletters, intranet articles, Yammer and our employee forum.

We engage with employees on the financial performance of the Company via employee emails following the release of the Company's trading updates, full-year and half-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. See page 77 for further details.

What we learned

Our most improved scores related to recommending us as a great place to work, fair reward and people are well recognised for their contributions.

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.

How we engaged during FY22

We met with clients formally and informally at a variety of levels, including during the marketing of individual and portfolio assets.

We held client breakfasts for Fresh clients with guest speakers. Newsletters, agent updates and industry/legislation news are sent to clients regularly.

What we learned

A recurring theme with clients, both for the schemes we develop and the schemes we manage, was the environmental efficiency of future developments. 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 – see pages 54 to 56 for further details.

How we engaged during FY22

We continued to promote our Be wellbeing and lifestyle programme which is built on four pillars: Be Active, Be Connected, Be Social and Be Supported.

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

We also introduced a Resident Awareness Programme and behavioural changes to improve recycling and manage water consumption. Tips on both were included in our Sustainable Living Guide for residents.

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 +34.

Our stakeholders continued



Supply chain

Key stakeholder issues

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

Why we engaged

Our subcontractors and suppliers are responsible for providing the skilled people and materials needed to construct our developments.

A sustainable supply chain is crucial to successfully delivering our schemes. Through collaboration and careful management, we simplify our construction process, reduce risk, improve quality and generate cost, maintenance and environmental benefits.

Key metrics

- Quality assurance reports
- Prompt payment



Shareholders

Key stakeholder issues

- Sustainability
- Return on investment – share price growth or dividends

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.

Key metrics

- Share price
- Dividend payments



Communities

Key stakeholder issues

- Considerate constructors
- Environment
- Health, safety and wellbeing
- Sustainable communities
- Charitable giving

Why we engaged

We want to be a good neighbour and deliver real value to our local communities through our developments. 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

- Considerate Constructors Scheme ratings
- Hours volunteered

How we engaged during FY22

Our engagement centred on build cost inflation and sustainability during the year.

Recent events, including Brexit, the pandemic and the war in Ukraine, have significantly disrupted the construction supply chain, leading to shortages in building materials and skilled labour.

This has led to build cost inflation which has created issues for much of the construction supply chain this year. Although we are mindful of protecting our own position, we have tried to support our supply chain partners as much as possible through advance procurement, increased communication, on-site support where appropriate and prompt payment of invoices.

We outsourced the provision of our plant and machinery, leveraging our supply chain partners to ensure more flexible, environmentally friendly options are available for our construction sites.

What we learned

The supply chain disruption seen in 2022 has highlighted how important it is to have trusted supply chain partners. While our self-build expertise gives us greater control of build costs and on-time delivery, the ability to use third parties is an important part of our ability to flex our construction capacity.

As part of our procurement strategy, we have been reviewing and rationalising our supplier base to ensure that we have appropriate coverage in all areas and that there is no single point of failure. We can then build further on the long-term relationships with these suppliers and leverage our relationships to achieve cost and efficiency savings. We have set the expectation that all of our suppliers should be ISO 14001 accredited by 2025, so this work is an important step towards working with the right partners.

How we engaged during FY22

In November 2021, we held a capital markets day to update shareholders on the progress of the business. In particular, we presented our ESG strategy and the market opportunity in the affordable homes sector.

We held investor roadshows after half-year and full-year results as well as a number of one-to-one calls and meetings and the annual general meeting. In particular, the CEO and CFO made themselves available for individual calls with the top 20 shareholders following our post-close trading update in October 2022 in which we reported that profit would be lower than expected.

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

What we learned

Following meetings with investors this year it became clear that the lack of directly comparable peers means that we need to be more granular in our communications. In particular, we need to explain the sensitivities around our business model. For example, having operated in a low inflation, low interest rate environment for a number of years, the impact of rising interest rates on the Company's margin (given forward funders' rising cost of debt) was not universally well understood.

Environmental targets were an area of focus for shareholders and progress on our ESG strategy was well received.

How we engaged during FY22

All our construction sites are registered with the Considerate Constructors Scheme, 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 planned works.

We chose Talent Tap, the social mobility charity, as our partner for our volunteering agenda. Talent Tap aims to strengthen employment potential in young people from social mobility coldspots by enabling access to professional industries. We provided mentoring to help support students on the programme as well as fundraising for the charity.

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 stakeholder engagement activities set out on pages 72 to 75 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

a) The likely consequence of any decision in the long term.

Response

The Group works through a multi-year development cycle – the process of identifying a site for development through to construction and handover to institutional clients takes a number of 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's success and as such it carefully considers the implications of its decisions and any judgements that need to be taken.

b) The interests of our employees.

Our colleagues are key to the success of the business. Our employee engagement survey, launched last year, has produced a step change in understanding what is important to our employees. 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.

Unfortunately, competing priorities do not always result in a positive outcome for all stakeholders and, following the year end, we took the difficult decision to consult on reducing our workforce. Details of the decision-making process are explained on the page opposite.

c) The need to foster business relationships with suppliers, customers and others.

The Group is reliant on its ability to deliver consistently for institutional clients and our supply chain plays a significant role in helping us to achieve this. The Board therefore takes a close interest in the Company's relationships with these groups, through reports and presentations from the Executive Directors and other members of the leadership team. See stakeholder engagement on pages 72 to 75.

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 our sustainability report on pages 52 to 70.

e) The desirability to maintain 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 pages 60 and 61).

f) The need to act fairly as 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. The Executive Directors are required to build up a shareholding of 200% of salary, helping to align their interests with shareholders as a group. In some situations, there may be conflicting stakeholder interests and the Board may have to prioritise certain groups.

Key decisions during the year

Building safety provision

In May 2022, the Board approved a provision to fund fire safety improvement works for certain developments built by the Company.

The Board is mindful of maintaining the Company's reputation as a responsible developer and is clear 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, and acknowledging the uncertainty inherent in the legislation, the Board asked management to review historic developments to assess the cost to the Company of remediating potential fire safety issues.

The Board considered the output of this review, noting the relationships and dialogue with building owners to date, the impact this provision would have on our shareholders and the impact on the residents of the buildings we constructed. The health and safety of residents in all our buildings is of paramount importance and, while the Company has only developed a small number of leasehold buildings, our provision encompasses PBSA and BTR developments. The Board considered that this approach was in the best interests of all stakeholders.

Endorsement of our ESG strategy

The Board considered management's proposed ESG strategy, Future Foundations. It reviewed the targets and commitments for 2025 and 2030 in relation to areas such as diversity and inclusion, energy efficiency of buildings and carbon emissions, noting that the targets would support progress under the strategic limb of responsible operations. The Board was supportive of the strategy, noting that sustainability was becoming increasingly important to all stakeholders and a differentiating factor for developers given the long-term nature of the assets being built. It noted that, in time, more granularity would be needed as to scope 3 ambitions.

Consultation to reduce the workforce

FY22 was a particularly challenging year for the construction industry. Build cost inflation was running at almost 10% by June 2022, caused by disruption in the supply chain following the pandemic and Brexit. However, demand for assets remained strong, and the business was able to mitigate increased costs through increasing asset values.

Subsequently, the Board started to see some pricing and margin softness on sales concluded in the second half. The institutional investors who purchased the Company's assets were facing higher funding costs as interest rates steadily increased from 0.1% at the beginning of our financial year to 2.25% at the end of our financial year. Two forward sales that were planned to close in September were deferred as a result of the increased market volatility at that time. As a result, the Board announced to the market that FY22 profits were expected to be around 10% below market expectations and that it expected margin pressure to continue into FY23.

In tandem, the Executive Committee, led by the Chief Executive Officer, was reviewing its structure and processes to ensure the business was operating as efficiently as possible, having been resourced for market growth. As a result of this review, it became clear that business functions could be streamlined to be more effective.

In light of the weaker market outlook, the internal review and the Company's overhead costs, the Board agreed that the Company should enter a period of collective consultation to reduce employee headcount by approximately 40 roles. The Directors recognised the negative impact that this decision would have on employees but considered that this was the right decision to ensure the long-term success of the business. The Board requested that communication with employees was sensitively carried out.

Face-to-face consultations involving affected staff, senior management, HR representatives and employee representatives took place during the consultation. Interviews were held for new roles that were created as a result of the restructure. A total of 34 employees left the business as a result of the process.

Governance

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Governance

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Chair's introduction



Alan Giddins
Chair

Board of Directors:

Alan Giddins

Chair

Richard Simpson

Chief Executive Officer

Sarah Sergeant

Chief Financial Officer

Alex Pease

Chief Investment 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, my second as Chair of Watkin Jones plc. This report 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. In April 2022, the government introduced the Building Safety Act. This led to the Group undertaking a review of all buildings over 11 metres developed over the last 30 years, and resulted in the business recognising an exceptional charge in the year of £30.4 million for potential costs of remediation work.

Understanding the implications of the Act for Watkin Jones and evaluating the level of appropriate provisioning has been a key focus for both the Board and the Audit Committee. The Group is committed to working collaboratively with building owners to schedule in the remediation works to these buildings, and the monitoring of both delivery and cost will be a key focus for the Board over the coming year. Further details can be found on page 77.

Board changes

The Nomination Committee conducted two searches for Non-Executive Directors during the year, as well as recommending an internal candidate for promotion to the Board as an Executive Director. Rachel Addison was appointed as an independent Non-Executive Director in April 2022, becoming Chair of the Audit Committee in August 2022, following a handover from Simon Laffin. Francis Salway and Alex Pease were appointed to the Board in October 2022, as an independent Non-Executive Director and an Executive Director respectively. Further information on the Committee's search process can be found on pages 92 and 93.

Risk assessment

Our assessment of risk has been particularly important over the last 12 months, given the significant challenges in both the supply chain and labour markets, wider macroeconomic uncertainty and capital markets volatility post the government's mini-Budget.

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 40 to 51 and in the Audit Committee report on pages 88 to 91.

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 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). A summary of how we have complied with the principles is set out on pages 86 and 87. There are no significant areas where our governance structures and practices differ from the QCA Code's expectations.

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

Alan Giddins

Non-Executive Chair

25 January 2023

Board of Directors

The Board has a wide range of appropriate skills and experience, supporting robust decision-making.



Alan Giddins

Chair

Appointed to the Board:
19 July 2021



Richard Simpson

Chief Executive Officer

Appointed to the Board:
2 January 2019



Sarah Sergeant

Chief Financial Officer

Appointed to the Board:
6 October 2021



Alex Pease

Chief Investment Officer

Appointed to the Board:
10 October 2022

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.

Skills and experience

- Extensive experience working in property development and student accommodation, including as Group Property Director at The Unite Group plc immediately prior to joining Watkin Jones.
- Substantial executive experience in setting the strategic direction for all aspects of property portfolio management.
- Significant experience at board level, including seven years serving on the Board of The Unite Group plc, plus two years in a non-executive capacity with CityWest Homes.
- Qualified chartered surveyor and a fellow of the Royal Institute of Chartered Surveyors.

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.

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 2021.
- 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

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

Other current appointments

N/A

Other current appointments

N/A

Other current appointments

N/A

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, Maybourn Group, Foster + Partners and Element Materials Technology.

Past appointments

Group Property Director for The Unite Group plc; Non-Executive Director, CityWest Homes; Chair of the British Property Federation's cross-sector Student Accommodation Committee from 2013 to 2015.

Past appointments

N/A

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

N/A

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, Hyve Group plc, Gamma Communications plc and Mango Publishing Group.

Past appointments

Chief Financial Officer at Future plc, the global platform business for specialist media, until 2021.

Chief Financial Officer at TI Media Ltd.

Head of Risk Management at Boots the Chemist.



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 until 2021.



Kerry Watson
Group Company
Secretary
Appointed: 19 April 2021

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, three Executive Directors and three independent Non-Executive Directors. Their biographies can be found on pages 80 and 81.

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. Richard Simpson 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 FY22.

