WATKIN JONES plc

Creating the **future of living**

Annual report and financial statements 2021

Watkin Jones is a leading developer and manager of residential for rent homes in the UK.

We are growing rapidly in the build to rent (BTR) sector, drawing on our experience of developing purpose built student accommodation (PBSA) over more than two decades. We are also establishing a presence in affordable housing.

Our development operations are complemented by Fresh, our specialist accommodation manager. This gives us an end-to-end solution for the investors who buy our developments. It also generates invaluable feedback from tenants, helping to ensure our future schemes meet their evolving needs.

Our purpose is to **create the future of living.**

This means developing homes for society's changing needs.

We aim to create sustainable places that people will enjoy living in for years to come, which help enhance residents' lives through the quality of the homes we build, the excellent customer service we provide and which play a meaningful part in helping to solve the UK's housing shortage.

We generate attractive, long-term returns for our institutional partners, encouraging them to invest more into the growing residential for rent sector.

Our approach to **sustainability**

Our sustainability strategy encapsulates three elements: the people who work with us, the places we create and our impact on the planet.

During the year, we built on our sustainability framework by launching our ESG strategy and setting targets to fulfil our ambitions.

Our future people

Our future places

Our future planet

Read more on pages 40 to 61

Our year in numbers

Revenue
£430.2 million
+21.5%

2020	£354.1m
2019	£374.8m

Gross profit
£84.8 million
+11.7%

2020	£75.9m
2019	£80.0m

Operating profit
£57.3 million
+10.8%

2020 adjusted[1]	£51.7m
2019 adjusted[1]	£55.6m

Profit before tax
£51.1 million
+11.7%

2020 adjusted[1]	£45.8m
2019 adjusted[1]	£50.4m

Basic earnings per share
16.4 pence
+11.2%

2020 adjusted[1]	14.7p
2019 adjusted[1]	16.1p

Dividend per share
8.2 pence
+11.6%

2020	7.35p
2019	8.35p

Return on capital employed[2]
72.1%
+13.6 percentage points

2020	58.5%
2019	71.2%

Adjusted net cash[3]
£124.3 million
+31.1%

2020	£94.8m
2019	£76.8m

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 71.

1. For FY20 and FY19 adjusted operating profit, adjusted profit before tax and adjusted basic earnings per share are calculated before exceptional charges of £20.5 million in FY20 and £2.6 million in FY19. The figures for FY21 are unadjusted as no exceptional items have been incurred in this year.
2. 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.
3. Adjusted net cash is stated after deducting interest-bearing loans and borrowings, but before deducting IFRS 16 lease liabilities of £129.3 million at 30 September 2021 (30 September 2020: £134.5 million; 30 September 2019: £137.5 million).

Strategic report

Governance

Financial statements

Company information

Business overview

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

Our development businesses create assets for sale to institutions. They are supported by our specialist teams in land sourcing, planning, design and delivery.

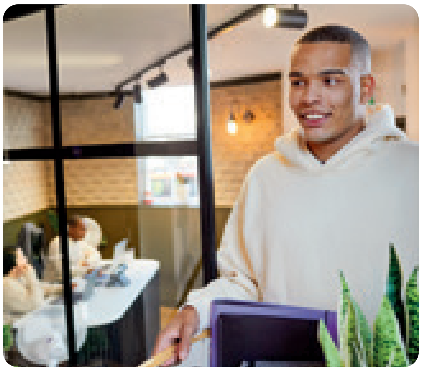
Build To Rent

We completed our first purpose-built BTR development in 2017 and we have now completed 1,557 apartments, leveraging our PBSA success in the BTR sector. We see enormous potential in this rapidly growing sector.

Read more on pages 24 to 27 and 36

Student Accommodation

As the UK's leading developer of PBSA, we have a reputation for high quality and on-time delivery – particularly important ahead of the start of the academic year. We have operated in this sector since the 1990s and it has historically been the main contributor to our revenue and profits.



Read more on pages 28 to 31 and 37

Affordable Homes

We are combining our expertise in developing homes with our low-risk forward sale model (see pages 10 and 11) to create developments led by affordable housing, for sale to institutions and housing associations. These developments may also include some private homes for sale.

Read more on pages 32, 33 and 38

Our service offering is complemented by Fresh, which provides expert accommodation management services.

Accommodation Management

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.

Read more on pages 34, 35 and 39

Our development locations

Chair's statement

Watkin Jones is a high quality business with a very clear and focused strategy.

Alan Giddins
Chair

At the operational level we completed all of our BTR and PBSA developments that were scheduled for delivery in the year. The Group also made strong progress with its first affordable housing scheme.

Dear Shareholder

I joined the Board of Watkin Jones in July 2021 and took over as Chair in October 2021 following a very well organised handover, for which I am hugely grateful to Grenville Turner. This gave me the opportunity to spend my first three months on the Board getting round the business. I have been very impressed by the people I have met across our investment, construction and Fresh activities, and by the quality of the developments I have visited. Watkin Jones is a high quality business with a very clear and focused strategy and a strong leadership team, and this gives me great confidence about the future progression of the business.

Performance highlights

The Group delivered a strong set of results. Revenue for the year was £430.2 million (FY20: £354.1 million) and operating profit was £57.3 million (FY20: £31.2 million). For FY20, adjusted operating profit, excluding exceptional items, was £51.7 million. Year end adjusted net cash was £124.3 million (FY20: £94.8 million), reflective of the highly cash-generative nature of the Group's operating model. At the operational level we completed all of our BTR and PBSA developments that were scheduled for delivery in the year. The Group also made strong progress with its first affordable housing scheme in Crewe. Fresh similarly had a strong year, with a number of new contract wins, resulting in a 10% increase in the number of units it has under management.

People

The Group has relied heavily on the commitment, resilience and resourcefulness of its employees over the last 12 months. This commitment to delivering for our clients goes to the heart of the Watkin Jones culture. Improving diversity in our workforce is also a key focus for the Group, and we have our first Women Into Construction pilots starting on two schemes this year.

During the year, we made a number of high quality appointments to our Executive Committee, most notably a new Managing Director of Delivery, Richard Harris, a new Chief People Officer, Craig Wilcockson, and a Group Company Secretary, Kerry Watson. I have been impressed with each of these individuals and believe we have in place a very strong senior leadership team capable of delivering against our strategic goals.

Health and safety

As an organisation we have a significant number of employees out on site at any one time, as well as a number of Fresh employees working from properties we manage for third parties. We also operate with a large number of subcontractors. Your Board places significant emphasis on ensuring that we make our sites safe places for our employees to work and for others to visit. The Board receives regular analysis of incidents, both actual and near misses, and seeks to ensure that we have a consistency of reporting. For incidents reported, attention is on looking for root causes so that learnings can be made and shared across the Group.

Unity Street, Bristol

ESG

For Watkin Jones, sustainability is about looking after our employees, our suppliers, the communities we create and the individuals who live in the properties we manage. It is also about adopting innovative build and design techniques to reduce our environmental impact and building affordable homes to help alleviate the UK housing shortage. In terms of bringing structure and driving change to our sustainability agenda, the Board approved a new ESG strategy, Future Foundations, which included a set of key KPIs and detailed short and medium term action plans.

I believe that the Group has the potential to make significant steps forward in this area and we will report our progress to shareholders on a regular basis.

We reported last year on our decision to be proactive in undertaking remedial cladding works. This remediation programme has progressed well during the year and an update is given in the Chief Executive Officer's review.

Board changes

I took over from Grenville Turner as Chair in October 2021 and was appointed Chair of the Nomination Committee, as well as sitting on both the Audit and Remuneration Committees. Grenville joined the Board as Chair at the time of the IPO and has played an important role both in leading the Board and helping to set the strategic direction of the Group.

In April 2021 we announced that Phil Byrom would be stepping down from the Board as Chief Financial Officer. Phil has held this position at Watkin Jones for almost 20 years. He has played a key role in the success of the Group during this period and has been instrumental in putting in place the strong and effective finance and reporting function which the Group has today.

On behalf of the Board and shareholders, I would like to thank both Grenville and Phil for their significant contributions to Watkin Jones.

Sarah Sergeant joined the Board in October 2021 as Chief Financial Officer Designate, taking over as Chief Financial Officer following a well-structured handover. Sarah previously spent 13 years at Compass Group, latterly as Chief Financial Officer for the UK and Ireland region, and brings strong financial, operational and strategic skills to the Board.

During the coming year the Nomination Committee will be looking 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, and whether or not it is appropriate to bring onto the Board another Non-Executive Director.

Dividend

The Board is proposing a final dividend of 5.6 pence per share. Combined with the interim dividend of 2.6 pence per share, this gives a total dividend for the year of 8.2 pence, up 11.6% on the total dividend paid in respect of FY20.

The full year dividend is 2.0x covered by adjusted earnings, in line with our stated policy. The final dividend will be paid on 25 February 2022 to shareholders on the register on 28 January 2022.

Looking forward

The Group is a UK market leader in the development of purpose built student accommodation and build to rent. Both are attractive end markets with strong growth fundamentals. Affordable housing offers Watkin Jones another highly complementary area of growth, leveraging many of the existing core skills within the Group. Our competitive advantage comes from the experience of our management team and our unique capital-light business model, which offers an end-to-end solution for investors and allows us to work with high quality institutional counterparties.

Delivery of our strategic plan relies heavily on the continued commitment of all our employees. This could not have been stronger over the last 12 months, and I would like to thank all our employees, our suppliers and subcontractors for the resilience and resourcefulness they have shown in helping the Group deliver a strong set of results against the backdrop of the pandemic.

Alan Giddins
Chair

18 January 2022

Why invest?

We are highly cash-generative with a de-risked business model and a strong position in growing markets.

01:
Strong financial track record

Page 7

02:
Responding responsibly to market trends

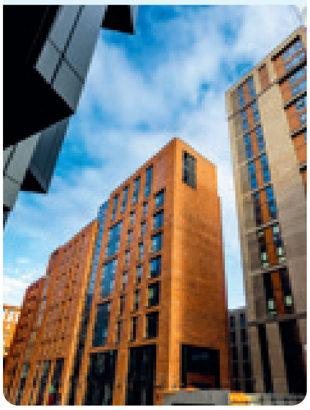
Pages 8 and 9

03:
Capital-light business model

Pages 10 and 11

04:
Strong pipeline with excellent visibility

Pages 12 and 13



172% Total shareholder return from IPO in March 2016 to 30 September 2021

70% Average annual return on capital employed[1] over five years to 30 September 2021

18,160 PBSA beds delivered since IPO along with 1,557 BTR apartments

£1.8 billion BTR and PBSA estimated future revenue from secured pipeline

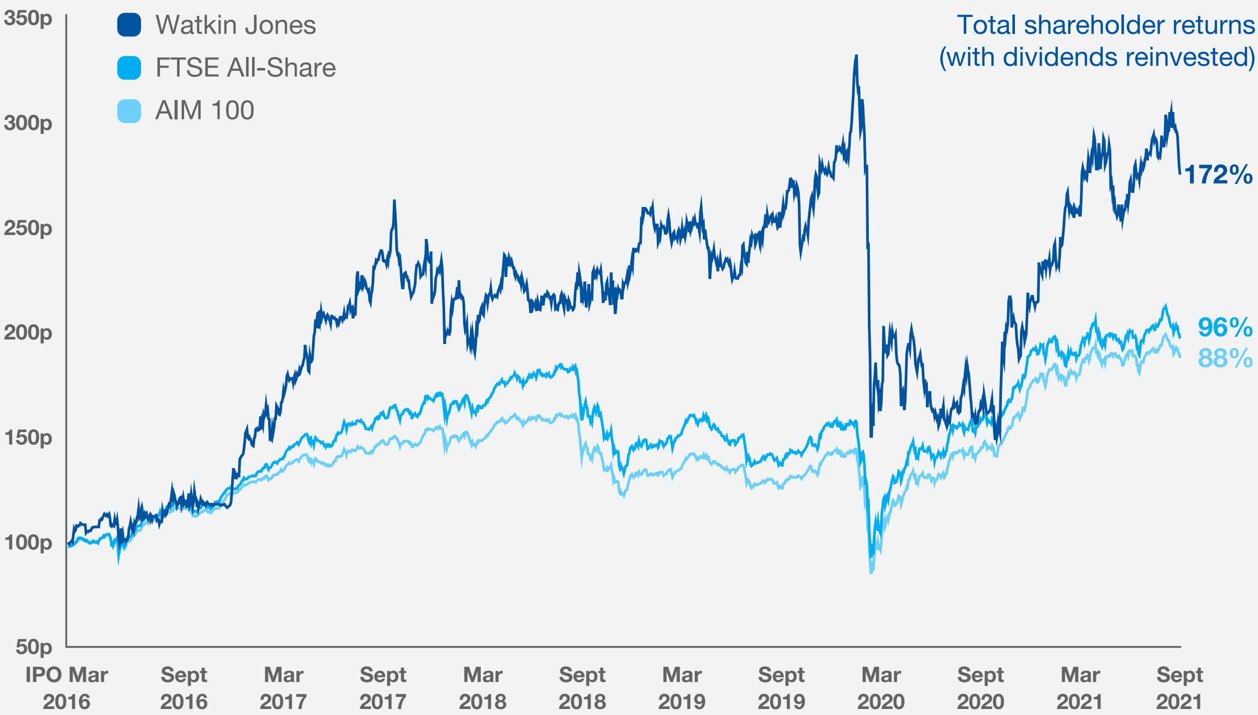
1. See page 1 for the definition of return on capital employed.