	Board (11 meetings)	Audit Committee (9 meetings)	Remuneration Committee (5 meetings)	Nomination Committee (3 meetings)
Alan Giddins	11	9	5	3
Richard Simpson	11	—	—	—
Sarah Sergeant	11	—	—	—
Liz Reilly	11	9	5	3
Rachel Addison ¹	5/5	3/3	1/1	1/1
Philip Byrom ²	1/1	—	—	—
Simon Laffin ³	7/8	9	4/5	1/2
Grenville Turner ⁴	1/1	—	1/1	—

1. Actual attendance/maximum number of meetings Rachel Addison could attend based on date of appointment of 1 April 2022.

2. Actual attendance/maximum number of meetings Philip Byrom could attend based on retirement date of 11 November 2021.

3. Actual attendance/maximum number of meetings Simon Laffin could attend based on retirement date of 31 July 2022.

4. Actual attendance/maximum number of meetings Grenville Turner could attend based on retirement date of 12 October 2021.

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 a portfolio of five PBSA schemes, two operational and three developments;
- considered the post-completion reviews of the Group's developments delivered during the year;
- approved interim and final dividends; 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.

During the year, the Board increased its use of external speakers at its meetings, particularly in support of property market analysis and new legislation. The Board also benefited from more frequent presentations from within the business.

Board effectiveness

The last external evaluation was conducted in 2019. The Board considered the need for an external evaluation exercise during FY22 but concluded that maximum value would not be gained from the exercise given recent Board changes. An internal performance evaluation was conducted for FY22 and the Board intends to conduct an external evaluation during FY23.

A questionnaire was circulated to Directors covering areas such as Board leadership and composition, Company purpose, meetings and relationships, succession planning, development and induction, and effectiveness of Board committees. The Company Secretary subsequently conducted individual interviews with each member of the Board and discussed the findings with the Chair. The findings were presented to the Board at its meeting in December 2022. In summary, the key findings were that:

- the quality of debate was felt to be very good, with constructive challenge and a supportive approach;
- the Board composition and its experience, skills and knowledge was felt to be appropriate; and
- all committees were felt to be operating well.

Corporate governance continued

Board effectiveness continued

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

Area to address	Proposed action
Business model	Re-evaluate the Company's business model against a macroeconomic environment of higher interest rates, increased volatility and recession to identify any enhancements.
Succession planning	Provide greater visibility of senior management team to the Board following recent Executive Director appointments.
Nature of risk discussions	In addition to routine discussions around principal risks, consider best format for additional touchpoints on risk, e.g. a formalised risk committee or standing item 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 88 to 101.

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 89. 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.

In November 2021, the Executive Directors and other members of the Executive Committee hosted a virtual capital markets day for shareholders and analysts. The presentations included a review of the Group's markets, strategy and opportunity for growth, as well as providing a summary of the Group's ESG strategy and targets.

In June 2022, Alan Giddins 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 28 February 2023. 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.

Q&A: Rachel Addison

“Across the business, there is a sense of pride in the Company and in the developments it delivers.”

Rachel Addison

Independent Non-Executive Director

Appointed 1 April 2022



Q

What initially attracted you to Watkin Jones?

A

It is always easier to feel an affinity for a company if you can relate to what it makes and, at its heart, Watkin Jones creates homes. I was impressed by the quality of its developments and the amenities it provides – both have a direct impact on people's quality of life. I was also struck by how much of a community these developments can create, through their design and in the way they are managed.

The fact that the business provides places to live at a time when the UK is suffering a significant shortage of decent housing, while contributing to the regeneration of urban areas, also appealed to me.

From a corporate perspective, I really like the business model – it's unique, clever and a differentiating factor. The capital-light approach means that the Company has de-risked a large element of its cash outflow as it generally only builds developments once they have been forward sold. Watkin Jones builds quality assets and cultivates strong relationships with institutions who value what it delivers.

Q

Tell us about your induction programme.

A

I had met the Non-Executive Directors, as well as Richard Simpson and Sarah Sergeant, during the interview process, which gave me a good insight into both the business and the dynamic of the Board. As I was taking over as Chair of the Audit Committee, I met KPMG, our internal auditor, and Deloitte, our external auditor, as well as the wider Finance team at our Chester office. I was very fortunate to have had an excellent handover as well as valuable guidance from Simon Laffin, the previous Audit Committee Chair, who had played such an important part in the stewardship of Watkin Jones until his retirement from the Board. As part of my wider induction process, I met all members of the Executive Committee, as well as the Company brokers, and visited three of our construction sites.

I was incredibly impressed with everyone I met. Across the business, there is a sense of pride in the Company and in the developments it delivers. The employees I met on site were particularly proud of the focus the business places on health and safety and its strong track record in this area. The quality of their build process and the innovation taking place to streamline the construction process and enhance the buildings' interior and exterior design also stood out.

Q

What are your impressions of the Board since you joined?

A

This is a very collaborative Board and I think we work well together. It hasn't been the easiest of years, particularly given external market volatility factors outside management's control, which impacted the Company towards the end of September. But I've been impressed by the commitment of the Board as a collective in ensuring that the Company's underlying operations remain strong.

Both management and the Board have been transparent and thoughtful in addressing the challenges presented during recent months which has led to some really good discussions.

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 17 to 19 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	• In November 2021 we held a capital markets day for investors. Our Executive Directors held calls and meetings with shareholders following our half-year results, full-year results and trading updates. Having taken on the role of Chair in October 2021, 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 introduced our diversity charter and partnered with Women Into Construction. We also partnered with Talent Tap, a social mobility charity, to launch our employee volunteering programme. See our sustainability report on pages 52 to 70 for more information.
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 40 to 51. • 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 Non-Executive Chair, three Executive Directors and three independent Non-Executive Directors. Biographies of the Directors can be found on pages 80 and 81. • 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.

Principle

Approach

06

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

- During 2022, we recruited one Executive Director and two Non-Executive Directors 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 83 and 84. The Board intends to conduct an external review in FY23.

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 second 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 57 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 equally 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

- In November 2021 we held a capital markets day for investors. Our Executive Directors held calls and meetings with shareholders following our half-year results, full-year results and trading updates.
- See pages 72 to 75 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

(member from 1 April 2022 and Chair from 1 August 2022)

Alan Giddins

Liz Reilly

Francis Salway

(from 10 October 2022)

Grenville Turner (to 12 October 2021)

Simon Laffin (Chair to 31 July 2022)

The Chair of the Company is a member of the Committee. The Board considered this appropriate as there were only two independent Non-Executive Directors for the majority of the year. 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 FY23.

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 Committee met nine times in FY22, 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 82.

The Committee meets with the external auditors without management being present at least twice a year. The Chair of the Committee speaks individually with the internal and the 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

I am pleased to present the Audit Committee report for FY22. 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 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 with the Company's risk management process.

The Company's principal risks are summarised on pages 42 to 49. 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 its 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 team conducted deep dives on each of the risks to consider those mechanisms and agree actions to improve them further. The output was then presented to the Committee for discussion in December 2022. The Committee approved the risk profile.

The internal control framework and its effectiveness are discussed on page 84.

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 engagement partner 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 whistleblowing and code of conduct, cyber security, inventory management and accounts receivable. 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 effectiveness 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.
Disposal of leasehold properties During the year, the Group disposed of its interest in two leasehold properties for net proceeds of £7.9 million. The combined right-of-use assets and lease liabilities were in a net liability position of £10.4 million. The net impact of the disposal of the properties was a credit to the operating profit of £18.3 million.	The Committee considered the accounting treatment and the quality of earnings associated with the transaction. We acknowledged that the disposal was within the normal course of business and had been sold as part of a portfolio together with three student developments. We concur with management's assessment that the accounting treatment was correct under IFRS 16 and that the disposal should not be treated as an exceptional item.

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 took a provision in relation to fire safety remediation costs under the newly implemented Building Safety Act at the half year. This was in addition to the cladding provision of £15 million taken in 2020 in response to revised government guidance on the suitability of certain cladding solutions, £3 million of which remained at the year end). 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 extent of those properties within the scope of applicable guidance and legislation. Government guidance and industry regulation continue to evolve.	The Company took a provision of £30.4 million in the year, in relation to fire safety remediation costs under the newly implemented Building Safety Act. We accepted the views of management that the passing of the Building Safety Act had exposed the Group to additional liabilities such that the IAS 37 criteria for recognising a provision had been met, albeit the extent of liabilities required a level of judgement and estimation. We challenged management's assessment of the scope of buildings covered by the Building Safety Act and the assumptions applied to determine remediation costs. We also considered the appropriateness of presenting these costs as an exceptional item, noting that the 2020 cladding provision had been treated in the same way. The combined total unutilised provision at the year end is £33.4 million. We are satisfied with the approach of assessing and quantifying the provision and the accounting treatment 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.	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, and the output from the audit activities of Deloitte, including their assessment and 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 FY22 by management.	The Committee reviewed the assumptions made by management, ruling that: • occupancy rates had increased post-COVID 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 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 £2.3 million in customer relationships, £0.2 million in brand and £9.7 million in goodwill. No impairment was proposed for FY22 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, discount rate and terminal EBIT continue to show headroom. No indicators of impairment existed at the year end for either the customer relationship or brand assets.

External audit

Deloitte was appointed as the Company's external auditor immediately following the signing of the FY22 financial statements. This appointment was approved by shareholders at the 2022 AGM.

The Committee and the Finance team reviewed the performance of Deloitte, looking at the audit scope, the cost effectiveness and the general performance, and concluded that it had provided an effective service in its first year. The Committee and the Board concluded that the firm was independent and continued to have the necessary level of objectivity.

The Committee approved Deloitte's audit fees, which were in line with those proposed during the audit tender.

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 and half-year review.

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 (see pages 105 to 111). Reporting materiality, which was set by the auditor at 5% of adjusted profit before tax and one-off items, equated to £2.4 million, with audit differences over £0.1 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 pages 50 and 51 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 and final dividends, the capacity of the Company to pay such dividends from distributable reserves and its appropriateness, and recommended their 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, the Committee requested that questions be added to the employee engagement survey as to whether employees knew how to raise concerns and whether they felt safe to speak up if they had concerns. Both received strong 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 is based on forecast Group profit for the year and 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 and terms of reference

The Committee's performance was considered as part of the Board evaluation process described on pages 83 and 84. Feedback showed that the Committee was felt to be operating well. The Committee also self-assessed its performance, noting that consideration be given to increasing the frequency of formalised risk management agenda and certain policy discussions at the Board, and the consequential reduction in frequency of Audit Committee meetings.

A copy of the Committee's terms of reference is available on the Company's website at watkinjonesplc.com/investors/corporate-governance. No changes were proposed during the year.

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 the impact of the proposed audit industry changes;
- consider a range of topics for Committee training; and
- review the documented framework for key control procedures and policies formalised in the Company's Finance Manual.

Rachel Addison

Chair of the Audit Committee

25 January 2023

Nomination Committee report



Alan Giddins

Chair of the Nomination Committee

Committee members:

Alan Giddins (Chair)

Liz Reilly

Rachel Addison (from 1 April 2022)

Francis Salway (from 10 October 2022)

Grenville Turner (to 12 October 2021)

Simon Laffin (to 31 July 2022)

The Chief Executive Officer, the Chief People Officer and other executives are invited to attend Committee meetings, as appropriate. The Secretary to the Committee is Kerry Watson, Company Secretary.

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 FY22, the Committee met on three occasions.

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.

Board composition

In last year's annual report, I indicated that the Committee would be reviewing the size and shape of the Board during FY22 to ensure it had the appropriate level of diverse thinking and experience to best serve the Group. In particular, I noted that we would evaluate the appointment of an additional Non-Executive Director with relevant property expertise, and that this may give rise to an increase in the number of Board members.

During the year, the Committee considered:

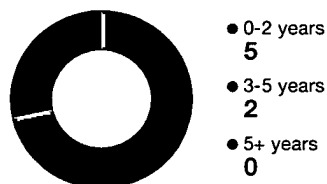
- succession planning for the Chair of the Audit Committee following Simon Laffin's decision to retire from the Board, recommending the appointment of Rachel Addison in April 2022 (subsequently confirmed as Chair of the Audit Committee from 1 August 2022); and

- the experience, size and balance of the Board, subsequently recommending the appointment to the Board of Alex Pease, the Group's Chief Investment Officer, and Francis Salway, as an independent Non-Executive Director, both with effect from October 2022.

Appointment of Chair of the Audit Committee

During the year, Simon Laffin indicated that he would retire from the Board as Chair of the Audit Committee and independent Non-Executive Director, having been a Board member since 2016.

The process for identifying a new Audit Committee Chair commenced with the agreement of a detailed brief for the role and objective criteria against which candidates would be assessed. The Committee identified the following as key candidate criteria: wide-ranging leadership skills, strong commercial experience with notable financial and risk management acumen, and experience of sitting on the board of a listed company.

Tenure – as at January 2023

Having received positive feedback from candidates and the Committee following the selection process for the Chair role in 2021, Teneo (formerly Ridgeway Partners) was engaged to conduct a search for suitable candidates against these criteria. While the focus would be on appointing the best candidate, Teneo was asked to give specific consideration to female and ethnically diverse candidates.

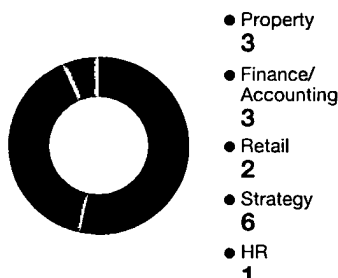
Shortlisted candidates were interviewed by Liz Reilly and me, following which two candidates met with Richard Simpson and Sarah Sergeant. Rachel Addison was the preferred candidate based on her relevant experience as a listed company CFO, listed Board experience (including as Audit Committee Chair) and cultural fit. The Committee's recommendation to the Board was accepted and Rachel was appointed as an independent Non-Executive Director in April 2022, thereby allowing for a suitable handover period with Simon Laffin. Upon Simon's retirement in July 2022, Rachel assumed the role of Chair of the Audit Committee.

Appointment of an additional Executive Director

Alex Pease joined the Group in 2010, taking on the role of Group Investment Director in 2013 before being appointed as Chief Investment Officer in 2021. Alex is also a member of the Group Executive Committee.

Having reviewed the long-term strategy of the Group, and reflecting on the critical role which Alex plays as Chief Investment Officer, the Board felt that it was appropriate to appoint Alex Pease to the Board as an Executive Director. The Committee has also put in place a personal development plan to support Alex's continued development.

The Board approved the recommendation of the Committee and Alex was appointed to the Board in October 2022.

Experience – as at January 2023**Appointment of an additional independent Non-Executive Director**

The Committee considered that it would be beneficial to bring additional property expertise onto the Board, while also noting the need, in the event of Alex Pease being appointed to the Board, to regain an equal balance between Executive Directors and independent Non-Executive Directors. The Committee agreed a detailed brief for the role and objective criteria against which candidates would be assessed, identifying the following as the two key candidate criteria: current or very recent senior executive experience in the property sector and an understanding of the evolving ESG agenda. Teneo was engaged to conduct a search for suitable candidates against these criteria. While the focus would be on appointing the best candidate, Teneo was asked to give specific consideration to female and ethnically diverse candidates.

A shortlist of candidates was interviewed by Liz Reilly, Rachel Addison and me. Francis Salway was the stand-out candidate, having previously been Chief Executive Officer of Land Securities PLC. As part of the process, Francis also met with Richard Simpson. The Committee subsequently recommended the appointment of Francis to the Board. The Board accepted this recommendation and Francis was appointed as an Independent Non-Executive Director in October 2022.

Succession planning

In addition to succession planning at Board level, the Committee focused on succession planning at the Executive Committee level. While this review showed that there was good cover for a number of roles, it also highlighted the importance of developing the next generation of senior leaders within the business.

Gender – as at January 2023**Considerations for FY23**

The Committee will continue to focus over the next 12 months on the experience, skills and composition of the Board and Executive Committee, with a particular focus on longer-term Board 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 FY23, noting that we now have three independent Non-Executive Directors but acknowledging that two of these three are recent appointments to the Board.

Diversity

The Committee recognises the ethical and business benefits of diversity and, as set out in our ESG 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 (43%) and four (57%) male Board members. While we have good gender and ethnic diversity across the Group, women and BAME employees remain under-represented at senior levels. We have joined Women Into Construction, an organisation that promotes gender equality within the construction industry, and the Committee will work with the Chief Executive Officer and Chief People Officer to look for ways to enhance all aspects of diversity across the Group.

Alan Giddins

Chair of the Nomination Committee
25 January 2023

Directors' remuneration report



Liz Reilly

Chair of the Remuneration Committee

Committee members:

Liz Reilly (Chair)

Alan Giddins

Rachel Addison (from 1 April 2022)

Francis Salway (from 10 October 2022)

Grenville Turner (to 12 October 2021)

Simon Laffin (to 31 July 2022)

The CEO, the Chief People Officer and the remuneration consultant are invited to attend Committee meetings as necessary. The Secretary to the Committee is Kerry Watson, Company Secretary.

Remuneration consultant: FIT
Remuneration Consultants LLP

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 FY22, the Committee met five times.

Activities during the year

- Approved an increase in fees for the Chair and salaries for the Executive Directors and Executive Committee.
- Approved the remuneration package for Alex Pease, appointed as an Executive Director on 10 October 2022.
- Reviewed the FY21 Directors' remuneration report prior to its approval by the Board and subsequent approval by shareholders at the 2022 AGM.
- Reviewed performance against the FY21 annual bonus plan targets and resulting awards and agreed the metrics and targets for the FY22 bonus plan.
- Reviewed LTIP award levels and performance metrics/targets for the 2022 LTIP award.
- Approved the vesting of the 2019 LTIP award.
- Reviewed the remuneration approach for senior management in the context of increased competition within the sector.

Annual statement

Dear Shareholder

On behalf of the Board, I am pleased to present our Directors' remuneration report for FY22. 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 FY22

The Company's profit outturn for FY22 was lower than expected, principally due to the macroeconomic uncertainty and rising interest rates during the second half of the year which led institutional investors to withdraw from the forward fund market. All self-build schemes scheduled for delivery were completed on time, however, and we continued to make good progress in growing our development pipeline. Our future revenue pipeline stood at £2 billion at the financial year end, up from £1.8 billion in the prior year and our highest total to date. Adjusted profit before tax (PBT) was £48.8 million (FY21 adjusted: £51.1 million), a decrease of 4.5%, and adjusted EPS was 14.9 pence (FY21 adjusted: 16.4 pence), a reduction of 9.1%.

Annual bonus for FY22

The annual bonus was based 70% on sliding scale profit targets, 15% on the achievement of personal performance objectives and 15% on the achievement of ESG objectives. Following an assessment of the targets, the Committee determined bonus awards of 30.29% of salary, 29.79% of salary and 28.04% of salary for Richard Simpson, Sarah Sergeant and Philip Byrom respectively.

As Philip Byrom remained an employee of the business until June 2022, he was eligible to receive an annual bonus for FY22, pro rated to take account of the objectives achieved over the period worked.

While the Committee noted that the threshold financial targets had been met and good progress had been made on personal and ESG objectives, it also considered the wider stakeholder experience, in particular the recent deferral of two significant forward sales which had a material impact on profitability for FY22.

As a result, the Committee concluded that rather than award the bonuses in cash, it would be appropriate to defer the bonus awards into shares for a period of 12 months.

Long-term incentives for FY22

Awards under the Long Term Incentive Plan (LTIP) granted in 2020 are measured with reference to the Company's growth in earnings per share (EPS) measured over the three years to 30 September 2022 and absolute total shareholder return (TSR) measured over the three years from grant. Each measure makes up 50% of the award. As a result of a below-threshold EPS and TSR currently well below the threshold, 0% vesting is currently expected.

Board changes

Details of the Board changes during the year, including the appointment of Alex Pease as an Executive Director in October 2022, are set out on page 79.

Further details of the remuneration decisions in respect of FY22 are set out in the annual report on remuneration on pages 97 to 100.

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:

- noted the intention of the Company 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;
- 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, and progress on diversity and inclusion within the organisation.

Implementing the remuneration policy for FY23

In respect of the remuneration policy for FY23:

- the salaries for the CEO and CFO were increased by 5% from 1 October 2022 to £413,273 and £315,000 respectively. This compared to a range of 4% to 7.5% across the wider workforce.
- the CIO's salary, following his promotion to the Board in October 2022, was set at £300,000.
- pension will continue at 7% of salary for the CFO and CIO. The Committee is currently reviewing the CEO's pension provision at 20% of salary with a view to reducing pension contributions to 7% of salary. This is part of a wider review of Richard Simpson's remuneration package to ensure it is appropriately aligned to the market. The Committee intends to consult major shareholders during FY23 in respect of any proposed changes.
- annual bonus will continue to be capped at 100% of salary and will be made up of 75% financial targets, with the remainder focused on personal performance (15%) targets and ESG targets (10%).
- LTIP awards are expected to be granted in January 2023. Noting shareholder/proxy feedback and market practice in this regard, relative TSR will replace absolute TSR. As such, the 2023 LTIP awards are expected to be based 50% on EPS and 50% on relative TSR.

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
25 January 2023

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.	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 for new and recently appointed Executive Directors.	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.	100% 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	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 FY23

The table below sets out how the Committee intends to operate the remuneration policy in FY23.

Base salary	Base salary levels for the CEO and CFO were increased by 5% from 1 October 2022 in line with the workforce to £413,273 and £315,000 respectively. The CIO's salary, following his promotion to the Board in October 2022, was set at £300,000.
Benefits	There were no material changes to benefit provision during the year.
Pension	The CFO and CIO will continue to receive a pension contribution of 7% of salary. The Committee is currently reviewing the CEO's pension provision at 20% of salary as part of a wider review of Richard Simpson's remuneration package. The Committee intends to consult major shareholders during FY23 in respect of reducing pension contributions to 7% of salary.
Annual bonus	The maximum potential will continue to be capped at 100% of salary based on sliding scale financial targets (75%), personal performance targets (15%) and ESG targets (10%).
LTIP	LTIP awards are expected to be granted during FY23 to the CEO over shares worth up to 200% of salary and to the CFO and CIO over shares worth up to 100% of salary. Noting shareholder/proxy feedback and market practice in this regard, the 2023 LTIP awards are expected to be based 50% on EPS and 50% on relative TSR.
Shareholding guidelines	Shareholding guidelines of 200% of salary will continue to apply.
Non-Executive Director fees	The fees for the Non-Executive Directors were increased by 3% from 1 October 2022, below the increase for the wider workforce. As such, the current fee for Alan Giddins is £139,133. The current fees for Liz Reilly and Rachel Addison are £57,900 and the current fee for Francis Salway, who does not chair a Board committee, is £49,440.

Single total figure of remuneration for FY22

In the year to 30 September 2022, the Directors received the following emoluments:

	Basic salary/fee		Annual bonus		Pension contribution		Benefits in kind		Total	
	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21
Richard Simpson ¹	393,593	382,500	119,219	309,347	78,719	76,500	17,332	16,388	608,863	784,735
Sarah Sergeant ²	295,769	—	89,370	—	11,123	—	16,520	—	412,782	—
Alan Giddins ³	133,009	11,206	—	—	—	—	—	—	133,009	11,206
Liz Reilly	56,215	54,631	—	—	—	—	—	—	56,215	54,631
Rachel Addison ⁴	28,108	—	—	—	—	—	—	—	28,108	—
Simon Laffin ⁵	46,846	54,631	—	—	—	—	—	—	46,846	54,631
Philip Byrom ^{1, 6}	196,988	262,650	55,235	208,478	19,699	26,265	18,786	19,316	290,708	516,709
Grenville Turner ⁷	4,040	131,325	—	—	—	—	—	—	4,040	131,325

1. The LTIP awards granted to Richard Simpson and Philip Byrom in June 2020 are expected to lapse in full in June 2023.

2. Appointed to the Board on 6 October 2021.

3. Appointed to the Board as Non-Executive Director on 19 July 2021 and as Chair with effect from 12 October 2021.

4. Appointed to the Board on 1 April 2022.

5. Retired from the Board on 31 July 2022.

6. Retired from the Board on 11 November 2021. Figures relate to the period for which Phil Byrom was employed by the Group.