01: Strong financial track record

Since our IPO, we have delivered strong financial returns to our shareholders through progressive dividend growth and share price appreciation.

Dividends since IPO (pence per share)

Total shareholder return from IPO in March 2016 to 30 September 2021



Why invest?
02: Responding responsibly to market trends

The residential for rent market is influenced by a number of market trends that are culminating in a growing need for high quality, environmentally-friendly homes. We believe we are well positioned to respond to that demand.

Demand for new housing exceeds supply

There is a long-standing supply and demand imbalance in the UK housing market. The government continues to target 300,000 new homes each year, but delivery has generally fallen well short. This means there is a substantial and growing UK housing deficit. With traditional housebuilding companies unable to meet this target, there is significant unmet demand for much-needed modern housing.

Our response

Residential for rent has a vital role to play in helping to solve the UK's housing issues. As well as increasing the number of new homes available each year, BTR is highly suited to modern lifestyles. We are therefore leveraging our PBSA design, planning and delivery expertise and our supply chain, to capitalise on the strong similarities to BTR.

Housing is unaffordable for many

The supply-demand imbalance and extremely low interest rates have contributed to rising house prices over many years, while average real earnings have largely stagnated. Home buyers also need substantial deposits, which can take many years to save up for. This has increased the demand for high quality homes to rent. In addition, both the public and private sectors are increasing the funding available to construct new affordable housing.

Our response

With growing numbers of people unable to buy a house, renting for the long term is becoming increasingly common. We are therefore continuing to expand our pipeline of BTR developments. To address affordability, we have taken the first steps in building an affordable housing business, to create developments led by affordable homes 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 to many private investor landlords exiting the market by selling their rental stock, meaning less housing stock is available for rent. Conversely, larger scale institutional investors and pension funds are looking for attractive and 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

Student numbers continue to rise

Demand for a UK university education remains strong. The number of 18 year olds in the UK is set to rise steeply in the coming years, while the proportion who want a university place is also increasing; 41% of 18 year olds applied to start a full-time undergraduate course during the 2020/21 academic year. The number of international students from outside the EU continues to grow, reflecting the UK's position in the top two markets for those studying outside their home countries. This more than offsets a reduction in EU students post-Brexit. Much university-owned accommodation is outdated, meaning there is strong demand for new, purpose-built accommodation. PBSA has the additional 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.

Changing resident expectations

Residents' expectations of their accommodation are changing, especially amongst younger people who expect better amenities and facilities such as gyms, cinema rooms and workspaces. They are also looking for greater flexibility in how they live, making BTR accommodation a natural lifestyle choice. These expectations have been accelerated by COVID.

Our response

Fresh provides us with valuable feedback about what residents want from their accommodation. We have created 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 total carbon footprint. Net zero legislation and growing public concern means our institutional clients and the residents in our buildings are increasingly focused on the environmental sustainability of our developments, both during construction and operation. The design of the building and the materials and fittings used have an important part to play here. Being sustainable means a development must 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 by 2030 and make a meaningful impact on scope 3 emissions by the same year. 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?
03: Capital-light business model

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

1

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 brownfield sites in cities and towns, 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.

2

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.

3

Transaction and funding

Capital-light model:
We generally aim to forward sell each scheme to an investor before we start construction, reducing our risk and working capital requirements. We may 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.

4

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.

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 and doing business responsibly.

5

Accommodation management

Complete solution:

Fresh manages PBSA and BTR schemes, enabling us to offer a complete property development and management solution to our institutional clients.

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, which proved particularly important during the pandemic.

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 FY21
14

Planning consents granted
12

Developments delivered in the year
12

14 sites forward sold since the start of FY21 with a total revenue value of
£526 million

Units under management by Fresh
22,155

Return on capital employed[1]
72%

Total cash and available facilities
£238 million

1. Refer to page 71 for calculation of return on capital employed.

Our stakeholders are key to our value creation

See pages 64 and 65 for information on how we engage with them.

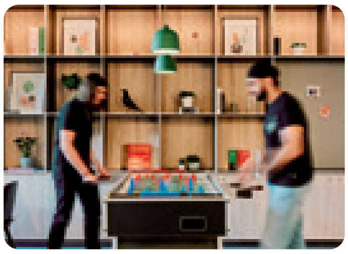
Why invest?
04: Strong pipeline with excellent visibility

Our development pipeline of 4,012 BTR apartments and 7,806 PBSA beds, representing a total of c.13,600 bedrooms, has an estimated future revenue value of c.£1.8 billion. Some successes that contributed to this in FY21 are highlighted below.

November 2020
- Secured planning permission for our first co-living scheme of 133 studio apartments in Exeter. It was sold on a forward funding basis to Ropemaker Properties in September 2021 for c.£16.9 million and is due for delivery in 2022.

January 2021
- Exchanged contracts to acquire a landmark site in Lewisham, London for a development of 322 BTR and 43 affordable apartments. The BTR development was forward sold in October 2021 to Legal and General Investment Management for £141.2 million and is due for delivery in two phases in 2023 and 2024.

February 2021
- Secured a site in Belfast for c.780 BTR apartments subject to planning.



April 2021
- Contracted to sell a 462-bed PBSA scheme in Leicester to Deutsche Finance International for £35.6 million. The development was delivered in September 2021.

May 2021
- Exchanged contracts with Plus Dane Housing for the forward sale of 159 homes at our first affordable housing focused development of 245 homes in Crewe. The remaining 86 homes were retained for open market sale and the development is scheduled to be delivered over the next five years.

July 2021

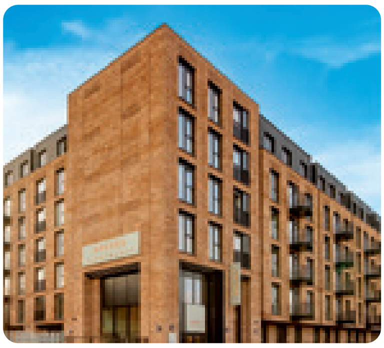
- Received planning consent for 51 homes in Llay, Wrexham, of which 23 affordable homes were forward sold to Adra for c.£3.5 million. The remainder of the units are for open market sale.

September 2021

- Received planning permission for a 354-bed PBSA development in Nottingham comprising 271 cluster beds alongside 83 studios. The development will target an Excellent rating under BREEAM, reducing its carbon footprint through the use of air source heat pumps, enhanced insulation and photovoltaic solar panels.
- Received planning permission for a 523-bed PBSA development in Selly Oak, Birmingham. The scheme will comprise 388 cluster beds and 135 studios.
- Forward sold two PBSA developments in Edinburgh, comprising 645 beds, to Singapore Press Holdings for £66.5 million. The developments are due to complete in 2022.

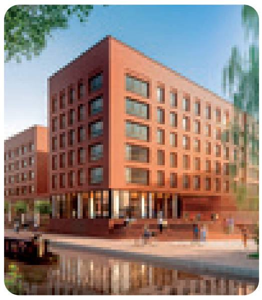
June 2021

- Exchanged contracts for the sale of a 184-apartment BTR scheme in Leicester to Catella APAM for c.£31.7 million. Amenities include co-working space, cinema room, gym and car parking with electric charging points. The development was completed in September 2021.
- Received planning permission for our largest BTR development to date. Located in the centre of Birmingham, Makers' Yard comprises 551 apartments.



August 2021

- Exchanged contracts for the forward sale of a BTR scheme in Hove to Legal and General Investment Management for £76.5 million. The 216-apartment development is due to complete in 2023.
- Secured a site in South London with the potential for c.750 PBSA beds, subject to planning.



Q&A:
Richard Simpson

We've worked hard over the last couple of years to put the foundations in place, so it's now about successful execution of our existing business model.

Richard Simpson
Chief Executive Officer

Watkin Jones Chief Executive Officer Richard Simpson answers key questions about our approach to environmental, social and governance (ESG) matters, our growth plans, conditions in the supply chain and how we support our people's wellbeing.

Q

You've continued to ramp up your ESG efforts this year. What are your ultimate objectives here?

A

This is partly about designing great buildings but also about how we build them, how we look after residents and what we bring to the communities we create.

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

Construction is a big contributor to carbon emissions but it also creates much-needed homes for people to live in. Ultimately, our objectives are to minimise our impact on the environment while maximising the positive impact that great homes can have on people's lives and communities.

Q

What are the key things you need to do to achieve your growth ambitions?

A

We've worked hard over the last couple of years to put the foundations in place, so it's now about successful execution of our existing business model – securing sites and planning, forward selling and delivering our developments. We've got the right team in place to do that and a substantial pipeline to work through.

The business will continue to evolve, so we need to make sure we support the growth of BTR and the changing role of the Affordable Homes business. Fresh will also need support as it looks to grow its presence in managing BTR developments. Ultimately, though, it's about incremental change and a rigorous approach to our operations, rather than major strategic adjustments.

Q

How have you supported your people during the pandemic?

A

We've had a major focus on wellbeing and mental health. Many people have been through a difficult time. People working from home can feel isolated, whereas those on our construction sites or working for Fresh have had to keep delivering to a high standard, while protecting themselves and others from COVID.

Over the last 18 months, we've run numerous courses, workshops and seminars, where we've invited external speakers to talk about some of the challenges of wellbeing. Our Health and Safety team have worked hard to ensure our development sites, Fresh residences and homeworking are all safe and that we're operating within government guidance. It's hugely important for our people to know that the Company cares about them, that they feel safe and that we'll be supportive if they need help.

Read more about our wellbeing initiatives on page 48.

BTR scheme, Lewisham

Q

Build To Rent seems to be progressing well. Will it soon be the largest contributor to revenue? Does this have any implications for your commitment to PBSA?

A

Based on our current development pipeline, we expect BTR to make a higher contribution to revenues than PBSA in about three years' time.

We're really pleased with how BTR is progressing but that doesn't affect our commitment to PBSA. It's a great business, we do it really well and the market is still strong. Students want to learn on-campus rather than remotely and to have the full university experience. With the number of 18 year olds growing and the government targeting a significant increase in overseas students, there'll be consumer demand for years to come. Our institutional clients are also keen to acquire new PBSA assets. We have a significant pipeline of over 7,800 beds and we're looking forward to delivering that.

See pages 30 and 31 for more on the student accommodation market.

Q

How is your affordable housing pilot progressing? What sort of contribution could this make to the Group longer term?

A

We're really excited by the opportunity in affordable housing. We're using our in-house expertise in site acquisition, planning and delivery, and it's a natural extension of our existing capital-light business model. We've secured land and planning, secured grants from Homes England, and forward sold homes in Crewe and Llay to registered providers of social housing. The next step will be to build the homes to the right specification and cost.

One of the real attractions of this market is the social benefit we can deliver. Genuinely affordable housing of the type we're developing makes a huge difference to people's lives and that makes it a great fit with our aim of being a responsible and sustainable business.

Once the business has reached a steady state, we'd expect to deliver around 1,000 homes every year.