7. Retired from the Board on 12 October 2021.

Directors' remuneration report continued

Annual report on remuneration continued

Annual bonus in respect of FY22

Financial targets (70%):

All Directors were subject to the same sliding scale adjusted PBT targets for 70% of the bonus potential. The targets set, and performance against the targets, are set out below:

	PBT (70%)
Threshold	£48.6m
On target	£51.3m
Maximum	£56.7m
Actual	£48.8m
% of salary payable	8.04%

ESG objectives (15%):

All Directors were subject to the same sliding scale ESG objectives relating to the achievement of our Future Foundations strategy for 15% of the bonus potential. Each objective was weighted at 5%. The targets, and performance against the targets, are set out below:

Objectives	Committee assessment
Our People Increase employee engagement to deliver our 80% 2025 target/material increase in response rate	- Overall engagement increased to 75% - Response rate increased by 8% to 64%
Our Places Increase the % of planning applications submitted to BREEAM Excellent standards/HQM equivalent	BREEAM Excellent/Outstanding ratings on developments submitted for planning exceeded 60%
Our Planet Create a robust carbon reduction roadmap for scope 1 and 2, and significant progress for scope 3 reduction	- Detailed ESG updates provided to the Board - Scope 2 electricity consumption was reduced by 22% and related emissions significantly reduced - Scope 1 emissions increased by 6% as operations normalised post-COVID but two of the three scope 1 elements showed meaningful reductions
Total score	11/16

Personal objectives (15%):

The targets set, and performance against the targets, are set out below:

	Objectives	Committee assessment
Richard Simpson	- Establish a cohesive and high performing executive team, as evidenced through employee survey feedback - Recruit a new head of Fresh. Put in place a new business plan for Fresh capable of delivering a step change in financial performance. Ensure strong early impact - Undertake an evaluation of the Group's branding, together with broader communications strategy across all stakeholders - Put in place a new Delivery plan, capable of allowing for a step change in operational performance	- Establishment of a strong 'one team' culture at the Executive Committee level, something which was particularly evident during the macro challenges in the second half of the year - Recruited a new managing director of Fresh. New business plan presented to the Board. Fresh well managed during transition period - Successful reorganisation of the Delivery team, and the overall positive delivery performance during the year - Good early work on branding and communications, capable of execution in FY23
	Total score	11.25/15

	Objectives	Committee assessment
Sarah Sergeant	- Undertake a review of resourcing and organisation structure within the Group Finance team and implement agreed recommendations - Undertake a review of the financial controls framework - Review year-end close processes, with a view to bringing forward the publication of the year-end results - Review the Group key reporting financial and non-financial KPIs, and how these are used as operational tools within the business	- The Finance team has been effectively restructured and additional resource put in place - New processes had been introduced which have provided for greater visibility and timeliness of reporting of management information - Progress had been made in respect of the quality of Board reporting, information delivery and updated KPIs - Initial evaluation undertaken around how to bring forward the Group's reporting date
	Total score	10.75/15
Philip Byrom	- Ensure smooth handover of responsibilities to the new CFO - Provide support for the FY21 audit so as to ensure a smooth audit process and timely reporting of the Group's results	- Philip Byrom stepped down from his role as CFO part way through the year - He remained engaged and completed a smooth, effective and timely handover of the CFO role - The audit was completed on time and in line with the Board's expectations, albeit the Board noted a prior year tax adjustment made in the accounts
	Total score	9/15

Based on these assessments, the annual bonus awards earned for the year ended 30 September 2022 were as follows:

	PBT 70%	ESG 15%	Personal 15%	Total 100%
Richard Simpson	8.04%	11.00%	11.25%	30.29%
Sarah Sergeant	8.04%	11.00%	10.75%	29.79%
Philip Byrom ¹	8.04%	11.00%	9.00%	28.04%

1. Pro-rated to take account of the objectives achieved over the period worked.

In considering the level of bonus awards to the Executive Directors, the Committee noted that the threshold financial targets had been met and good progress had been made on personal and ESG objectives. However, it also considered the wider stakeholder experience, and in particular the deferral of two significant forward sales which had a material impact on profitability for FY22. As a result, the Committee concluded that rather than award the bonuses in cash, it would be appropriate to defer the bonus awards into shares for a period of 12 months for Richard Simpson and Sarah Sergeant. Vesting will be subject to continued employment and market-standard good leaver provisions will apply.

Vesting of LTIP awards in FY22

LTIP awards were granted to Richard Simpson and Philip Byrom in May 2019 in respect of the performance period from 1 October 2018 to 30 September 2021. 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%. EPS growth over the performance period was 0.9% and this element of the award lapsed. TSR growth over the performance period was 9.8% and this element of the award vested at 68.57%. Accordingly, the total award vested at 34.28% on 31 May 2022.

Directors' remuneration report continued

Annual report on remuneration continued

LTIP awards granted in FY22

The following LTIP awards were granted to the Executive Directors on 31 January 2022:

	Basis of award	Number of shares under award
Richard Simpson	200% of salary	299,310
Sarah Sergeant	100% of salary	114,068

The awards have an exercise price of one penny per share and become exercisable after three years from the date of grant, subject to continued employment and the Company's earnings per share and share price performance as follows:

EPS (50% of awards)	• 20% of this part of an award vests for EPS growth of 5% p.a. increasing pro-rata to 100% of this part of an award vesting for EPS growth of 14% p.a. or more
Absolute TSR (25% of awards)	• 20% of this part of an award vests for absolute TSR of 5% p.a. increasing pro-rata to 100% vesting for absolute TSR of 14% p.a.
Relative TSR (25% of awards)	• 20% of this part of an 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)

Board changes

Alex Pease was appointed as an Executive Director on 10 October 2022 on a base salary of £300,000 per annum and a pension contribution of 7% of salary, with 100% of salary maximum bonus opportunity and 100% of salary LTIP opportunity.

Rachel Addison and Francis Salway were appointed as Non-Executive Directors during the year. Rachel Addison's fee on appointment was £54,631 and Francis Salway's fee on appointment was £48,000.

Philip Byrom retired from the Board on 11 November 2021. The Committee determined that he was a good leaver in respect of his outstanding LTIP awards. As he remained an employee of the business until June 2022, he is eligible to receive a bonus for FY22, pro rated to take account of the period worked. No termination payments were paid or are payable.

Simon Laffin and Grenville Turner retired from the Board on 31 July 2022 and 12 October 2021 respectively. No termination payments were paid or are payable.

Outstanding share awards

The LTIP share awards outstanding for the Executive Directors at 30 September 2022 and as at the date of this report were as follows:

	Richard Simpson				Sarah Sergeant
	LTIP	LTIP	LTIP	LTIP	LTIP
Exercise price	1p	1p	1p	1p	1p
Date of grant	31 May 2019	22 Jun 2020	28 Jan 2021	31 Jan 2022	31 Jan 2022
Date of vesting	31 May 2022	22 Jun 2023	28 Jan 2024	31 Jan 2025	31 Jan 2025
Interest at 1 Oct 2021	342,309	460,009	386,402	—	—
Granted in the year	—	—	—	299,310	114,068
Dividend equivalents	38,373	—	—	—	—
Lapsed	250,166	—	—	—	—
Exercised in the year	130,516	—	—	—	—
Interest at 30 Sep 2022	—	460,009	386,402	299,310	114,068
Performance period for TSR and EPS targets	1 Oct 2018 to 30 Sep 2021	EPS: 1 Oct 2019 to 30 Sep 2022 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	EPS: 1 Oct 2021 to 30 Sep 2024 TSR: three years from grant date

Directors' interests in the Company's shares

At 30 September 2022 and as at the date of this report, the Directors had the following interests in the Company's shares:

	Number of shares
Richard Simpson	608,151
Sarah Sergeant	9,950
Alex Pease	868,206
Alan Giddins	133,500
Rachel Addison	—
Liz Reilly	50,000
Francis Salway	—
Total	1,669,807

	Date of appointment to the Board	Notice period where given by the Company	Notice period where given by the Director
Richard Simpson	2 January 2019	12 months	12 months
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

Service contracts

Executive Directors

Richard Simpson and Sarah Sergeant were appointed under service agreements dated 17 May 2018 and 19 July 2021 respectively. Alex Pease was appointed under a service agreement dated 10 October 2022. Their service contracts do not contain fixed term periods.

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.

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 83 and 84. Feedback showed that the Committee was felt to be operating well.

The Committee's terms of reference were reviewed during the year with minor changes approved. 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

25 January 2023

Directors' report

The corporate governance disclosures on pages 79 to 101 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 77.

Review of business

The strategic report on pages 1 to 77 provides a review of the business, the Group's trading for the year ended 30 September 2022, key performance indicators and an indication of future developments and risks.

Result and dividend

The Group's profit for the year was £13.4 million (FY21: £41.9 million). More information about the Group's financial performance can be found in the financial review on pages 34 to 39 and in the financial statements on pages 112 to 154.

The Board has recommended a final dividend for the year of 4.5 pence per share. More information about dividends can be found in the Chair's statement on pages 4 and 5 and in the financial review on pages 34 to 39.

Directors

The Company's Directors during the year were:

- Alan Giddins
- Richard Simpson
- Liz Reilly
- Sarah Sergeant (appointed 6 October 2021)
- Rachel Addison (appointed 1 April 2022)
- Grenville Turner (retired 12 October 2021)
- Philip Byrom (retired 11 November 2021)
- Simon Laffin (retired 31 July 2022)

The current Directors' biographies can be found on pages 80 and 81. 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 94 to 101.

Substantial shareholdings

Based on the share register analysis as at 16 January 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	12.02
M&G Investments	6.92
Mark Watkin Jones and related parties	5.46
Polar Capital Holdings	5.28
abrdn plc	4.94
Gresham House plc	4.61
Investec Group	4.37
Hargreaves Lansdown PLC	3.86
Close Brothers Group	3.76



Directors' interests

The Directors' interests in the Company's shares are set out in the Directors' remuneration report on page 101.

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 2022, the Company's issued share capital was £2,564,303.67, divided into 256,430,367 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 72 to 75. 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 56 to 61.

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

Following a tender exercise for the external audit in 2021, Deloitte was appointed immediately following the signing of the Company's financial statements for the year ended 30 September 2021. Deloitte has expressed its willingness to continue in office as auditor and a resolution to re-appoint Deloitte will be proposed at the 2023 annual general meeting.

Going concern

After making enquiries and as more fully explained in the going concern review on pages 50 and 51, the Directors have a reasonable expectation that the Group has adequate resources to continue to trade for the period to 31 January 2024. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Dividend policy

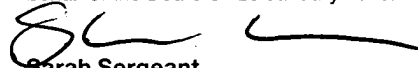
The Group maintains its policy of aiming to pay a dividend which is 2.0x covered by adjusted earnings.

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 25 January 2023.


Sarah Sergeant
 Chief Financial Officer

25 January 2023

COMPANY NO. 09791105

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 25 January 2023 and is signed on its behalf by:

Richard Simpson
Chief Executive Officer
25 January 2023



Independent auditor's report

to the members of 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 2022 and of the Group's profit 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 statement 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 matter description	The key audit matters that we identified in the current year were: • Revenue recognition; • Valuation of inventory and work-in-progress; and • Valuation of provisions relating to the Building Safety Act.
Materiality	The materiality that we used for the Group financial statements was £2.4 million which was determined on the basis of approximately 5% of pre-tax profit adjusted for exceptional costs.
Scoping	Full scope audit work was performed on two reporting components. Our full scope and specified audit procedures covered 98% of Group revenue and 100% of Group adjusted profit before tax.