Q

What risks do material and labour shortages in the supply chain pose to Watkin Jones?

A

There have been shortages and while we're very alert to the issue, we're confident we can manage it effectively. We have great partnerships through our framework of subcontractors, trade packages, manufacturers and suppliers. We've worked with them for many years and those partnerships help us to smooth any volatility in pricing. In addition, our supply chain overlaps with the hotel development sector. There aren't many hotels being developed at the moment, so that reduces the pressure.

We're very focused on residential for rent and that gives us a lot of expertise in managing costs in this market. That includes having fixed price contracts with our trade packages and supply chain, and as high-quality suppliers they will also have looked to forward purchase and lock in lower prices. Finally, our preparations for a no-deal Brexit have been really useful. We worked with our supply chain to ensure that materials were sourced in advance and this has helped maintain our build programmes.

All of that means we're in a good position, but we're never complacent and we review the situation on a regular basis. Things can change quite quickly and there may still be impacts from Brexit and COVID to come.

Chief Executive Officer's review

The Group delivered a strong operational and financial performance in FY21, which is particularly pleasing given the ongoing backdrop of COVID.

Richard Simpson
Chief Executive Officer

Our results for FY21 demonstrate that we are in the right sectors, with the right capital-light model and with the right team. At the same time we are continuing to lay the foundations for our future growth, including ensuring we continue to be a responsible and sustainable business.

Performance

The Group performed well across all four divisions. Overall, our financial performance was above FY20. Revenue was £430.2 million, up 21.5% (FY20: £354.1 million), while gross profit increased by 11.7% to £84.8 million (FY20: £75.9 million) and adjusted operating profit rose 10.8% to £57.3 million (FY20: £51.7 million). This shows the resilience of our businesses and bodes well for the future.

Our operational performance was also strong. Despite the ongoing disruption caused by the pandemic, all BTR and PBSA developments scheduled for delivery in the year were completed and we continued to progress our pipeline, successfully securing land, obtaining planning consents and forward selling developments. Fresh also enhanced its reputation with clients and customers, achieving high standards in difficult circumstances.

The contribution from BTR has continued to grow rapidly. Revenues were £138.6 million, representing 47.4% growth (FY20: £94.0 million), as we successfully completed five schemes totalling 1,041 apartments. The investment market in BTR is increasingly positive and therefore supports our growth aspirations, with our secured pipeline now standing at more than 4,000 apartments (5,800 bedrooms).

BTR has significant long-term appeal to investors, based on high levels of occupancy and rent collection, combined with rental growth. It also compares favourably with commercial property sectors, such as retail and offices, which are still affected by COVID uncertainty.

In student accommodation, we delivered seven schemes with 3,192 beds ahead of the start of the 2021/22 academic year. Revenues were 15% higher at £259.9 million (FY20: £226.0 million). Investor demand remains resilient, as they continue to see long-term consumer demand for a UK university education, based on on-campus teaching. Institutions therefore continue to acquire assets at robust prices. These conditions support our aspirations for this business, with over 7,800 beds in our secured development pipeline.

During the year, we made good progress with our affordable housing pilot. This included forward selling 159 affordable homes at the site in Crewe. The residential business achieved revenue of £22.7 million, down 13.7% on FY20 (£26.3 million). Revenues in FY20 benefited from the completion of a 35-apartment development in Chester, which had been sold on a turnkey basis, and in FY21 we suffered some build completion delays at our site in Preston.

More information can be found under Strategy on pages 18 to 21 and in the Affordable Homes business review on pages 32 and 33.

Fresh delivered another good performance, with revenues of £7.8 million (FY20: £7.6 million), though its revenues were impacted to a degree by the lower student occupancy during the year, which reduced its variable fee income. The business demonstrated its capabilities during the pandemic, working closely with tenants, students, their parents and other key stakeholders, including universities and the NHS. The strength of its performance has helped Fresh to stand out from other operators, enhanced its reputation with institutional clients and contributed to a further increase in units under management. At the end of the year, Fresh had 22,155 student beds and apartments under management. By 2024, it is currently contracted to manage around 23,900 units, including expected renewals.

Strategy

Our performance in the year demonstrates the success of our strategy to date. Since the end of the year, we have confirmed our intention to pivot our residential division from a pure developer of homes for sale to an affordable housing led business and have renamed it our Affordable Homes division. There is huge demand for more social housing in the UK and we are pleased to be able to contribute to meeting this pressing need, with the potential to benefit many thousands of people in the coming years.

The move also brings Affordable Homes into line with the business model for other development operations. Rather than build homes and then sell them, which incurs risk and ties up working capital, we will forward sell the developments to institutions. This de-risked, capital-light model offers us high returns on capital. Institutional demand is also strong. The market for our developments will naturally include registered providers such as housing associations, but financial investors are also attracted to affordable housing, given the low-risk rental payments which are effectively backed by government.

Enhancing our approach to ESG

ESG is a prerequisite for delivering our growth plans. Being a responsible business supports our ability to build strong relationships with our supply chain, planning authorities and residents amongst others. It is also increasingly important for our institutional clients who want their partners to reflect their own standards. During the year, we spent considerable time refining our approach to ESG, as described on page 40.

Our approach encompasses three key themes: people, places and planet. Health and safety is the number one topic in our business. The enhanced protocols required by COVID inevitably slow activity on site, so it has been necessary to find ways to increase our productivity and keep our programmes on track, without compromising safety. The fact that we have successfully completed our developments while working as safely as ever is testament to our focus. Our incident rate, which is the number of incidents recorded per 100,000 employees, was 102 (FY20: 128), which compares with 2,760 for the wider industry (source: HSE). See page 46 for more information.

The wellbeing and mental health of our people has been a big focus for us in the last year, in light of the ongoing pandemic. We have also been thinking hard about how to offer long-term, meaningful and rewarding careers, recognising that being a responsible business is good for employee engagement. To support our efforts, we have recruited our first Chief People Officer.

COVID has also put the importance of having the right culture into sharp relief. Over the last couple of years, we have been working to define what great looks like, so we can empower our people to take responsibility for delivery. At the same time, we want to maintain our ability to be entrepreneurial and seize opportunities as they arise, as we did with land purchases during the year.

Cladding remediation

In FY20, we set aside a provision of £15 million for remedial works on cladding. The cladding remediation programme is progressing well and we expect to complete the work over the next two years. As we have previously noted, while we do not have legal liability to address this, we feel it is the right thing to do. The cost of the cladding works, which is being shared with the property owners, continues to be in line with our original estimates.

In February 2021, the Government announced a tax on the profits of residential developers, combined with a planning gain levy on future developments, to recoup a portion of the cost of its high-rise cladding replacement support scheme. Profits on PBSA developments are to be excluded from the residential property developer tax but profits from BTR developments are likely to be within scope.

We are supportive of the Government's announcement on 10 January 2022 regarding its intention to protect individual leaseholders from bearing the cost of the remediation of unsafe cladding on medium-rise buildings. We are engaging with the Government to clarify its plans in this regard and to confirm whether pro-active remediation will be taken into account.

We note the Government's intention for leaseholders to be able to demand compensation for building safety defects up to 30 years old, noting that historically, the business focused on general contracting work for properties in the commercial, retail and industrial sectors, as well as houses for private sale, rather than residential leasehold developments.

We will provide an update on any implications for the Group as these plans evolve into clear proposals.

Board and management

Grenville Turner and Phil Byrom stepped down from the Board towards the end of 2021. Watkin Jones went from strength to strength under Grenville as Chair and Phil made a major contribution to the Group in his many years as CFO and was a particular support for me when I joined as CEO. I want to express my huge thanks to them both and welcome Alan Giddins and Sarah Sergeant as our new Chair and CFO. We are delighted to have them on board.

Outlook

We continued to make good progress during the year. Our development capability, combined with favourable market dynamics and our capital-light business model, has enabled us to deliver strong operational and financial performance. In particular, we continued to enhance our BTR and PBSA development pipeline, which has an estimated future revenue value to the Group of c.£1.8 billion, our largest ever. This gives us excellent visibility of revenues over the next few years. Together with the ongoing re-focusing of our residential business into the affordable housing market, we are confident that we have a robust platform for sustained earnings growth and we expect to make further progress in the coming year.

Richard Simpson
Chief Executive Officer

18 January 2022

Our strategy

Our strategy is designed to deliver sustainable growth across the Group, while continuing to improve the way we operate.

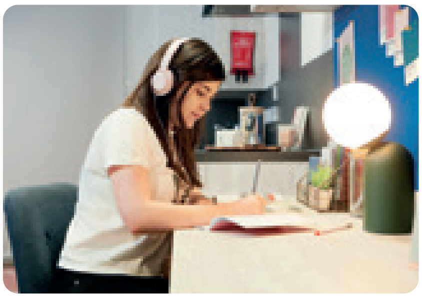
1 Growth

Our growth strategy is built around the following key areas of focus:

- continue to leverage our leadership position in PBSA development;
- grow in BTR by leveraging our PBSA expertise, our supply chain and our institutional relationships;
- continue to evolve our Affordable Homes business into an affordable homes-led developer, replicating our capital-light business model by forward selling developments, while including an element of private sale housing to enhance profitability; and
- offer institutional-grade letting and management services, so institutions engage us to manage their PBSA and BTR assets.

Link to risk:

- Economic cycle
- Increased competition
- Land availability
- Liquidity



2 Operational excellence

We continue to enhance delivery of our developments and accommodation management services by:

- optimising the way the business is structured, to support cross-functional working and empower our teams;
- investing in our systems and processes, to increase efficiency and effectiveness;
- continuing to embed our desired culture throughout the Group; and
- utilising new technology.

Link to risk:

- Project delivery
- Build quality
- Capacity and capability

3 Responsible operations

Our responsible business strategy for environmental, social and governance issues incorporates three strands:

- Future People: to create and maintain a company that is great to work for, which celebrates diversity and inclusion and where everyone's health and wellbeing is a priority.
- Future Places: to enhance the experience of our customers and client satisfaction by delivering buildings and services that meet their needs and are of the highest quality.
- Future Planet: to 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
- Failure to comply with legislation

Strategy in action

1

Growth

We made excellent progress with implementing our growth strategy and are well placed to deliver future growth.

Progress

- Completed forward sales of three BTR developments and nine PBSA developments since the start of FY21, including repeat business with existing institutional partners and deals with new institutions.
- Maintained the momentum in our pipeline, securing three BTR sites (c.1,440 apartments) and ten PBSA sites (c.4,270 beds), giving us our largest-ever pipeline with a future revenue value of around £1.8 billion and providing improved visibility over a longer period.
- Secured planning on 12 sites, totalling 1,446 BTR apartments, 2,030 student rooms and 296 homes in key locations across the UK, including our largest BTR consent to date in Birmingham.
- Progressed our affordable homes pilot, including forward selling the affordable component of the sites in Crewe and Llay, and developed our strategy to pivot our residential business to be affordable housing led.
- Added a further 1,976 student beds and BTR apartments to Fresh's management.

Priorities in FY22

- Leverage the growth inherent in our development pipeline and continue to:
  - secure new sites;
  - add value to sites through securing planning consents;
  - forward sell the developments for which we obtain planning; and
  - deliver our developments on time and to a high standard.
- Progress the transition of the residential business to an affordable housing-led developer.
- Continue to make progress in positioning Fresh to be a leading third-party operator of BTR assets.

Strategy in action

2

Operational excellence

The successful completion of developments in FY21 demonstrated the strength of our delivery against the backdrop of COVID.

Progress

- Successfully completed five BTR and seven PBSA developments as planned during the year, totalling 1,041 BTR apartments and 3,192 student rooms, reflecting success of the working practices implemented during COVID.
- Stepped up our use of consumer insights from Fresh to inform our approach to our developments.
- Increased the number of cross-functional investment hubs, which are responsible for key aspects of our developments, including securing sites, planning and design, and created an affordable housing hub.
- Set up a specialist function to divest developments to investors.
- Recruited a new Managing Director for Delivery, our first Chief People Officer, a Company Secretary and a Strategic Planning Director.
- Successfully introduced our management platform for the BTR assets managed by Fresh, resulting in improvements to website performance and positive resident feedback.
- Enhanced business development in Fresh, including the appointment of a Strategy and Business Development Director.
- Restructured the residential business as part of its transition to being an affordable housing-led developer.
- Made progress in designing affordable house types and in evaluating suitable modern methods of house construction, including timber frame.

Priorities in FY22

- Further embed our culture of empowerment, strong cross-functional working and clear accountability.
- Continue to refine our organisational structure, to ensure it aligns with our vision and growth plans.
- Ensure we have the skills and capabilities we need to deliver our growth plans, for example through training and development and succession planning.
- Strengthen relationships with local authorities ahead of submitting planning consents, so they understand our business and how we can contribute to their local area through our developments, and we understand their priorities.
- Continue to actively review and manage our supply chain, to ensure continuity of supply.
- Roll out Yardi across the student accommodation assets managed by Fresh.
- Roll out a client management tool in Fresh, to support high standards of client service.
- Advance the delivery capabilities of the Affordable Homes business to support its growth in output and trial timber frame house construction.
- Continue to progress affordable house type specifications and design.

Strategy in action

3

Responsible operations

During the year we launched our ESG strategy, Future Foundations, which sets out our sustainability ambitions.

Progress

- Launched Future Foundations, our ESG strategy, based around our Future People, Future Places and Future Planet.
- Set a number of ESG targets including net zero emissions for scope 1 and scope 2 by 2030 and meaningful impact on scope 3 by 2030.
- Continued to report well below the national incident rate for the construction industry in health and safety.
- Invested in employee welfare, including a Thrive programme aimed at improving wellbeing and mental health, and introducing 'Time to Talk' sessions around our construction sites to encourage openness and communication.
- Commenced trial of timber frame construction for affordable homes, a modern method of construction which is more sustainable and has a lower carbon impact than traditional methods.
- Diverted 95% of waste from landfill.
- Reviewed design requirements and cost implications of improving environmental performance of our developments with reference to industry standards such as BREEAM for PBSA and HQM for BTR.
- Developed new company car fleet policy to switch to hybrid and electric vehicles.

Priorities in FY22

- Incorporate ESG decision-making into day-to-day business processes.
- Develop our people strategy in light of the three key themes identified in our employee engagement survey: investing in our people, supporting and managing workload, and creating a great place to work.
- Progress our Women Into Construction pilot on two schemes within our construction business.
- Continue to run regular sessions on mental health and wellbeing.
- Calculate the carbon baseline against which we will calculate the reduction in our emissions.
- Seek accreditation under the ISO 45003 occupational health and safety standard to ensure that we effectively manage our health and wellbeing programmes.
- Strengthen our procurement processes for suppliers to take account of our sustainability agenda and net zero ambitions.

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 (%)

19.7%

FY20	21.4%
FY19	21.4%
FY18	20.6%
FY17	21.8%

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
The gross margin was maintained at close to 20.0%, though reduced slightly compared to previous years. This mainly reflects the loss of revenue of c.£5.0 million on our leased student properties as a result of the lower student occupancy caused by the pandemic. Without this loss the margin for the year would have been c.20.6%, in line with historic performance. Development margins remain in line with our expectations.

Basic EPS (adjusted) (pence)

16.4p

FY20	14.7p
FY19	16.1p
FY18	15.1p
FY17	13.0p

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 increased to 16.4 pence, following the COVID-affected result for FY20. Despite the ongoing disruption caused by the pandemic, our EPS performance has been maintained, reflecting the resilience of our business model and ability to continue to generate strong returns for shareholders.

Return on Capital Employed (ROCE) (%)

72.1%

FY20	58.5%
FY19	71.2%
FY18	76.1%
FY17	70.5%

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 recovered to 72.1%, consistent with the performance in the three years prior to the onset of the pandemic in FY20. This reflects the strong profit and cash generation for the business resulting from forward selling our developments, with only a low level of capital employed.

The performance measures we use to manage our ESG commitments can be found on pages 42 and 43.

Non-financial KPIs:

Secured BTR pipeline (apartments)

4,012

FY20	4,466
FY19	2,312
FY18	1,478
FY17	966

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 maintained, with 1,041 apartments completed in the year and 587 apartments added. The future estimated revenue value of the secured pipeline amounts to c.£0.95 billion (FY20: £0.9 billion).

Secured PBSA pipeline (beds)

7,806

FY20	7,910
FY19	6,670
FY18	7,534
FY17	9,120

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
Good progress with the PBSA development pipeline. Student bed numbers maintained, with 3,192 beds completed in the year and 3,088 beds added, but with the higher value mix of the new sites increasing the future estimated revenue value of the secured pipeline to c.£0.9 billion (FY20: £0.6 billion).

Student beds and BTR units under management

22,155

FY20	20,179
FY19	17,721
FY18	15,421
FY17	16,617

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 achieved a good increase of 10% in the number of student beds and BTR apartments under management, with their reputation further enhanced by their performance during the pandemic.

Operating review

Build To Rent

Key statistics

Delivered FY21

1,041 apartments

5 schemes

Secured pipeline

4,012 apartments

10 schemes

Forward sold

609 apartments

3 schemes

BTR continues to gain momentum, with five developments completed as planned in the second half of the year. These were the schemes in Reading, Stratford, Sutton and Wembley, all of which had been forward sold prior to the start of the year, and the Leicester development, which was sold on a turnkey basis during FY21. In total, these schemes comprised 1,041 apartments.

This activity resulted in a significant increase in BTR revenues in FY21. Revenues rose from £94.0 million in FY20 to £138.6 million this year, representing growth of 47.4%.

BTR gross profit for the year doubled to £29.8 million (FY20: £14.9 million), resulting in a gross margin of 21.5% (FY20: 15.8%). The strong gross margin for FY21 reflects our operational performance in efficiently finishing the schemes completing in the year, with good control of costs. In addition, we only had one new forward land sale in the year. The land sale element of our forward sales agreements are typically at a lower margin than the subsequent development revenues and a higher volume of land sales would therefore normally reduce the overall margin for the year. We will continue to target BTR margins at 15% in the medium term.

During the year, in addition to the turnkey sale of the 184-apartment Leicester scheme, we forward sold a 216-apartment development in Hove for delivery in FY23. Subsequent to the year end, we completed the forward sale of a development for 322 apartments in Lewisham to be delivered in two phases in FY23 and FY24.

We have added attractive new sites to our BTR pipeline. During the year, we secured a site in Belfast for 778 apartments and a site in Edinburgh for 450 apartments, both subject to planning. After the year end, we secured a site for 214 apartments in Leatherhead, with the benefit of planning. We are working on a number of other site acquisitions.

We also continued to obtain planning permissions, securing consent for a 551-apartment scheme in central Birmingham and 316 apartments in Bath, as part of a mixed-use scheme including PBSA. The Birmingham scheme is our largest consented BTR development to date.

Sienna House, Sutton

Thames Quarter, Reading

The current BTR secured development pipeline is shown in the table below:

		BTR apartments			
	Total pipeline	FY22	FY23	FY24	FY25
Forward sold	609	71	354	184	—
Forward sales in legals	765	—	—	486	279
Sites secured with planning	359	—	43	—	316
Sites secured subject to planning	2,279	—	—	631	1,648
Total secured	4,012	71	397	1,301	2,243

The estimated future revenue value to the Group of the secured development pipeline is c.£0.95 billion (FY20: £0.9 billion), of which c.£197 million is currently forward sold (FY20: c.£90 million).

Thames Quarter, Reading

Build To Rent
continued

The BTR market opportunity

Several factors are creating strong demand for BTR accommodation, as increasing numbers of people rent their homes for the medium to long term.

There is a long-standing structural supply and demand imbalance in the UK housing market, with new homes completed each year generally falling well short of the government's annual target of 300,000.

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.


Sienna House, Sutton

Across the market as a whole, 92.5% of the BTR units currently completed, under construction or in planning are in urban areas.

Lifestyles are also changing. People are increasingly getting married and having children later, delaying the point at which they buy a house. Young people in particular often see renting as a better lifestyle choice, providing quality of living while maintaining flexibility, in the expectation of changing jobs more frequently than in the past. BTR also offers good home working facilities, combined with a sense of community, which is likely to be increasingly attractive given the change in working patterns caused by the pandemic.

With consistently strong demand for housing, the supply of BTR apartments continues to grow. At Q2 2021, the total number of BTR apartments completed, under construction or in the pipeline amounted to c.196,000 units, up 17% on a year earlier.

Of these, just over 62,000 had been completed. At full maturity, the BTR sector could grow to 1.75 million units (source: Savills, August 2021), providing significant scope for growth.

Ownership of UK rented housing is fragmented, with only around 3% estimated to be owned by institutional investors (source: British Property Foundation). This is well below the levels seen in countries with more mature rental markets. While the largest UK owners have several thousand units each, both Germany and the USA have investors who own more than 100,000 units each (source: Savills, August 2021).

Institutions are increasingly attracted to BTR assets in the UK, which provide high income security with occupancy and rent collection rates typically over 95%. CBRE estimates that around £1.5 billion was invested in BTR in the first six months of 2021, up 34% over the same period in 2020. Major institutions such as Goldman Sachs and Macquarie have entered the market to buy BTR developments this year.

1. MHCLG (or MLUHC) English Housing Survey 2019-20.
2. Knight Frank Residential Market Forecast August 2021.
3. Savills The Sky's The Limit report, June 2019.

Thames Quarter, Reading

The sector has historically been dominated by domestic capital, but Knight Frank estimates that more than 60% of the investment in BTR in H1 2021 came from outside the UK.

While BTR yields have remained broadly stable in recent years, the strong institutional demand is putting yields under downward pressure. The reduction in corporate debt rates of 66 bps between Q1 2020 and Q2 2021 has also increased the spread between prime BTR yields and the cost of debt to its highest level in more than six years, creating room for yield compression (source: Savills).

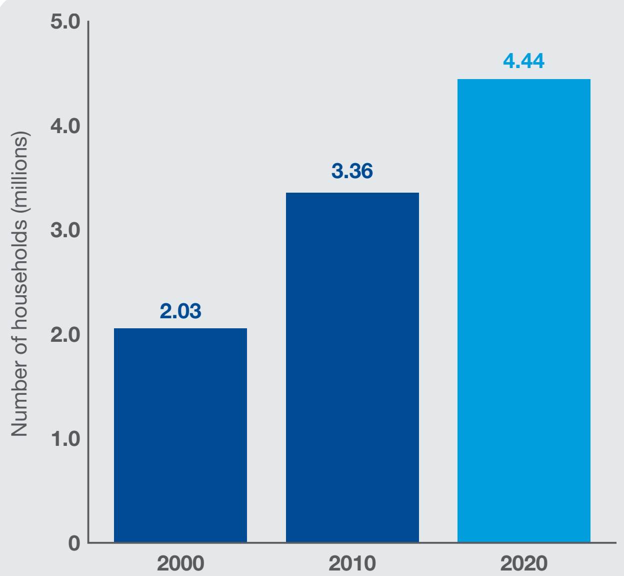
19%[1]
rental share of UK households

£75bn[2]
investment by 2025 (2021: £41 billion)

15%[2]
forecast rental growth by 2025

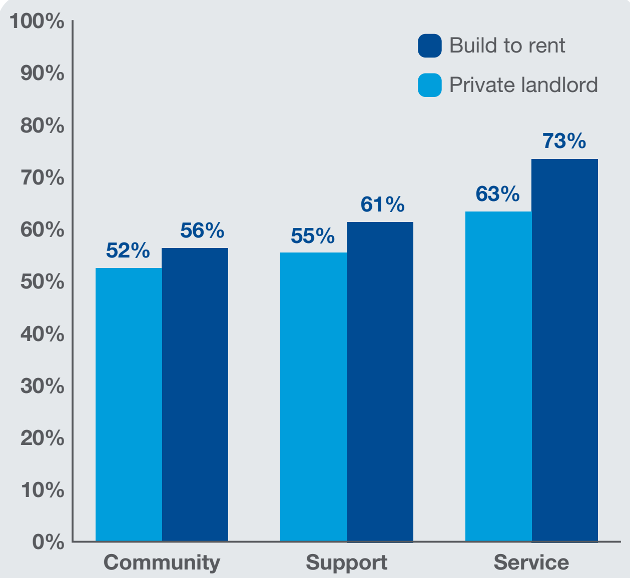
£544bn[3]
forecast market maturity

Private rental housing in England



Source: Statista.