Independent auditor's report continued

to the members of 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 financing facilities including the nature of facilities, repayment terms and covenants;
- challenging the assumptions used in the Board-approved forecasts by reference to historical performance and other supporting evidence such as market data;
- recalculating the amount of headroom in the forecasts (in liquidity terms and against the relevant covenant limits);
- assessing the sensitivity analysis and reverse stress tests 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 £407.1 million (FY21: £430.2 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 pages 89 and 90. We have performed a detailed risk assessment of the Group's revenue streams to understand the revenue cycles across the Group. Following this assessment, we have identified a key audit matter in relation to the risk, either due to fraud or error, to the key judgements inherent within 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, and specifically 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; • obtained an understanding the profit impact of any potential contractual penalties or liquidated damages based on current timescales for completion; • reconciled costs incurred in the year through agreement to a sample of supporting evidence; and • held meetings with relevant Commercial Directors to understand status of open developments, challenging assumptions in relation to costs to complete, and any judgements made about each development and test the associated year-end surveyors' 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 2022 is appropriate.

5.2. Valuation of inventory and work-in-progress

Key audit matter description	The Group has £146.2 million (FY21: £127.6 million) of land and work in progress, as described in notes 1 and 21 and considered by the Audit Committee as a significant judgement as per pages 89 and 90. The valuation of inventory at the lower of cost and net realisable value requires significant judgement by management over the anticipated revenues and forecast development costs. There is therefore a risk that the carrying value of the land and work in progress balances reported within inventory are overstated. As part of risk assessment procedures we have assessed the stage of the various developments within the inventory balance and have focused our key audit matter to certain developments under construction that are not forward sold and are expected to complete over a longer than average time period when compared to the wider portfolio.
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 valuation of inventory and WIP; • reconciled breakdowns of land and work-in-progress to the management accounts and trial balance being audited; • for certain developments, with the involvement of our real estate specialists we assessed the key assumptions in the valuation appraisals and net realisable valuation calculations, which depending on the specific characteristics of the developments included challenge of estimated costs to complete, capitalisation yields, rental income assumptions against comparable market data; and • performed tests of detail over a sample of sites validating cost to invoice/labour.
Key observations	Based on our procedures performed, we are satisfied that the valuation of inventory and work-in-progress as at 30 September 2022 is appropriate.

5.3. Valuation of provisions relating to the Building Safety Act

Key audit matter description	As described in notes 1 and 27, the Group holds a provision of £33.4 million (FY21: £9.4 million) in relation to the Building Safety Act. This is also considered by the Audit Committee as a significant judgement as per pages 89 and 90 and a key source of estimation uncertainty in the notes to the financial statements on page 119. The valuation of fire-safety provisions is complex and thus requires significant judgement by management over the timing and value of the expected costs, including associated legal claims. As such, we have assessed valuation of 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: • we 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; • benchmarked the average cost provided per site against external market information and peer entities; • challenged internally estimated remediation costs against external quotes for comparable sites and external benchmarking data provided by our real estate specialists, and assessed any differences in the determination of the amounts provided; • for sites supported by external quotations we have assessed a sample of cost estimates against underlying support such as third-party estimates, quotations, legal claims and correspondence with third parties; • challenged assumptions in relation to the discount rate applied to the provision and the expected timing of payments to be made against comparable external market data; and • assessed the associated disclosures, including consideration of costs classified as adjusted items 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 2022, 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 1 of the financial statements.

Independent auditor's report continued

to the members of 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	£2,196,000
Basis for determining materiality	5% of pre-tax profit adjusted for exceptional costs.	Our basis for materiality was determined based upon 3% of the parent company's net assets capped at 90% of Group materiality.
Rationale for the benchmark applied	Profit before tax is a key metric for users of the financial statements and reflects the way business performance is reported and assessed by external users of the financial statements. The Group has incurred significant exceptional costs as an adjusting item therefore we believe appropriate to adjust for these costs in determining an appropriate level of materiality.	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	70% of Group materiality	70% of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, as our first year as auditors, we considered the following factors: - the control environment in place across the Group; and - the low level of corrected and uncorrected misstatements identified in the prior year audit by the predecessor auditor.	

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 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 entity of the Group and the parent company, was subject to an audit materiality level between £2.2 million and £1.7 million. Our full scope and specified audit procedures covered 98% of Group revenue and 100% of Group operating profit.

7.2. Our consideration of the control environment

We obtained an understanding of the relevant internal controls over key audit matters as referenced above. We have tested controls relating to revenue recognition and, based on our work performed, we adopted a controls reliance approach to our testing in this area.

The Group IT landscape contains a number of IT systems, applications and tools used to support business processes and reporting. Where control improvements were identified, both in the IT environment and more broadly across the business through our audit testing, these have been reported to management and the Audit Committee.

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.

We performed our own qualitative 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 included 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 of 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, and the audit committee about their own identification and assessment of the risks of irregularities;
- 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, valuation of inventory and work-in-progress, 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, valuation of inventory and work-in-progress, and valuation of provisions relating to the Building Safety Act as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. 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 in-house 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 this matter.

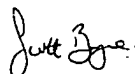
14. Use of our report

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

25 January 2023



Consolidated statement of comprehensive income

for the year ended 30 September 2022

	Notes	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Continuing operations			
Revenue	6	407,076	430,211
Cost of sales		(339,450)	(345,430)
Gross profit		67,626	84,781
Administrative expenses		(12,942)	(27,526)
Operating profit before exceptional items		54,684	57,255
Exceptional costs	8	(30,365)	—
Operating profit	9	24,319	57,255
Share of loss in joint ventures	20	(16)	(87)
Finance income		72	4
Finance costs	12	(5,982)	(6,051)
Profit before tax		18,393	51,121
Income tax expense	13	(4,979)	(9,189)
Profit for the year attributable to ordinary equity holders of the parent		13,414	41,932
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income, net of tax		157	108
Total comprehensive income for the year attributable to ordinary equity holders of the parent		13,571	42,040
		Pence	Pence
Earnings per share for the year attributable to ordinary equity holders of the parent			
Basic earnings per share	14	5.232	16.369
Diluted earnings per share	14	5.205	16.340
Adjusted basic earnings per share (excluding exceptional costs)	14	14.825	16.369
Adjusted diluted earnings per share (excluding exceptional costs)	14	14.748	16.340

The notes on pages 116 to 149 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

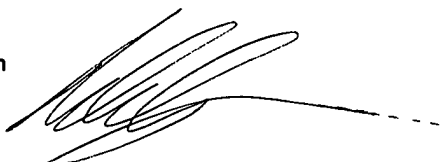
as at 30 September 2022

	Notes	30 September 2022 £'000	30 September 2021 £'000
Non-current assets			
Intangible assets	16	12,165	12,724
Investment property (leased)	17	27,331	98,567
Right-of-use assets	17	4,738	4,468
Property, plant and equipment	18	2,009	3,656
Investment in joint ventures	20	1	17
Deferred tax assets	28	1,941	4,057
Other financial assets	29	1,366	1,241
		49,551	124,730
Current assets			
Inventory and work in progress	21	147,118	127,593
Contract assets	22	50,821	13,810
Trade and other receivables	23	28,628	28,198
Cash and cash equivalents	24	110,841	136,293
		337,408	305,894
Total assets		386,959	430,624
Current liabilities			
Trade and other payables	25	(89,717)	(89,198)
Contract liabilities	22	(5,052)	(2,845)
Interest-bearing loans and borrowings	26	—	(4,653)
Lease liabilities	17	(6,248)	(6,113)
Provisions	27	(7,713)	(4,667)
Current tax liabilities		(4,402)	(2,015)
		(113,132)	(109,491)
Non-current liabilities			
Interest-bearing loans and borrowings	26	(28,288)	(7,308)
Lease liabilities	17	(42,851)	(123,139)
Provisions	27	(25,735)	(4,732)
Deferred tax liabilities	28	—	(1,143)
		(96,874)	(136,322)
Total liabilities		(210,006)	(245,813)
Net assets		176,953	184,811
Equity			
Share capital	31	2,564	2,562
Share premium		84,612	84,612
Merger reserve		(75,383)	(75,383)
Fair value reserve of financial assets at FVOCI		662	536
Share-based payment reserve	32	526	2,824
Retained earnings		163,972	169,660
Total equity		176,953	184,811

The notes on pages 116 to 149 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 25 January 2023 and signed on its behalf by:

Richard Simpson
Director



Consolidated statement of changes in equity

for the year ended 30 September 2022

	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 2020	2,562	84,612	(75,383)	428	2,348	153,271	167,838
Profit for the year	—	—	—	—	—	41,932	41,932
Other comprehensive income	—	—	—	108	—	—	108
Total comprehensive income	—	—	—	108	—	41,932	42,040
Share-based payments	—	—	—	—	476	—	476
Deferred tax debited directly to equity (note 28)	—	—	—	—	—	(59)	(59)
Dividend paid (note 15)	—	—	—	—	—	(25,484)	(25,484)
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

The notes on pages 116 to 149 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 September 2022

	Notes	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Cash flows from operating activities			
Cash (outflow)/inflow from operations	33	(19,592)	76,307
Interest received		72	4
Interest paid		(5,782)	(6,638)
Tax paid		(1,557)	(8,211)
Net cash (outflow)/inflow from operating activities		(26,859)	61,462
Cash flows from investing activities			
Acquisition of property, plant and equipment		(660)	(208)
Proceeds on disposal of property, plant and equipment		4,341	4
Proceeds on disposal of right-of-use assets		7,897	—
Cash flow from joint venture interests		—	57
Net cash inflow/(outflow) from investing activities		11,578	(147)
Cash flows from financing activities			
Dividends paid	15	(21,781)	(25,484)
Proceeds from exercise of share options		—	—
Payment of principal portion of lease liabilities		(4,717)	(6,145)
Payment of capital element of other interest-bearing loans		(389)	(242)
Drawdown of RCF		20,625	25,705
Repayment of bank loans		(3,909)	(53,369)
Net cash outflow from financing activities		(10,171)	(59,535)
Net (decrease)/increase in cash		(25,452)	1,780
Cash and cash equivalents at 1 October 2021 and 1 October 2020		136,293	134,513
Cash and cash equivalents at 30 September 2022 and 30 September 2021		110,841	136,293

The notes on pages 116 to 149 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 September 2022

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 7-9 Swallow Street, London, England, W1B 4DE.

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 2022 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 2024 (the 'forecast period'). This review has been undertaken taking into consideration the following matters.

Liquidity

At 30 September 2022, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £196.0 million, as set out below.

	£m
Cash balances	110.8
RCF headroom	75.2
Overdraft facility	10.0
Total cash and available facilities	196.0

Strong liquidity has been maintained through the first quarter of the year ending 30 September 2023, 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 a five-year term to May 2025. All financial covenants under this facility were met at 30 September 2022 and are forecast to be met throughout the period to 31 January 2024. This facility can be accessed to fund land acquisitions.

The Group also has a loan with Svenska Handelsbanken AB which is secured against its three operational BTR properties. This stood at £4.0 million on 30 September 2022 and the facility expires in August 2024. We intend to sell these properties during the period of this review, and in our forecast scenarios it has been assumed that this facility will be retained until it is repaid upon the completion of these sales.

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 and operational BTR assets. The occupancy levels for the PBSA assets have recovered well following the negative impact of the COVID pandemic and are close to being fully occupied for the academic year 2022/23.

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 six PBSA developments and six BTR developments for delivery during the period FY23 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 cash utilisation over the forecast period such 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. We have also assumed that the Group's three operational BTR properties will be sold during the period following the completion of works currently in progress to improve their saleability.

Risk analysis

In addition to the base case forecast, and though considered unlikely given the stabilisation in market interest rate expectations since the Autumn Budget statement and the long-term attractiveness of our core markets, we have considered the possibility of disruption to the forward sale market in the event of a resurgence in the market turbulence seen in the UK in the early autumn. This is our most significant risk as it would greatly limit our ability to achieve any further forward sales and would potentially mean that we would have to complete on secured site acquisitions without a subsequent forward sale in place.