Growing BTR satisfaction



Source: UCKAA 2021 Resident Sentiment Survey

Student Accommodation

Key statistics

Delivered FY21

3,192 beds

7 schemes

Secured pipeline

7,806 beds

22 schemes

Forward sold

2,547 beds

10 schemes

During the year, we completed all seven PBSA developments (3,192 beds) due for delivery ahead of the 2021/22 academic year. This contributed to revenues of £259.9 million, up 15.0% from the £226.0 million recorded in FY20. PBSA revenues include the rental income of our six historic leased PBSA assets. Lower student occupancy as a result of the pandemic reduced this revenue by c.£5.0 million, which was within our guidance.

Gross profit was £50.5 million, down 7.0% (FY20: £54.3 million), giving a gross margin of 19.4% (FY20: 24.0%). The reduced gross margin was primarily as a result of the reduction in the level of rental income from the leased assets and the lower margin associated with new forward land sales in the year. The underlying margin from development activity was in line with our expectations.

Against the backdrop of the ongoing disruption caused by the pandemic, we successfully completed all the developments due for delivery in FY21 on time, with the exception of a small delay in the delivery of one scheme in Glasgow for which the build programme was heavily impacted by the Scottish Government's enforced closure of construction sites in 2020. Acceleration measures had been negotiated with the client for this development to ensure it could still be delivered ahead of the start of the new academic year.

We achieved a number of new sales in the year. These comprised a 462-bed scheme in Leicester, which was sold on a turnkey basis and was one of the seven developments that we completed in FY21, and six new forward sales for 1,687 beds for delivery in FY22. These were in Bristol (291 beds), Edinburgh (645 beds), Exeter (133 beds), Leicester (250 beds) and York (368 beds).

The Exeter scheme is our first fully co-living studio scheme, available to rent to the wider residential tenant market, including students.

Subsequent to the year end, we concluded forward sales agreements for a scheme in Colchester (286 beds) and a further scheme in Edinburgh (295 beds and 20 affordable units), for delivery in FY23.

We also made good progress with adding to our development pipeline. During the year, we secured sites subject to planning in Edinburgh (c.390 beds), South London (c.750 beds) and East London (c.390 beds). We also secured sites in Nottingham (354 beds) and Swansea (370 beds), on which we have obtained planning, and after the year end we secured a site with the benefit of planning in a prime regional location (819 beds). Significant planning consents were also obtained for 523 beds in Birmingham and for 335 beds in Bath, as part of the mixed-use scheme that includes BTR.

Steelworks, Sheffield

The Tannery, Leicester[1]

The current PBSA secured development pipeline is as shown in the table below:

	PBSA beds				
	Total pipeline	FY22	FY23	FY24	FY25
Forward sold	**2,547**	1,946	601	—	—
Forward sales in legals	**252**	—	—	252	—
Sites secured with planning	**2,401**	—	1,020	1,381	—
Sites secured subject to planning	**2,606**	—	350	1,507	749
Total secured	**7,806**	1,946	1,971	3,140	749

The estimated future revenue value to the Group of the secured development pipeline is c.£0.9 billion (FY20: £0.6 billion), of which c.£160 million is currently forward sold (FY20: c.£215 million).

Wilder Street, Bristol

1. Jasper Sanders + Partners©.

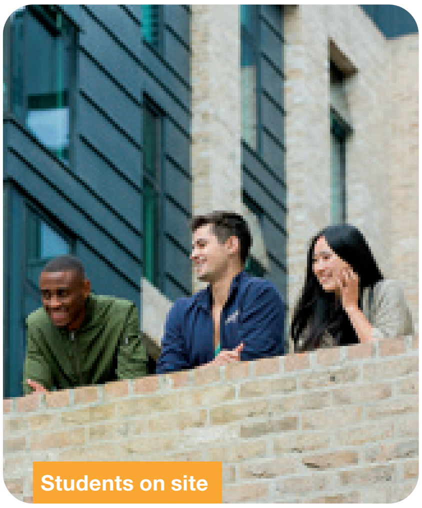
Student Accommodation continued

The PBSA market opportunity

The number of full-time students in the UK is a key determinant of demand for PBSA. In 2019/20, there were around two million full-time students, up 3.9% on the previous year.

Undergraduate numbers rose 2.3% in 2019/20 to just over 1.6 million, while postgraduate numbers increased by 10.5% to 0.4 million. Overall, student numbers are up 14% over the last five years.

Trends in demand for university places remain positive. 2021 brought the first increase in the number of 18 year olds in the UK since 2015, a trend set to continue until 2030. At the same time, the proportion of 18 year olds applying for higher education continues to grow, reaching a record 41.5% (source: Cushman & Wakefield) of which a record 89.1% of applications were accepted.



Students on site

UCAS data for 2021 shows a 17.1% increase in applications from non-EU countries, in particular India (up 42%), China (up 31%) and the USA (up 28%). The change in the Tier 4 visa rules is one factor making UK higher education more attractive. Chinese and American students are respectively 2.2 times and 1.9 times more likely to live in PBSA than UK students (source: Savills).

EU student numbers fell by around 17,000 or 40%. This is likely to be the result of Brexit, which has led to higher tuition fees for EU students and the withdrawal of financial support from Student Finance England. While EU student numbers may decline further, they make up only 6-7% of the market (against 19% for non-EU) and there is more than enough demand from other sources to compensate.

While COVID disrupted the number of UK and international students who were able to take up accommodation for the 2020/21 academic year, the pandemic is only expected to have a short-term effect on occupancy. Students clearly prefer to study away from home at their chosen university and more normal occupancy levels are anticipated for 2021/22.

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 high-tariff institutions recorded a 13.2% increase in acceptances, compared to only 1.1% for low-tariff universities. This has clear implications for the location of new PBSA developments.

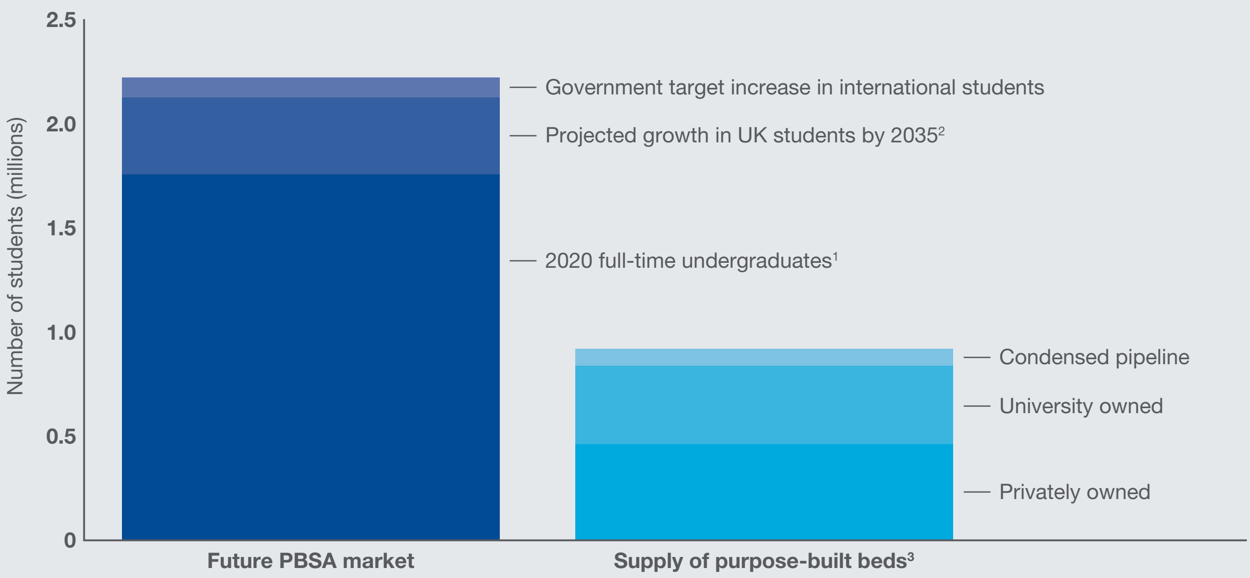
There is a long-term demand-supply imbalance for PBSA, which is only expected to increase, with the predicted annual increase in the number of students exceeding the supply of new beds. There are currently around 681,000 PBSA beds in the UK (source: Cushman & Wakefield), with privately owned PBSA accounting for more than 51% and the private sector delivering 85% of the new beds this year. In total, around 20,000 new private sector rooms were delivered in 2020/21, against an original expectation of 35,000, with COVID causing developers to push some projects back. The total development pipeline nationwide stands at 115,000 beds, of which around 67,000 have full planning approval.

Fresh, Truro Works, Sheffield

Much PBSA stock is outdated and needs redevelopment, presenting further opportunities. Around one quarter of total PBSA was built pre-1999 and university accommodation is even more dated, with around 50% built pre-1999 and 74% pre-2009 (source: Cushman & Wakefield).

Institutional investors are attracted to UK PBSA as a mature, stable and income-producing asset class. The investment market remains very active, with £2.0 billion of assets traded in the first half of 2021 (source: Knight Frank). This followed a record £6.0 billion in 2020, although £4.7 billion of this was accounted for by a single large transaction.

Since the start of 2020, a number of new investors have entered the sector, demonstrating continued confidence in the sector's ability to deliver attractive returns.



Sources: 1. HESA Student Record 2018-19; 2. Demand for Higher Education to 2035, HEPI, October 2020; 3. Cushman & Wakefield UK Student Accommodation Report 2020-21, Property Week 24 March 2021.

Operating review continued

Affordable Homes

Key statistics

Sales completions

79
houses and apartments

Secured affordable homes pipeline

345
homes

4
schemes

Forward sold

182
homes

2
schemes

Revenues for the Affordable Homes division amounted to £22.7 million, compared to £26.3 million for FY20, a reduction of 13.7%. The business achieved 79 sales completions in the year (FY20: 95). These sales were primarily of traditional housing at our sites in North Wales, Macclesfield and Preston, and continued sales of apartments in Bath.

The reduction in revenues was mainly due to build delays at the Preston site, where the build programme had initially been suspended during the early stages of the pandemic and we experienced some challenges on-site, which have since been addressed. In addition, revenues in FY20 benefited from the completion of a 35-apartment scheme in Chester, which had been sold on a turnkey basis.

Gross profit for the year was 36.7% lower at £2.6 million (FY20: £4.0 million), representing a margin of 11.3% (FY20: 15.4%). The reduction in gross profit reflects the lower sales volume, as well as a lower margin due to the mix of sales, which included a number of units at the older developments in Macclesfield and Bath that were cleared at low margins.

Significantly, we made good progress with our North West affordable homes pilot, paving the way for transitioning the residential business to be an affordable housing-led developer.

In the year, we secured sites in Crewe (245 units) and Llay, Wrexham (51 units), on which we obtained planning, and we have forward sold:

- 159 affordable homes at the Crewe site to Plus Dane Housing, whose bid was successfully supported by grant funding from Homes England. These units are to be delivered over the period FY22 to FY26; and
- 23 affordable homes at the Llay site to Adra, for delivery over a two-year period once site works can commence.

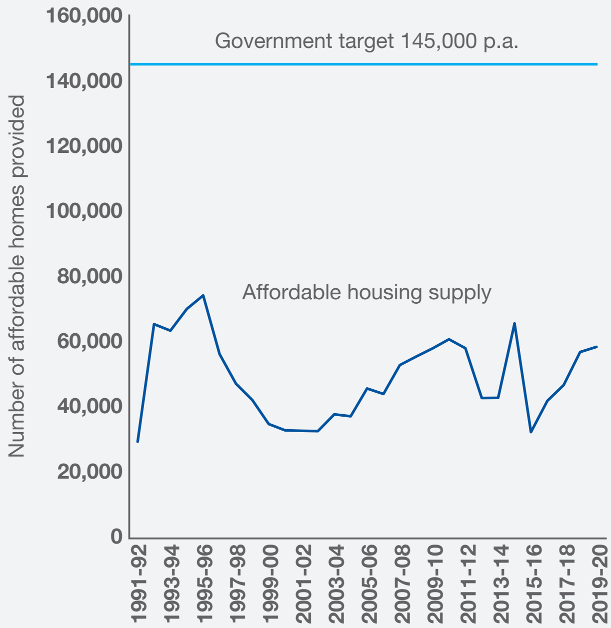
The balance of the units at Crewe and Llay are for open-market sale.

We continue to progress a number of other site opportunities for affordable homes developments.

As part of our plans to transition the residential business, we have restructured its operations in order to support the scaling up of its delivery capabilities and to align its site acquisition and planning processes with those of the wider Group, creating a focused affordable homes investment hub. We have also evaluated suitable alternative modern methods of construction, in order to support higher build volumes in a sustainable way, and we will be trialling timber frame construction on the Crewe site.

We expect that Affordable Homes will start to contribute to Group revenues from FY22.

CGI of our affordable homes development in Crewe



Source: Homes England, Greater London Authority, local authorities, delivery partners.

The affordable homes market opportunity

Affordable housing is defined by the National Planning Policy Framework as housing for sale or rent, for people whose needs are not met by the market.

There are several different types of affordable housing. One example is social rent, where homes are owned by local authorities or registered providers (such as housing associations). 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.

Property developers looking to secure planning consent from local authorities will usually be required to undertake what are known as s106 requirements, designed to reduce the impact of their development on the local community. These requirements often include constructing affordable housing. 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 Greater London Authority. Homes England's grant funding for the next four to five-year period from 2021 is likely to be c.£12 billion, a significant uplift on the £9 billion for the period from 2016 to 2021.

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

More generally, affordable housing is a key focus for all political parties. Legislation therefore tends to be supportive of the affordable homes market. The government's proposed planning reforms have a number of key themes that support our approach to affordable housing, including an emphasis on affordability, building communities and developing in an environmentally and socially responsible way.

Operating review continued

Accommodation Management

Key statistics

Student beds and build to rent apartments under management

FY21

20,179

66 schemes

FY22

22,155

69 schemes

Fresh achieved revenues of £7.8 million (FY20: £7.6 million). The increase was supported by the growth in the number of beds under management at the start of FY21 (20,179), compared to the start of FY20 (17,721). However, while the majority of Fresh's revenues derive from fixed management fees, a proportion varies with student occupancy and this element was reduced as a result of the pandemic, suppressing revenue growth overall.

Gross profit was £4.1 million, down from £4.5 million in FY20. This represented a margin of 52.6% (FY20: 59.8%). The lower margin reflects the loss of variable fee income. In a normal year, we expect Fresh to generate a gross margin of around 60%.

Fresh had a successful year for new business, winning mandates for 4,296 student beds and BTR apartments across ten sites. These were a mix of new schemes and taking on existing schemes from the previous operator. At 30 September 2021, Fresh was managing 22,155 student beds and BTR apartments across 69 schemes. The business is currently appointed to manage 23,885 beds and apartments by FY24, including expected renewals.

Continuing to support its student customers and clients through the pandemic was a major focus for Fresh during the year. The business had demonstrated its credentials in FY20 when it received COVID-secure accreditation from the British Safety Council and it continued to employ rigorous safety protocols during FY21. Fresh's Be wellbeing programme was also key for supporting residents. It provides online communities, support and advice, helping people to remain connected during a difficult period.

Fresh's service quality was reflected in its performance at the National Student Housing Awards 2021, where it won more awards than any other operator. These were: Best Private Halls Provider UK; Best Private Halls Provider ROI; Best Student Wellbeing UK; Best Student Wellbeing ROI; Best Customer Service ROI; and Best Learning Environment – Calico Liverpool.

Fresh also received the International Accommodation Quality Mark for the UK and ROI and had 23 team members nominated as Student Accommodation Heroes.

In the Global Student Living Survey, Fresh achieved a net promoter score of +32, against a benchmark figure for large providers of +12 and university halls of -8.

During the year, we launched our new management platform, Yardi, for our BTR schemes. The platform has been built specifically for Fresh and the needs of our clients and residents. It means we have a single platform from our website and point of enquiry, all the way through to client reporting, with live data at the touch of a button. A fully integrated app supports the residents' experience, enabling them to manage all aspects of their tenancy and to connect with our teams and their neighbours. We are already seeing good improvements in our website performance and positive feedback from residents. We started to roll out Yardi for our student schemes in October 2021, helping to drive efficiencies for us and our clients.

RESI AWARDS 10 YEARS WINNER

STUDENT ACCOMMODATION CONFERENCE · SHOWCASE · AWARDS 2021 WINNER

NATIONAL STUDENT HOUSING AWARDS WINNER 2021

Truro Works, Sheffield

Kelaty House, Wembley

The accommodation management market opportunity

The market for professional accommodation management services continues to grow, as institutional investors seek management partners to work with them to drive the performance of their PBSA and BTR assets.

Overall growth in the market is directly linked to demand for new student accommodation and BTR developments, as described on the preceding pages. Opportunities for accommodation management providers continue to arise as new buildings are completed. There is also a growing secondary market as existing contracts expire and are retendered. In recent months, we have seen an increase in portfolios of PBSA assets for sale, which creates opportunities to manage those assets on behalf of new owners once deals complete.

In previous years, the pipeline of opportunities for Fresh was dominated by PBSA assets, reflecting the much greater number of such schemes compared to BTR. We are now seeing a marked increase in the number of BTR schemes that are available to tender.

In addition, we see exciting potential in the co-living market, where the properties are highly similar to PBSA and offer a good halfway point between student accommodation and BTR. This makes them highly suitable for new graduates, for example.

Many of the larger accommodation managers are the in-house arms of owner operators. The pool of pure third-party operators remains small, with Fresh being the largest third-party manager of student property in the UK.

Successful operation in the market requires sufficient scale to invest in the infrastructure and the specialist skills required (see the business model on pages 10 and 11 for more information). At least 5,000 beds under management is seen as the minimum level, making it difficult for new operators to enter the market. As a result, no notable new entrants have been seen in the student market in recent years. A similar dynamic is expected in the BTR market as it develops and Fresh will be looking to leverage its experience and expertise in the PBSA market to secure its position in the BTR space.

Making it modular at **Sienna House**

Build To Rent

"We're very proud of the working relationship between M&G and Watkin Jones. The building is another great example of a high-quality scheme with brilliant amenities and the third build to rent building to be delivered by Watkin Jones for M&G in under a year."

Alex Greaves, Head of UK and Euro Living, M&G Real Estate

Sienna House in Sutton is one of two BTR developments completed during the year and successfully handed over to M&G Real Estate. The building offers residents 166 beautiful homes, stylish amenity space, gardens and a children's play area, as well as a rooftop terrace with views both over London and the Surrey Hills.

It also offers superb connectivity, located next to Sutton railway station, making both central London and the open spaces of Box Hill accessible within 30 minutes via public transport.

However, this position proved a real challenge for the delivery team, who faced a site with restricted access located along the railway line. Any closure or obstruction of the line could have been costly or dangerous. The solution was to innovate through modular construction techniques, enabling a large portion of the building to be created in factories off-site. As well as improving quality, it reduced health and safety risk and allowed construction to progress more quickly and efficiently. It also meant 70% fewer vehicle movements to and from the site, significantly reducing both the environmental impact of the construction and the disruption to the local community.

The modular learnings from Sienna House have been shared across the delivery team, which will help us to meet our sustainability targets and create the future of living by minimising our impact on the local community.

Scan this QR code to see how we used modular construction techniques to build Sienna House.

End-to-end expertise at **Kelaty House**

Student Accommodation

Watkin Jones was approached to join the project to redevelop Kelaty House in Wembley, at the time a proposed 599-bed student accommodation and 300-bed apart-hotel.

Wembley had started its regeneration and the Group had identified it as an area of interest given its location and strong transport links, so the opportunity was quickly progressed.

The plans for the existing planning permission were recognised as institutionally unviable and did not maximise the potential of the site. We used our in-house expertise to achieve an amended planning permission which increased the number of PBSA beds by 100, as well as the technically very challenging uncoupling of the apart-hotel and student accommodation to make the two elements individually institutionally fundable.

The student accommodation, named Pavilion Court, was forward funded by DWS in their first UK PBSA investment. We were able to offer DWS a 'one-stop-shop' solution to confidently deploy its capital into the UK residential market, with Fresh providing the ongoing management of the site.

As the project progressed, the Watkin Jones design managers worked closely with Fresh, leveraging the latest resident insights to create a welcoming space, as well as the 'shareable' moments in places like the courtyard treehouse that sets the development apart for prospective residents.

The COVID pandemic hit during a critical phase for the project, but safety was our absolute priority. We quickly adapted and developed very robust health and safety procedures to keep the site COVID-secure while pressing ahead with the build. The strength and depth of Watkin Jones' expertise and supply chain meant that the delivery team were able to keep labour and materials flowing to keep the build on track and it opened on time for Fresh to welcome residents.

The apart-hotel was developed by Watkin Jones for Kelaty Propco Ltd, a Singaporean-owned joint venture. It has since been sold and is being converted into co-living, also to be managed by Fresh.

Scan this QR code to see how our integrated one-stop solution helped to create Kelaty House.

Acting on **affordable housing**

Affordable Homes

We are leveraging our capital-light model, established housebuilding capability and existing institutional relationships to deliver on our social objectives.

Our 245-home affordable housing development pilot is about to commence on site in Crewe, an excellent location with easy links to Liverpool and Manchester, but part of a region experiencing severe housing shortages. In 2020, nearly 200,000 households were on local authority waiting lists for housing in the North West; this figure was second only to London[1]. This underlines the demand for affordable homes in the region.

Through our forward-funded model and planning expertise, we were able to plan the site and achieve funding to create 115% more affordable units than the planning consent required for the scheme. These homes have been forward sold to the local housing association, Plus Dane, supported by grant funding from Homes England, while Watkin Jones has retained part of the site for private sale, creating a diverse community.

As well as its significant wider social benefits, the site is designed to minimise its environmental impact and maximise its positive local presence. All homes will have electric charging points, large open spaces surround the streets connected by 'green lungs', with many of the original trees retained alongside new ponds to improve biodiversity. We are also trialling timber frame construction to create a number of the homes on the site. This form of construction is more sustainable and has a lower carbon impact than traditional methods.

The success of this pilot in delivering on our social objectives, as well as strong interest from investors and returns in line with our target model, gives us confidence in moving forward with our affordable homes strategy.

1. Ministry of Housing, Communities and Local Government, March 2021.

Being there for **Fresh residents**

Accommodation Management

The pandemic has brought unprecedented challenges for accommodation managers, which have had to ensure COVID-secure environments through multiple lockdowns and changing government restrictions.

Fresh stood out for its skilled response to these challenges. It received superb resident feedback, swept three respected industry awards, and achieved a quantifiable very high resident satisfaction result with a net promoter score of +32. All while adding over 1,000 more new student beds under management than its nearest competitor through new and repeat clients.

Innovation was at the heart of this success, with the accelerated creation of the 'Be' wellbeing and lifestyle programme. Delivered by Fresh's on-site Residents' teams, 'Be' is built on four pillars: Be Active, Be Connected, Be Social and Be Supported – to ensure every resident thrives and enjoys their time in a Fresh property.

Throughout lockdowns, when students were often isolated, Fresh teams were always on hand to support residents, with 44 members of staff adding to those that already had mental health first aid training. Ingenuity was encouraged throughout the organisation with events including a virtual trip to Chester Zoo, micro and full-scale gardening in the #growitfresh challenge, a socially distanced garden tea party, baking competitions with ingredients delivered to the door, a pen-pal scheme with local care homes, and virtual fitness classes.

Isolating residents, including international students arriving for their studies, were offered emotional support as well as welfare packs and linked to local supermarkets for essential deliveries. Throughout the pandemic, COVID infection levels in Fresh buildings remained lower than the national rate due to controls implemented by staff and the COVID-safe culture created by both staff and residents.

Fresh received Best Student Operator at the RESI Awards; Best Covid Response, Best Halls for The Lantern in Liverpool, and Unsung Hero for Dorene McDavid at the Student Accommodation Awards; and six awards, including Best Student Halls provider and Best Student Wellbeing, at the National Student Housing Awards, which is based on feedback surveyed from thousands of students.