We have run various model scenarios to assess the possible impact of the above risks, including a severe but plausible downside scenario assuming no further forward sales are achieved other than for one of the Group's PBSA assets which benefits from an agreement for lease for all its rooms and where the construction is already well-progressed.

In the severe but plausible downside scenario, we have included for the payment of our FY22 full-year proposed dividend in line with our dividend policy. 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 total cash and available facilities balance under this scenario was £52.2 million (excluding the £10.0 million overdraft). 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 investments in unsold developments to ensure that the Group's liquidity was maintained.

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 2024 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.

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

3. Accounting policies continued

3.3 Business combinations continued

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).

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 Act provision

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

Whilst it is unclear exactly what remedial works will be needed, the Group has performed a review of buildings above 11 metres developed by the Company over the last 30 years, which concluded that an exceptional charge of £30,365,000 should be made for these potential costs. This amount covers the following areas set out in the BSA: i) the extension of scope for developers' responsibility to 30 years; ii) the increased scope by including buildings above 11 metres; and iii) the expanded scope to incorporate critical life safety defects. We expect this money will be spent over the next five years, and the provision has been discounted accordingly.

This is a highly complex area with judgements and estimates in respect of the cost of remedial works, the quantum of any legal expenditure associated with the defence of the 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. The amount provided for these works has been estimated by reference to recent industry experience, external quotes for similar work identified, and legal advice on the defence of the Group's position on certain developments. In advance of remedial works commencing, the provision represents the Group's best estimate of its share of contributions, recognising that in certain instances current owners are contributing to remediation of the developments. Should the costs associated with these remedial works increase by 5%, the provision required would increase by £1,700,000. Should the discount rate applied to the calculation reduce by 1%, the provision required would increase by £600,000. Further details of the provision are set out in note 27.

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 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
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
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

Notes to the consolidated financial statements continued

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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. 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 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.

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 let and materials which have not yet been procured, the expected cost of any changes in the scope of works and the expected cost of any rectification works during the defects liability period.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of 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 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
Year ended 30 September 2021	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	195,015	90,428	—	—	1,335	286,778
Sale of land	18,500	15,000	—	—	—	33,500
Sale of completed property	35,580	31,703	22,663	—	—	89,946
Rental income	10,787	1,438	—	—	—	12,225
Accommodation management	—	—	—	7,762	—	7,762
Total revenue from contracts with customers	259,882	138,569	22,663	7,762	1,335	430,211
Timing of revenue recognition						
Goods transferred at a point in time	54,080	46,703	22,663	—	—	123,446
Services transferred over time	205,802	91,866	—	7,762	1,335	306,765
Total revenue from contracts with customers	259,882	138,569	22,663	7,762	1,335	430,211

Revenue from three customers (2021: one) in the year accounted for more than 10% of total revenue, representing revenue of £208,080,000 (2021: £45,631,000). Of this, £47,327,000 was reported under the Student Accommodation segment and £160,753,000 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 2022

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 FY22 and FY21:

- 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 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 2022	Student Accommodation £'000	Build To Rent £'000	Affordable Homes £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Segmental revenue	180,037	191,228	14,478	9,072	12,261	407,076
Segmental 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 (see note 17)	—	—	—	—	18,253	18,253
Exceptional costs	—	—	—	—	(30,365)	(30,365)
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
Year ended 30 September 2021	Student Accommodation £'000	Build To Rent £'000	Affordable Homes £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Segmental revenue	259,882	138,569	22,663	7,762	1,335	430,211
Segmental gross profit	50,464	29,765	2,560	4,081	(2,089)	84,781
Administration expenses	—	—	—	(4,229)	(23,297)	(27,526)
Share of loss in joint ventures	(87)	—	—	—	—	(87)
Finance income	—	—	—	—	4	4
Finance costs	—	—	—	—	(6,051)	(6,051)
Profit/(loss) before tax	50,377	29,765	2,560	(148)	(31,433)	51,121
Taxation	—	—	—	—	(9,189)	(9,189)
Continuing profit/(loss) for the year	50,377	29,765	2,560	(148)	(40,622)	41,932
Profit for the year attributable to ordinary equity shareholders of the parent						41,932
Inventory and work in progress (note 21)	25,754	64,086	27,420	—	10,333	127,593

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 2022 £'000	Year ended 30 September 2021 £'000
Building Safety Act provision	30,365	—
Total exceptional costs	30,365	—

There have been exceptional items during the year of £30,365,000 (2021: £Nil) relating to a provision made for Building Safety Act 2022 related costs. Further information on this charge is included in note 4 and note 27.

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 2022 £'000	Year ended 30 September 2021 £'000
Audit services to the parent company	100	136
Audit services to the subsidiaries	275	134
Amortisation of intangible assets	559	560
Depreciation:		
Property, plant and equipment	747	839
Investment property (leased)	6,156	6,292
Right-of-use assets	949	997
Profit on disposal of student leasehold properties (see note 17)	(18,253)	—
Loss on disposal of other right-of-use assets	116	6
(Profit)/loss on disposal of property, plant and equipment	(2,783)	85

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 2022	Year ended 30 September 2021
Construction	229	233
Accommodation management	346	344
Management and administration	134	134
	709	711

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

10. Staff numbers and costs continued

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Wages and salaries	28,894	28,104
Employee incentive – long-term incentive plans (note 32)	199	476
Social security costs	4,082	3,293
Defined contribution pension costs	965	783
	34,140	32,656

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 £965,000 (2021: £783,000). There were £60,000 unpaid contributions at the end of the year (2021: £56,000).

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 (2021: £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 2022 £'000	Year ended 30 September 2021 £'000
Wages and salaries	2,962	4,012
Compensation for loss of office	—	235
Employee incentive – long-term incentive plans (note 32)	210	365
Social security costs	504	470
Pension costs	172	227
	3,848	5,309

11. Directors' emoluments

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Wages and salaries	1,724	1,450
Employee incentive – long-term incentive plans (note 32)	155	269
Social security costs	318	188
Pension costs	113	103
	2,310	2,010
Highest paid Director:		
Emoluments	718	708
Employee incentive – long-term incentive plans	134	202
Pension costs	79	77

During the year ended 30 September 2022, 175,326 share options were exercised (2021: no share options exercised) at a gain of £403,536 based on the Company's share price on the exercise date.

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 2022 £'000	Year ended 30 September 2021 £'000
Finance charges	1,503	1,120
Interest on lease liabilities (note 17)	4,479	4,895
Other interest payable	—	36
	5,982	6,051

During the year the Group has capitalised interest payable on bank loans of £361,000 (2021: £587,000) in development land and work in progress. The capitalised interest related to borrowings for specific developments funded using the Group's revolving credit facility, which has an applicable interest rate of 2.25% over SONIA.

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 2022 £'000	Year ended 30 September 2021 £'000
Current income tax		
UK corporation tax on profits for the year	2,708	9,635
Adjustments in respect of prior periods	1,133	254
Foreign taxes	55	—
Total current tax	3,896	9,889
Deferred tax		
Origination and reversal of temporary differences	808	51
Adjustments in respect of prior year	4	(13)
Remeasurement of deferred tax for changes in tax rates	271	(738)
Total deferred tax	1,083	(700)
Total tax expense	4,979	9,189

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

13. Income taxes continued

Reconciliation of total tax expense

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Profit before tax	18,393	51,121
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	3,495	9,713
Fixed asset differences	(7)	—
Expenses not deductible	34	110
Income not taxable	33	(14)
Remeasurement of deferred tax for changes in tax rates	271	(738)
Other differences	45	(123)
Differences to foreign tax rates	(29)	—
Adjustments in respect of prior periods	1,133	241
Prior year adjustment to deferred tax	4	—
At the effective rate of tax of 27.1% (2021: 18.0%)	4,979	9,189
Income tax expense reported in the statement of profit or loss	4,979	9,189

As a result of the Finance Act 2021, the rate of UK corporation tax will increase 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. This resulted in an increase in deferred tax assets of £1,004,000 and an increase in deferred tax liabilities of £266,000.

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 LTIP, based upon the number of shares that would be issued if the year-end date was the end of the contingency period.

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

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Profit for the year attributable to ordinary equity holders of the parent	13,414	41,932
Add back exceptional costs for the year (note 8)	30,365	—
Less corporation tax benefit from exceptional costs for the year	(5,769)	—
Adjusted profit for the year attributable to ordinary equity holders of the parent (excluding exceptional costs after tax)	38,010	41,932

	Year ended 30 September 2022 Number of shares	Year ended 30 September 2021 Number of shares
Weighted average number of ordinary shares for basic earnings per share	256,385,882	256,163,459
Adjustment for the effects of dilutive potential ordinary shares	1,338,930	453,761
Weighted average number for diluted earnings per share	257,724,812	256,617,220

	Year ended 30 September 2022 Pence	Year ended 30 September 2021 Pence
Basic earnings per share		
Basic profit for the year attributable to ordinary equity holders of the parent	5,232	16,369
Adjusted basic earnings per share (excluding exceptional costs after tax)		
Adjusted profit for the year attributable to ordinary equity holders of the parent	14,825	16,369
Diluted earnings per share		
Basic profit for the year attributable to diluted equity holders of the parent	5,205	16,340
Adjusted diluted earnings per share (excluding exceptional costs after tax)		
Adjusted profit for the year attributable to diluted equity holders of the parent	14,748	16,340

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 2022 £'000	Year ended 30 September 2021 £'000
Final dividend paid in February 2022 of 5.6 pence (February 2021: 7.35 pence)	14,345	18,826
Interim dividend paid in June 2022 of 2.9 pence (June 2021: 2.6 pence)	7,436	6,658
	21,781	25,484

An interim dividend in relation to the year ended 30 September 2022 of 2.9 pence per ordinary share was paid on 30 June 2022 (2021: 2.6 pence per ordinary share).

The final dividend proposed for the year ended 30 September 2022 is 4.5 pence per ordinary share (2021: 5.6 pence per ordinary share). This dividend was declared after 30 September 2022 and as such the liability of £11,539,000 (2021: £14,345,000) has not been recognised at that date. At 30 September 2022, the Company had distributable reserves available of £56,058,000 (30 September 2021: £75,332,000).

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

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: eleven years; and
- brand: ten years.

	Customer relationships £'000	Brand £'000	Goodwill £'000	Total £'000
Cost				
At 1 October 2020, 30 September 2021 and 30 September 2022	5,604	499	9,744	15,847
Amortisation				
At 30 September 2020	2,334	229	—	2,563
Amortisation for the year	510	50	—	560
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
Net book value				
At 30 September 2022	2,250	171	9,744	12,165
At 30 September 2021	2,760	220	9,744	12,724

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 ending 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 2022. 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 2022 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 cash flows discounted at a rate of 10.09% (2021: 7.48%) 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 2022:

- 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 2027. Units under management are forecast to be approximately 24,000 in FY23, 26,000 in FY24, 29,000 in FY25, 31,000 in FY26 and 32,000 in FY27. 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 at 3.0% per annum;
- 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.

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 35 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: five 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.

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

17. Leases continued

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 2020	161,393	9,411	1,432	172,236
Additions/adjustment	243	721	13	977
Disposals	(7)	—	(471)	(478)
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
Depreciation				
At 30 September 2020	51,072	4,994	1,086	57,152
Charge for the year	6,292	791	206	7,289
Disposals	—	—	(439)	(439)
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
Impairment				
At 30 September 2020	5,698	—	—	5,698
Charge for the year	—	—	—	—
At 30 September 2021	5,698	—	—	5,698
Charge for the year	—	—	—	—
At 30 September 2022	5,698	—	—	5,698
Net book value				
At 30 September 2022	27,331	3,775	963	32,069
At 30 September 2021	98,567	4,347	121	103,035
At 30 September 2020	104,623	4,417	346	109,386

Investment property (leased) assets relate to the Group's four (2021: six) 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 (2021: no impairment charge) has been recognised during the year.

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 next table.

	Impairment charge/(reversal) £'000		Discount rate	Lease termination date	Value in use £'000	
	Year ended 30 September 2022	Year ended 30 September 2021			Year ended 30 September 2022	Year ended 30 September 2021
Collegelands, Glasgow	—	—	5.5%	6 September 2026	11,129	12,328
Europa, Liverpool	—	—	6.5%	18 March 2030	10,317	10,756
Optima, Loughborough	—	—	6.0%	18 March 2030	1,785	2,166
Glassyard Building, London	—	—	5.0%	10 September 2034	9,854	9,984
Total	—	—			33,085	35,234

These impairment calculations are sensitive to changes in the assumptions around discount rate. Reasonable sensitivities have been applied to these assumptions, in each case being an increase in the discount rate applied of 1.2 percentage points. In this scenario there remained headroom against the carrying value of the assets held.

During the year ended 30 September 2022, two previously leased investment properties (Dunaskin Mill and New Bridewell) were disposed. A profit on disposal, following the release of net liabilities and adjustments for rent and operating cost apportionment, was recorded of £18,253,000.

Set out below are the carrying amounts of lease liabilities and movements during the period:

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
At the start of the period	129,252	134,453
Additions	1,292	977
Disposals	(76,728)	(33)
Accretion of interest	4,479	4,895
Payments	(9,196)	(11,040)
At the end of the period	49,099	129,252
Current	6,248	6,113
Non-current	42,851	123,139

Group as lessor – operating lease rentals receivable

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Non-cancellable operating lease rentals are receivable as follows:		
Within one year	8,094	13,514
Later than one year and less than five years	703	12,747
After five years	63	16,457
	8,860	42,718

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. The decrease in operating lease rentals receivable at 30 September 2022 compared to the prior year has arisen as a result of the disposal of the Dunaskin Mill and New Bridewell properties.

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

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 2020	8,848	157	9,005
Additions	208	—	208
Disposals	(483)	—	(483)
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
Depreciation			
At 30 September 2020	4,474	155	4,629
Charge for the year	839	—	839
Disposals	(394)	—	(394)
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
Net book value			
At 30 September 2022	2,009	—	2,009
At 30 September 2021	3,654	2	3,656
At 30 September 2020	4,374	2	4,376

Plant and machinery

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

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 ^{1,5}	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
Gladstone Road Exeter Limited ⁵	Ordinary	Property developer
Goldcharm Residential Limited ⁵	Ordinary	Property developer
Gorgie Road Edinburgh Limited ⁵	Ordinary	Property developer
Grove Crescent Stratford Limited ⁵	Ordinary	Property developer
Gorse Stacks Development Limited ⁵	Ordinary	Property developer
Headrow House Leeds Limited ^{1,5}	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 ^{1,5}	Ordinary	Property developer
New Mart Road Limited ⁵	Ordinary	Property developer
Northop Road Flint Limited ^{1,5}	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
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

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

19. Subsidiaries continued

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
Goldcharm Student Lettings 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 ^{1,5}	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.

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 7-9 Swallow Street, London W18 4DE, 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 2022, 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
Lacuna Belfast Limited ^{1,2}	Ordinary	50%	31 March	Dormant
Lacuna WJ Limited ^{1,2}	Ordinary	50%	31 March	Dormant
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.

2. Liquidated during the year ended 30 September 2022.

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

20. Joint ventures continued

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 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

Year ended 30 September 2021	Lacuna Academy Street Limited £'000	Lacuna Belfast Limited £'000	Lacuna Dublin Road Limited £'000	Lacuna WJ Limited £'000	All other joint ventures £'000	Total £'000
Revenue	—	—	—	—	—	—
Operating loss	(16)	(30)	(142)	(10)	(2)	(200)
Finance income/(expense)	—	—	—	—	—	—
Loss before tax	(16)	(30)	(142)	(10)	(2)	(200)
Income tax gain	2	—	24	—	—	26
Loss for the year	(14)	(30)	(118)	(10)	(2)	(174)
Total comprehensive loss for the year	(14)	(30)	(118)	(10)	(2)	(174)
Group share of loss for the year	(7)	(15)	(59)	(5)	(1)	(87)
Current assets, including cash and cash equivalents	—	12	—	6	69	87
Non-current assets	—	—	—	—	—	—
Current liabilities, including financial liabilities	—	—	—	—	(56)	(56)
Non-current liabilities, including financial liabilities	—	—	—	—	—	—
Net assets	—	12	—	6	13	31
Equity						
At 1 October 2020	352	278	2,760	3,375	(285)	6,480
Loss for the year	(14)	(30)	(118)	(10)	(2)	(174)
Dividend distribution ¹	(338)	(236)	(2,642)	(3,359)	—	(6,575)
Capital contribution	—	—	—	—	300	300
At 30 September 2021	—	12	—	6	13	31
Remove joint venture partners' share of net assets	—	(6)	—	(3)	(5)	(14)
Group's carrying amount of the investment	—	6	—	3	8	17

1. During the year ended 30 September 2021 and prior to entering into members' voluntary liquidation, Lacuna Academy Street Limited, Lacuna Belfast Limited, Lacuna Dublin Road Limited and Lacuna WJ Limited declared dividends which were set off against amounts owed by the joint venture parties.

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 2022 £'000	Year ended 30 September 2021 £'000
Development land	66,858	53,220
Stock and work in progress	80,260	74,373
Total inventories at the lower of cost and net realisable value	147,118	127,593

Notes to the consolidated financial statements continued

for the year ended 30 September 2022

22. Contract assets and liabilities

(a) Current contract assets

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
At 1 October	13,810	41,522
Transferred to receivables	(13,259)	(40,861)
Balance remaining in relation to contract assets at the start of the year	551	661
Increase relating to services provided in the year	50,270	13,149
At 30 September	50,821	13,810

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 2022 £'000	Year ended 30 September 2021 £'000
At 1 October	2,845	8,967
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	(2,845)	(6,132)
Contract liabilities repaid	—	(2,835)
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	5,052	2,845
At 30 September	5,052	2,845

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:

	Year ended 30 September 2023 £'000	Year ended 30 September 2024 £'000	Year ended 30 September 2025 £'000	Total £'000
30 September 2022				
Construction contracts	286,944	242,989	113,703	643,636
	Year ended 30 September 2022 £'000	Year ended 30 September 2023 £'000	Year ended 30 September 2024 £'000	Total £'000
30 September 2021				
Construction contracts	141,399	43,014	5,284	189,697

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 2022 £'000	Year ended 30 September 2021 £'000
Trade receivables	20,534	17,101
Less: provision for impairment of receivables	—	—
Trade receivables – net	20,534	17,101
Prepayments and other receivables	4,207	6,164
Equity instruments designated at fair value through OCI	130	130
Refundable land deposits paid	3,757	4,803
Total trade and other receivables	28,628	28,198

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 2022 £'000	Year ended 30 September 2021 £'000
Neither past due nor impaired	20,502	17,071
Past due but not impaired:		
Not more than three months	—	—
Greater than three months	32	30
	20,534	17,101

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 2022 and 2021, 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.

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 2022 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 2021: £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.

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for the year ended 30 September 2022

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 2022 £'000	Year ended 30 September 2021 £'000
Trade payables	51,931	60,691
Deferred rental income	2,181	2,521
Taxes and social security costs	8,090	4,186
Deferred land payments	—	3,600
Accruals and other payables	27,515	18,200
Total trade and other payables	89,717	89,198

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 2022 £'000	Year ended 30 September 2021 £'000
Current		
Svenska Handelsbanken AB term loan	—	4,468
HSBC Bank plc RCF arrangement fees	—	(200)
Other interest-bearing loans	—	385
	—	4,653
Non-current		
Svenska Handelsbanken AB term loan	3,995	—
HSBC Bank plc RCF	24,818	7,829
HSBC Bank plc RCF arrangement fees	(525)	(525)
Other interest-bearing loans	—	4
	28,288	7,308

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 £100.0 million. The maturity date of the facility is 15 May 2025. At 30 September 2022, the Group had undrawn borrowing facilities of £85.2 million (2021: £102.2 million) with HSBC Bank plc, comprising its RCF and a £10.0 million on-demand and undrawn overdraft facility. 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, Ellen Street Hove Limited, Goldcharm Residential Limited, Gorgie Road Edinburgh Limited and India Street Glasgow Limited. For the year ending 30 September 2021 and the period from 1 October 2021 to 31 December 2021, the applicable interest rate was 2.25% over one-month LIBOR. From 1 January 2022, the applicable benchmark rate has been changed to SONIA, with the margin remaining at 2.25%.

The loan with Svenska Handelsbanken AB, which had been due to mature on 15 March 2022, was renewed during the year. The loan has a 30-month term secured by a legal charge over certain operating property stock assets. The maturity date is 30 August 2024 and the applicable interest rate is 2.75% over three-month LIBOR.

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 Act provision (formerly Cladding Provision)

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Current		
At 1 October	4,667	6,277
Arising during the year	7,898	558
Utilised	(6,316)	(1,023)
Transferred from/(to) non-current	1,464	(1,145)
At 30 September	7,713	4,667
	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Non-current		
At 1 October	4,732	3,587
Arising during the year	22,467	—
Transferred (to)/from current	(1,464)	1,145
At 30 September	25,735	4,732

In the financial year ended 30 September 2020, the Group made a provision in response to government guidance, issued in January 2020, on the suitability of certain cladding solutions used on high-rise residential buildings. Following the introduction of the Building Safety Act 2022 (the 'BSA') during the year ended 30 September 2022, the scope of requirements around cladding and firestopping measures on such buildings has been increased.

The Group has been working with the owners of certain of its previously developed properties to remediate certain items now in scope of the BSA and to share the costs. A provision of £9,399,000 was held at 30 September 2021 for the Group's anticipated contribution towards the cost of the fire safety recladding works. A further provision of £30,365,000 has been made during the year ended 30 September 2022 to reflect the increased scope of the BSA. The judgements surrounding this provision are discussed in more detail in note 4.

The provision at 30 September 2022 amounts to £33,448,000, of which £7,713,000 is expected to be incurred in the year ending 30 September 2023 and £25,735,000 is expected to be incurred between 1 October 2023 and 30 September 2027.

Notes to the consolidated financial statements continued

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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 2022 £'000	Year ended 30 September 2021 £'000
At the start of the period	2,914	2,273
Included directly in equity	141	(59)
Statement of comprehensive income (debit)/credit	(1,114)	700
At the end of the period	1,941	2,914
Comprising:		
Deferred tax asset	2,677	4,057
Deferred tax liability	(736)	(1,143)
At the end of the period	1,941	2,914

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 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
	Short-term timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 October 2020	2,341	(68)	2,273
Statement of comprehensive income credit/(debit)	1,084	(384)	700
Included directly in equity	(59)	—	(59)
At 30 September 2021	3,366	(452)	2,914

In the year ended 30 September 2022, deferred tax credited directly to equity of £141,000 (2021: debited £59,000) 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 2022 £'000	Year ended 30 September 2021 £'000
Financial instruments at fair value		
Equity instruments designated at fair value through other comprehensive income	1,366	1,241
Other financial assets	1,366	1,241

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 ending 30 September 2022 (2021: £Nil).

The Group's investment in CST and CST2 comprises the following:

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
30 September 2021	Units	Price £	Value £'000
Curlew Student Trust			
Units held by Watkin Jones & Son Limited	1,689,991	0.4692	793
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			1,241

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

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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 2022, 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 £100 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 2022 (2021: 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	
	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
0.5% change in interest rate		
Impact on profit before tax	141	61

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 2022 and 30 September 2021:

	On demand £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	Total £'000
Liquidity risk – 30 September 2022					
Interest-bearing loans and borrowings	—	—	28,288	—	28,288
Trade and other payables	—	89,717	—	—	89,717
	—	89,717	28,288	—	118,005
Liquidity risk – 30 September 2021					
Interest-bearing loans and borrowings	—	4,853	7,833	—	12,686
Trade and other payables	—	89,198	—	—	89,198
	—	94,051	7,833	—	101,884

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.

Notes to the consolidated financial statements continued

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30. Financial risk management continued

Credit risk continued

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 2022 £'000	Year ended 30 September 2021 £'000
Allotted, called up and fully paid		
Ordinary shares of one pence each	2,564	2,562

The number of ordinary shares in issue at 30 September 2022 was 256,430,367 (30 September 2021: 256,163,459).