Letter from the CEO

Embedding ESG into everything we do.

Richard Simpson
Chief Executive Officer

I want to thank all my colleagues this year for their remarkable resilience, as we continued to navigate the challenges of COVID restrictions. We worked hard to deliver our development projects and the service our customers and residents deserve. As a result, we were able to adapt our ways of working, achieve further efficiencies and continue to invest for long-term success.

Highlights in the year

Throughout the pandemic, our priority has been the health, safety and wellbeing of our employees, so we were pleased to achieve a 20% reduction in our incident rate on the previous year. We have also updated our health and safety policy, reflecting the move to more agile working and our stringent health and safety plans for our offices in a post-COVID world.

This year's people survey showed good levels of employee engagement, which we believe recognises the benefits of our wellbeing initiatives in response to COVID. In addition, we have increased the number of Mental Health First Aiders (MHFAs) and provided refresher training for all our existing MHFAs.

Through Fresh, we create engaged communities and aim to provide best-in-class customer service. Our Be wellbeing and lifestyle programme supports residents' wellbeing through a range of activities, services and events, both online and in person.

This programme was a factor in Fresh's fantastic performance at the National Student Housing Awards 2021, which saw it receive six awards, the most of any single operator. The awards are based on resident feedback in the Global Student Living Survey, which gathered feedback from Fresh residents amongst more than 30,000 students worldwide.

Future Foundations

The public focus on ESG has gathered pace during the year. We are moving into a world where consumers are better informed about climate change, investors want to put their money in sustainable, adaptable businesses, and companies can no longer ignore the need to transition to a low carbon world. This has reflected the focus at Watkin Jones, where we redoubled our efforts to identify how best we could contribute to building a better business and a better world. To that end, we established a cross-functional ESG Steering Committee to formalise our sustainability strategy and agree key targets. The Committee comprised six core working groups. In addition to the Executive Steering Group, these covered the following areas:

- what we build;
- how we build;
- how we deliver our service;
- our people; and
- tracking and reporting performance.

In November 2021 we launched Future Foundations, our ESG strategy. Having set a number of targets in key areas, our focus for FY22 is to embed key initiatives across the business.

See pages 43 to 59 for details of the targets we have set, including our net zero carbon emissions target.

The Executive Steering Group oversees the implementation of the key initiatives, monitors progress, identifies any changes to the strategy, ensures all activities are appropriately resourced and budgeted, and agrees our communication and reporting of ESG matters.

To ensure accountability and emphasise the importance of ESG to the business, ESG targets have been integrated into the Executive Committee's bonus objectives. Board members will be kept up to date on progress against our targets.

Roadmap

We have made huge progress on our ESG strategy during the year but there are still some questions to which we need the answers. While our FY22 initiatives give us a good platform from which to start, we have work to do to understand, in particular, how we can best address our scope 3 emissions and drive value through the business.

Richard Simpson
Chief Executive Officer

Our sustainability governance framework

We have streamlined our working groups into our sustainability governance framework to ensure we have effective processes in place.

The new framework will consist of the following working groups:

Executive Steering Group
Lead: Chief Executive Officer

Sets overarching strategy to achieve ESG agenda.

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.

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'

Group strategy

Our strategy is designed to deliver sustainable growth across the Group while continuing to operate more efficiently and meet our wider responsibilities. More information on our Group strategy can be found on pages 18 to 21.

The responsible business element of our strategy 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. In developing and implementing this strategy, we are guided by the following principles:

- we will be authentic and transparent;
- any targets we set ourselves will be based on robust and achievable plans; and
- we will report transparently on our progress against our plans and objectives.

Creating the future of living

	Commitment	2021 performance and highlights
Creating the future of living	**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.	• 70% employee engagement score • Watkin Jones development businesses 25% female • Fresh 78% female • Health and safety incident rate, being the number of incidents recorded per 100,000 employees, of 102, 96% below the national average
	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.	• Fresh customer net promoter score (NPS) of +32 in the National Student Survey • Fresh client NPS of +12 • 65% of developments BREEAM Very Good • 35% of developments BREAAM Excellent • 20% of developments achieved EPC rating A
	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.	• 14% reduction in scope 1 and 2 greenhouse gas emissions • Air source heat pumps incorporated into all current and future design briefs • 95% waste diverted from landfill

Strategic framework

In 2020, we created a strategic framework for sustainability to help us manage the risks and seize the opportunities presented by ESG matters, while continuing to embed responsible business practices across the Group.

Key activities	Targets (2025 unless specified)
• Employee development plans • New wellbeing approach • Increased investment in learning • Increase in under-represented groups • ISO 45005 OH&S Standard achieved • Community volunteering, 'Giving Back'	• 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
• Focus on the use and layout of shared amenity space to enhance residents' experience • Carbon reduction (see below) • Net promoter scores (NPS)	• 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: registration for all sites

• Scope 1 and 2 emissions:
  ◦ Company car policy
  ◦ Energy procurement review
  ◦ Client dialogue
• Scope 3 emissions:
  ◦ Solar PV installation
  ◦ Partnership with suppliers
  ◦ Consumer campaigns
• Waste and water:
  ◦ Diversion
  ◦ Reduction
	• 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/m^2 of gross internal area): 40% reduction on 2021
	• Water consumption (corporate and development) (litres/m^2 GIA): 10% reduction on 2021

Sustainability continued

Our Future People

Truro Works, Sheffield

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.

What we said we would do in 2021	What we did
Support our people and promote their success	• Embraced technology with virtual sessions on resilience, mental health and managing remotely. • Introduced Your Voice, a new engagement tool which allows us to connect with our colleagues and understand where we need to focus. • Signed up to Stonewall and Women Into Construction and rolled out training sessions on equality and inclusion from Board-level down.
Maintain zero non-compliance performance of our policies	• We had zero cases of non-compliance during the year.
Drive a zero harm at work agenda	• Reduced our slip and trip rate by 8.5%. • Introduced a dropped-object prevention plan and audit.
Implement an agile working policy and continue to embed cultural change to create a more collaborative organisation	• Introduced a new agile working policy to provide flexible options for distributing working hours across the week. • Launched an employee representative forum which consists of representatives from each part of the business. • Held sessions on mental health training, resilience and workshops for managers to bring people together.
Design and fit out new Chester office and refurbish London office to create attractive workplaces, aligned to our purpose to create the future of living and providing good collaborative spaces	• Our new Chester office provides a whole new way of working. It's a collaborative working space, with dedicated suites so we can deliver in-house training.

Unity Street, Bristol

2021 performance in numbers

2.8
days of employee training achieved

25%
voluntary employee turnover

20.3%
reduction in HSE incident rate

Zero
non-compliance events

27
promotions

46%
female employees (2020: 44%)

Responsibility and management

During the year, we strengthened our human resources function with the appointment of a Chief People Officer who sits on our Executive Committee.

We have a wide range of policies relating to how we manage our people. These cover maternity, paternity and adoption leave, equality and diversity, employee privacy, dignity at work, equal opportunities, pensions and grievance procedures.

Throughout the pandemic, we focused on modernising our policies to accommodate more work-life balance and flexibility, as well as to protect the health and safety of our people and subcontractors. We also continued to harmonise and standardise our people processes.

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 outsourced whistleblowing service, which allows our people to raise concerns confidentially about a wide range of matters.

Engaging with our people

Employee wellbeing and engagement have been increasingly prioritised against the backdrop of the pandemic, so we wanted to create a more robust employee engagement survey. During the year, we launched Your Voice, a survey which measured our employee engagement in areas such as health and wellbeing, leadership, realising potential and pride. Our overall employee engagement score was 70% which was encouraging, particularly against the background of COVID. This creates a baseline from which to measure our progress. Our target is to increase employee engagement to 80% by 2025.

The survey identified three key themes in participants' responses: investing in our people, supporting and managing workload, and creating a great place to work. These themes will inform our people strategy in working towards our target.

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. Despite COVID-related restrictions, we have continued to provide mandatory training and adapted courses and workshops to live online sessions.

We have a standard list of training that must be covered and each site must report their training schedule each month. Over the next four years, we aim to increase the proportion of our employees' time dedicated to training and professional development from 2.8 days per employee to 4.5 days.

Sustainability continued

Our Future People continued

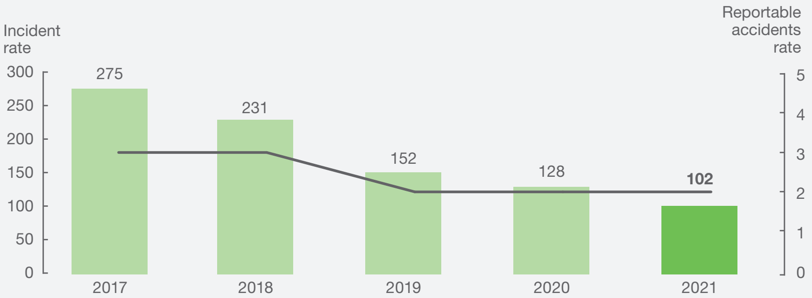
Health and safety

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. We updated this policy during the year, reflecting the move to more agile working and stringent plans for our offices with regard to health and safety in a post-COVID world.

Annual incident rate comparison (last five years)

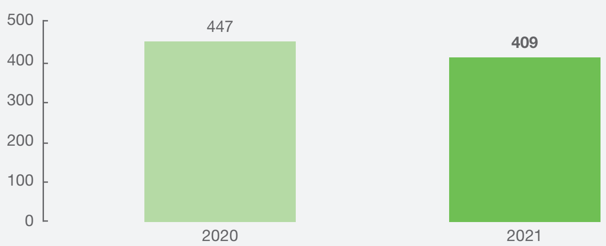


Incident rate: This is an HSE standard reporting metric, being the number of recorded incidents multiplied by 100,000 divided by the average number of full-time employees.

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

The above graph shows Watkin Jones' incident rate/100,000 employees. It reflects a 63% reduction in reportable incident rate since 2017 and a 20% reduction in 2021 on the prior year.

Falls on the level incidents



The above graph shows incident rates/100,000 for falls on the level (also referred to as slips and trips). This shows a reduction of 8.5% from 2020 to 2021.

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.

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 are seeking accreditation under the ISO 45003 occupational health and safety standard to ensure that we effectively manage our health and wellbeing programmes. We carry out annual internal health and safety audits where we analyse our performance across the Group.

Staff on site

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.

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.

We engaged Diversity McKenzie to help us build the foundations for addressing equality, inclusion and dignity at work. During the year, we rolled out training sessions on equality and inclusion, equating to almost 100 days of training. Feedback from employees has been very encouraging and positive.

In October 2021, we introduced a suite of e-learning for all new joiners. The content includes information on diversity, equality, inclusion, harassment and bullying.

Our next step is to revisit unconscious bias in our business and recruitment processes. Additionally, we will support managers to be more inclusive in the way they work.

Gender diversity

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

	2021		2020	
	Men	Women	Men	Women
Board	5	1	4	1
Senior management	49	10	47	11
Other employees	332	312	355	310
Total	386	323	406	322

Since the year end, Sarah Sergeant has been appointed to the Board while Grenville Turner and Philip Byrom have retired. This means our Board has moved to 40% female. The growth of Fresh has helped bring more women into the Group, including in senior roles. However, construction has traditionally been a male-dominated industry. We have signed up to Women Into Construction and we are looking at other ways of attracting women into the industry.

Our Future People continued

Wellbeing and mental health

Within wellbeing and mental health, we consider four pillars:

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

During COVID, our focus partly diverted from 'health and safety' to 'safe and healthy'. Having previously incorporated trained Mental Health First Aiders (MHFAs) within our teams, as we started to return to work before a second lockdown, we increased the number of MHFAs across the Group. We trained a number of them on site-based teams and we provided refresher training for all of our previously trained MHFAs. We actively encourage conversations around mental health and work to reduce the stigma. As part of Men's Mental Health Week, we encouraged employees to share their experiences, both positive and negative.

In the past year, around 160 people have attended training and workshops in relation to mental health and personal resilience. Resilience can give a team extra psychological strength to overcome the adversities, changes and stresses that they encounter on a day-to-day basis. We have given employees their own techniques to spot whether they are feeling stressed or under pressure, along with ways to cope. We will continue to run quarterly sessions and focus on the right to switch off and managers' responsibility for their teams.