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 94 to 101. The aggregate total awards granted under the Plan are as follows:

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

There were 281,297 awards exercised in relation to the 2019 award during the year (2021: no awards exercised). The weighted average share price at the date of exercise for the awards exercised during the year was 231.5 pence. 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 2022 was 1.1 years (2021: 1.7 years).

The fair value of the share awards granted subject to earnings per share (EPS) performance conditions is the market price of an ordinary share of 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. The following table lists the inputs to the model used for the share awards granted in 2022 and 2021:

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

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

Historic charges of £2,507,000 (2021: £Nil) 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.

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33. Reconciliation of profit before tax to net cash flows from operating activities

	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Profit before tax	18,393	51,121
Depreciation of leased investment properties and right-of-use assets	7,105	7,289
Depreciation of plant and equipment	747	839
Amortisation of intangible assets	559	560
(Profit)/loss on disposal of right-of-use assets	(18,137)	6
(Profit)/loss on disposal of property, plant and equipment	(2,783)	85
Finance income	(72)	(4)
Finance costs	5,982	6,051
Share of loss in joint ventures	16	87
Increase in inventory and work in progress	(19,525)	(1,346)
(Increase)/decrease in contract assets	(37,011)	27,712
Increase in trade and other receivables	(430)	(4,680)
Increase/(decrease) in contract liabilities	2,207	(6,122)
Decrease in trade and other payables	(901)	(5,302)
Increase/(decrease) in provisions	24,049	(465)
Increase in share-based payment reserve	209	476
Net cash (outflow)/inflow from operating activities	(19,592)	76,307

Major non-cash transactions

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

34. Analysis of net cash/(debt)

	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
30 September 2022				
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 cash/(debt)	(4,920)	(36,862)	75,236	33,454
30 September 2021				
Cash at bank and in hand	134,513	1,780	—	136,293
Other interest-bearing loans	(631)	242	—	(389)
Bank loans	(39,036)	27,664	(200)	(11,572)
Net cash before deducting lease liabilities	94,846	29,686	(200)	124,332
Lease liabilities (note 17)	(134,453)	6,145	(944)	(129,252)
Net cash/(debt)	(39,607)	35,831	(1,144)	(4,920)

Cash at bank and in hand as at 30 September 2022 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 2021: £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 2022.

At 30 September 2021, the Group had a contractual commitment to make a payment of £16,625,000 on 1 October 2021 to complete the acquisition of a land site. In addition, the Group had a contractual commitment to make a payment of £3,600,000 on 17 December 2021 in respect of deferred consideration for the acquisition of a land site. Both of these payments were made.

36. Contingent liabilities

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

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 £28,813,000 (2021: £7,829,000).

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

37. Related party transactions

The Group paid rent and service charges to Planehouse Limited and its subsidiary companies amounting to £228,000 (2021: £316,000). No amount was owed to or from Planehouse Limited and its subsidiary companies at 30 September 2022 (30 September 2021: £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 £1,177 to Richard Simpson (2021: £Nil) 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 2022 or 2021. The fair value of the units held in CST by Watkin Jones & Son Limited at 30 September 2022 amounted to £918,000 (2021: £793,000) and the fair values of the carried interest investments in CST and CST2 held by Fresh Property Group Ltd amounted to £98,000 (2021: £98,000) and £350,000 (2021: £350,000) respectively.

Under a joint venture agreement the Group was owed £9,000 at 30 September 2022 from Deiniol Developments Limited (2021: £9,000 due from Deiniol Developments Limited). During the year the Group received a payment of £Nil from Deiniol Developments Limited and made a capital contribution of £Nil 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 a dividend distribution of £Nil (2021: £118,000) to each joint venture party, which was set off against the amounts owed by them to Lacuna Belfast Limited. The Group made payments of £Nil to Lacuna Belfast Limited during the year (2021: made payments of £54,000 to Lacuna Belfast Limited). At 30 September 2022, no amount was owed to or from Lacuna Belfast Limited (2021: £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 a dividend distribution of £Nil (2021: £1,680,000) to each joint venture party, which was set off against the amounts owed by them to Lacuna WJ Limited. The Group received payments of £Nil from Lacuna WJ Limited during the year (2021: received payments of £7,000). At 30 September 2022, no amount was owed to or from Lacuna WJ Limited (2021: £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

On 9 January 2023, the main contractor on one of the Group's live third party-developed BtR sites entered liquidation proceedings. The Group intends to take on the remaining obligations under the build contract as main contractor. This is a non-adjusting event under IAS 10 "Events after the reporting period". The replacement of this main contractor will result in certain additional costs to the Group, however due to the proximity of this event to the approval of the financial statements an estimate of the net impact of these changes cannot be made at this time.

Company statement of financial position

as at 30 September 2022

	Notes	30 September 2022 £'000	30 September 2021 £'000
Fixed assets			
Investments	42	258,808	258,599
Current liabilities			
Trade and other payables	43	(115,048)	(93,269)
Total liabilities		(115,048)	(93,269)
Net assets		143,760	165,330
Equity			
Share capital	44	2,564	2,562
Share premium		84,612	84,612
Share-based payment reserve		526	2,824
Retained earnings		56,058	75,332
Total equity		143,760	165,330

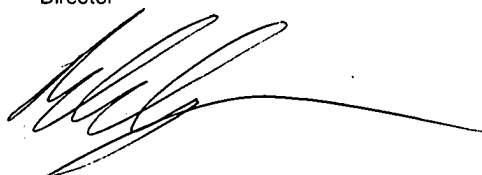
The notes on pages 152 to 154 are an integral part of these Company financial statements.

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 (2021: £Nil).

Approved by the Board of Directors on 25 January 2023 and signed on its behalf by:

Richard Simpson

Director



Company statement of changes in equity

for the year ended 30 September 2022

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance as at 30 September 2020	2,562	84,612	2,348	100,816	190,338
Dividend paid (note 41)	—	—	—	(25,484)	(25,484)
Share-based payments	—	—	476	—	476
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

Notes to the Company financial statements

for the year ended 30 September 2022

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 7-9 Swallow Street, London, England, W1B 4DE.

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 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 (2021: £Nil).

The Company has provided parent company guarantees to the following of its subsidiaries at 30 September 2022 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	Company name	Company number
Anderson Wharf (Student) Limited	06126636	Kelaty House Wembley Limited	11523761
Bailey Lane Student Limited	11058762	Kyle Street Student Limited	10970016
Battersea Park Road London Limited	13168454	Liverpool Road Chester Limited	10597515
Bridge Road Bath Limited	12445011	Lower Bristol Road Bath Limited	12136588
Conington Road Lewisham Limited	12870250	LPS Nottingham Limited	13206896
Crown Place Woking Limited	11826151	Lucas Student Lettings Limited	09876110
Customhouse Student Limited	09767068	Malago Road Bristol Limited	14044675
Dalby Avenue Bedminster Limited	13724075	Military Road Canterbury Limited	11567676
Darley Student Accommodation Limited	08586291	New Mart Road Limited	12738337
DR (Student) Limited	06472739	Newmark Developments Limited	05614426
Duncan House Developments Limited	09694863	Northop Road Flint Limited	13920741
Ellen Street Hove Limited	12044774	Onega Centre Bath Limited	09685453
Elliott Road Selly Oak Limited	11165995	Oxford House Bournemouth Limited	09162377
Fairleague Limited	06282761	Pirrie Belfast Limited	13009889
Gas Lane Bristol Limited	12482112	Randalls Rd Leatherhead Limited	13371252
Gladstone Road Exeter Limited	11877532	Saxonhenge Limited	06365647
Goldcharm Residential Limited	09568372	Sherlock Street Birmingham Limited	12054262
Goldcharm Student Lettings Limited	09815704	Stylegood Limited	06092932
Gorgie Road Edinburgh Limited	12798141	Sutton Court Road Limited	10591333
Gorse Stacks Development Limited	04351332	TG Southall Limited	13500432
Grove Crescent Stratford Limited	13380481	Trafford Street Chester Limited	10710653
Headrow House Leeds Limited	13899071	Victoria Park Bath Limited	09856483
Heol Santes Helen Limited	06256807	Walnut Tree Close Guildford Limited	12251752
High Street Swansea Limited	13113187	Watkin Jones AM Limited	07321534
Holdenhurst Road Bournemouth Limited	09162309	Westfield Avenue Edinburgh Limited	12706956
Hunter Street Chester Limited	09501786	Wilmslow Road Manchester Limited	12456538
India Street Glasgow Limited	12789502	Wisedeed Limited	06825836
Iona Street Edinburgh Limited	10872784		

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.

	2022 £'000	2021 £'000
Wages and salaries	1,724	1,450
Employee incentive – long-term incentive plans	155	269
Social security costs	318	188
Pension costs	100	103
	2,297	2,010

41. Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend paid in February 2022 of 5.6 pence (February 2021: 7.35 pence)	14,345	18,826
Interim dividend paid in June 2022 of 2.9 pence (June 2021: 2.6 pence)	7,436	6,658
	21,781	25,484

An interim dividend in relation to the year ended 30 September 2022 of 2.9 pence per ordinary share was paid on 30 June 2022 (2021: 2.6 pence per ordinary share).

The final dividend proposed for the year ended 30 September 2022 is 4.5 pence per ordinary share (2021: 5.6 pence). This dividend was declared after 30 September 2022 and as such the liability of £11,539,000 (2021: £14,345,000) has not been recognised at that date. At 30 September 2022, the Company had distributable reserves available of £56,058,000 (30 September 2021: £75,332,000).

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 2020	258,123
Capital contribution relating to share-based payments	476
At 30 September 2021	258,599
Capital contribution relating to share-based payments	209
At 30 September 2022	258,808

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.

43. Trade and other payables: current

	2022 £'000	2021 £'000
Financial liabilities		
Amounts owed to Group undertakings	115,048	93,269

Amounts owed to Group undertakings are repayable on demand.

Notes to the Company financial statements continued

for the year ended 30 September 2022

44. Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
Ordinary shares of one pence each	2,564	2,562

The number of ordinary shares in issue at 30 September 2022 was 256,430,367 (30 September 2021: 256,163,459).

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.

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Joint broker

Jefferies International Limited
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Company registrars

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Auditor

Deloitte LLP
The Hanover Building
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Manchester M4 4AH

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.

Securities not in public hands

As at 22 January 2023, the percentage of the Company's issued share capital that is not in public hands is 6.3%.

Number of securities in issue

As at 22 January 2023, the Company's issued share capital consists of 256,430,367 ordinary shares with a nominal value of one pence each. The Company has no treasury shares.

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.

Details of any restrictions on the transfer of securities

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

Company registration

Registered office: 7-9 Swallow Street, London W1B 4DE.

Registered in England and Wales (company number 9791105).

Glossary

AGM	Annual General Meeting	Fresh or FPG	Fresh Property Group
APM	alternative performance measures	FVOCI	fair value through other comprehensive income
AIM	Alternative Investment Market	GDPR	General Data Protection Regulation
BSA	Building Safety Act 2022	HSE	health, safety and environment
BTR	build to rent	IFRS	International Financial Reporting Standards
CGU	cash-generating unit	IPO	initial public offering
CST	Curlew Student Trust	OCI	other comprehensive income
CST2	Curlew Student Trust 2	PBSA	purpose built student accommodation
EBITDA	earnings before income tax, depreciation and amortisation	RCF	revolving credit facility
EIR	effective interest rate	SDGs	UN's Sustainable Development Goals
EPS	earnings per share	TSR	total shareholder return

Financial calendar

Annual general meeting (AGM)

The Company's AGM will be held at 10.30am on Tuesday 28 February 2023 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. The notice of meeting is available on the Group's website watkinjonesplc.com.

Final dividend

The final dividend will be paid on 2 March 2023 to shareholders on the register at the close of business on 3 February 2023. The shares will go ex-dividend on 2 February 2023.



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Creating the future of living

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