The figures below highlight some of the topics we addressed during FY21.

Course	Attendees
Thrive (Mental Health & Personal Resilience)	Approx. 100
Inclusive Team Working (Dignity at Work, Equality, Diversity & Inclusion)	Approx. 50
Mental Health First Aider (inc. refresher training)	Approx. 75

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 basic 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 whistleblowing line. An update on all whistleblowing submissions is presented to each meeting of the Audit Committee.

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

On site at Unity Street in Bristol

People: 2025 strategy and objectives

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.

Key activities

Employee experience

- Every employee has a personal development plan, and we will be investing more in professional development so our people can grow and prosper.
- Over the past year, we have introduced a wellbeing-focused culture which has become a core part of how we operate.
- We are committed to providing valuable learning and development opportunities for our people. We have increased our investment in both mandatory and voluntary training.
- We want to be an organisation where everyone belongs and feels truly included and the makeup of our organisation better reflects society. We are increasing the percentage of under-represented groups within Watkin Jones.

Health and safety

- Obtain ISO 45005 OH&S accreditation.

Social impact

- Across the portfolio, we have been actively engaging with local communities throughout the year. We introduced a community volunteering scheme called Giving Back to support local charities to make a positive difference.

2025 objectives

Employee experience:

- 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

Health and safety:

- Less than 5% of the HSE industry-wide national incident rate

Social impact:

- 5,000 volunteering hours annually

Sustainability continued

Our Future Places


Sienna House, Sutton

What we said we would do in 2021	What we did
Drive further engagement with our BTR and PBSA occupants to inform our strategy	• We are carrying out research to help measure and improve tenants' and clients' overall satisfaction.
Support our supply chain to know what is expected of them and to meet increasing environmental and social expectations	• We set ESG expectations in pre-qualification questionnaires and scoring systems. We engaged with suppliers with the largest environmental footprint about improving performance.
Continue to evolve our approach to community engagement and impact	• Our community working group prioritises projects and determines expenditure based on delegated authorities.
Further align our ESG principles with those of our institutional clients	• We circulated a survey and received feedback to understand client ESG principles, helping align Fresh's ESG service provision to better support our clients.

2021 performance

- Net promoter score of +32.
- Satisfaction rating of 95% in the 2021 National Student Housing Survey.
- Six awards won at the National Student Housing Awards 2021 based on feedback from Fresh residents amongst over 30,000 students worldwide.
- Received the International Accommodation Quality Mark for the UK and Republic of Ireland, awarded to organisations who achieve at least a 90% positive satisfaction rating from international students.

Responsibility and management

The cornerstones of our strategy include monetising 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.

Sienna House, Sutton

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 vet our detailing and employ accredited subcontractors on fire protection to undertake their own independent surveys of the work. We are further enhancing our processes, for example by using a bespoke system to store photographs and videos showing the installation of fire protection.

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. For the first time, 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, have worked proactively with the owners of the relevant properties to ensure the continued safety of tenants.

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.

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 has 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.

Our Future Places continued

Thames Quarter, Reading

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.
- We have 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.
- 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 and collections for food banks and clothing donations.

The Fresh team in Liverpool organised a litter pick for which each employee volunteered their time and wore a Fresh #BeWellbeing t-shirt to promote our activity. We collected dozens of bin bags of waste and made the park a nicer and safer place to be for the local community.

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 six awards at the National Student Housing Awards 2021, the most of any single operator. The awards are based on resident feedback in the Global Student Living Survey, which gathered feedback from Fresh residents amongst over 30,000 students worldwide. Fresh also received the International Accommodation Quality Mark for the UK and Republic of Ireland and had 23 team members nominated as Student Accommodation Heroes.

Within the Global Student Living Survey, Fresh achieved a net promoter score (NPS) of +32 against our target of +12. 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. In particular, levels of excellence are notably higher at 50% compared to benchmarks which range from 22% for university halls to 37% for large and small operators. Over the last five years, there has been a general pattern of improvement in Fresh's performance, despite the challenges faced during the pandemic. In 2021, levels of satisfaction are the highest they have been.

Thames Quarter, Reading

Topping the table for residents follows a major vote of confidence from clients, as Fresh added nearly 4,000 new PBSA beds to its portfolio in the UK during 2021.

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 score of +12.

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 are developing plans to incrementally improve the design of our developments so that all new developments are rated either BREEAM Excellent or HQM five-star by 2025.

We are also trialling specialist technology that shows, among other things, how residents use electricity and water at three sites, as well as their use of amenity spaces. This will support resident engagement, help us to introduce improved practices to reduce environmental impact and help our clients to monitor their assets.

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

Places: 2025 strategy and objectives

Through a new employee volunteering scheme, 'Giving Back', we have set a target of delivering a minimum of 5,000 volunteering days annually by 2025 and 10,000 by 2030 to harness our collective commitment and sense of purpose with our communities.

Commitment

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

Key activities

- In our Q2 2021 survey, Fresh received 1,723 responses. We had great performance in terms of both satisfaction and net promoter score (NPS) of +32.
- In our client survey, we achieved an NPS score of +12.
- We commissioned a third party to pilot data collection and analytics software at three PBSA sites managed by Fresh, to demonstrate how it can support the Group's ESG strategy, especially around carbon reduction (see page 56).

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: registration for all sites

Our Future Planet

Bollin Meadow, Macclesfield

What we said we would do in 2021	What we did
Achieve further increase in percentage of waste diverted from landfill	• Engaged GoGreen, which deals with most of our waste, to conduct audits of our sites and provide training for our managers and contractors with a view to reducing waste, maximising recycling and avoiding landfill.
Seek ways to reduce the carbon/environmental footprints of our developments through the construction and occupancy lifecycles	• Engaged a third party to give an overview of our carbon footprint, establish our baseline for carbon emissions and help us generate a strategy to work towards our target of net zero emissions.

2021 performance

- Scope 1 and 2 energy consumption reduced by 22% from 2020.
- Intensity ratio (CO_2 emissions per £1 million of turnover) reduced by 37% from 2020.
- 97% waste diverted from landfill.

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 business-specific 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.


Thames Quarter, Reading

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

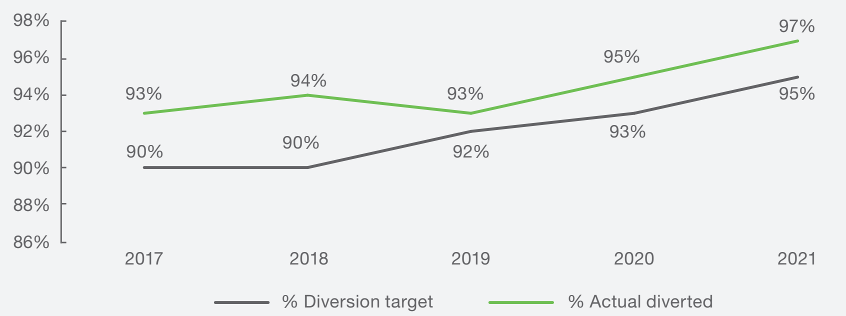
We design our buildings using the principles of high insulation and low air leakage. Where possible, we also use options such as combined heating and power supplies, solar photovoltaic cells and air source heat pumps to keep energy use as low as possible.

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.

We aim 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 will have approximately halved the total amount of waste we produce.

Waste diversion from landfill



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 have also started a new training programme to teach the benefits of segregating our waste when possible. We have managed to divert 97% of our waste from landfill for the year 2021.

Our Future Planet continued

Construction site at Lewisham

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

During 2021, we piloted data collection and analytics software to identify its potential in supporting our ESG strategy. We trialled it at three PBSA sites managed by Fresh.

Environmental

Electricity use was collected hourly at a cluster flat and/or studio level. This data was combined with external temperature and indoor environmental and occupancy data to gain a detailed understanding of how our assets were performing in relation to CO_2 emissions. In addition, remote control of electric panel heaters and radiators was tested to measure the impact smart control would have on consumption and cost.

Social

Utility consumption data can be used to educate residents about how to reduce their impact on the environment. To support greater engagement, we are using technology to provide a real-time and historic view on the use of amenity spaces.

Governance

The information provided by the software will enable us to improve our offering to clients as well as reduce the environmental impact of our buildings. We anticipated that the pilot would reduce utility consumption and CO_2 emissions by 20% and provide sufficient data to inform a net zero agenda for Fresh clients. Following its conclusion, we are discussing a wider roll-out of the software with our clients. The availability of data analytics and reporting will have a positive impact on the buildings' sustainability ratings (such as those under GRESB and BREEAM) which should lead to added value for clients.

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.

During 2021, we engaged a sustainability consultancy to calculate our carbon emissions baseline. This provides us with a starting point on putting together a roadmap to work towards net zero.

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:

- the removal of traditional petrol and diesel-powered vehicles from our company car policy in favour of hybrid and electric vehicles;
- a review of our plant strategy with a view to sourcing energy-efficient alternatives with a lower carbon footprint;
- a review of the design of our offices and our energy procurement strategy;
- 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;
- based on a comprehensive review of our procurement activities, a closer partnership with our key suppliers, 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 ground source heat pumps in all our developments. They will also require a significant increase in reporting and accreditation.

Sustainability continued

Our Future Planet continued

Tudor Place, Chester

Carbon emissions continued

Energy consumption (kWh)[1]		2020/21	2019/20	Variance
Scope 1: Combustion of fuel and operation of facilities	Natural gas	4,433	5,975	-26%
	Direct transport	2,834,061	3,699,363	-23%
	Red diesel	2,800,638	3,848,830	-27%
	Total scope 1	5,639,132	7,554,168	-25%
Scope 2: Electricity purchased	Total electricity	1,675,148	1,844,087	-9%
Total scope 1 and 2 energy consumption		7,314,279	9,398,255	-22%

Greenhouse gas (GHG) emissions (tonnes CO_2e)[2]		2020/21	2019/20	Variance
Scope 1: Combustion of fuel and operation of facilities	Natural gas	0.81	1.8	-55%
	Direct transport	668	886	-25%
	Red diesel	719	988	-27%
	Total scope 1	1,388	1,876	-26%
Scope 2: Electricity purchased and heat and steam generated	Location based	356	430	-17%
	Market based	464	526	-22%
Location based	Total scope 1 and 2 emissions	1,744	2,306	-24%
Market based	Total scope 1 and 2 emissions	1,852	2,402	-23%

Intensity metric assessment (tonnes CO_2e/£m revenue)	2020/21	2019/20	Variance
Intensity ratio[1]	4.1	6.5	-37%

During the period covered by this report, the Company has launched its Future Foundations programme which brings together all our activities into one strategy to help make us an even 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. We are examining ways to reduce carbon emissions across our business and have already started moving to a hybrid and electric car fleet. We are implementing designs and measures to reduce the lifecycle carbon emissions of the buildings we produce and operate across the Group in our ambition to become carbon net zero by 2030.

Case studies

We are developing a dashboard for measuring the environmental footprint of different Fresh properties.

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

Planet: Strategy and objectives

We are requiring that by 2025 all our suppliers have in place an environmental management system that meets the requirements of the internationally recognised ISO 14001 standard and other relevant standards.

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.

Key activities

Scope 1 and 2 carbon emissions

- We evolved our company car policy with the removal of traditional petrol and diesel-powered vehicles.
- We carried out a review of our plant across all operations and our energy procurement strategy to identify where efficiencies can be made.
- Maintained 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.

Scope 3 carbon emissions

- Going forward, improvements will optimise the use of alternative energy-efficient materials and technologies such as photovoltaic solar panels and ground source heat pumps in all our developments.
- We have established closer partnerships with key suppliers to reflect scope 3 emissions ambitions in our business strategy and through the supply chain.
- Through social media and our website, we have promoted consumer campaigns to encourage environmentally conscious behaviour.

Waste and water

- 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.
- We are working on ways to continue to reduce our waste produced.
- 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.

Objectives

- Net zero scope 1 and 2 carbon emissions by 2030
- Full electric vehicle fleet by 2026

- Meaningful impact on scope 3 emissions by 2030
- 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 14001 ISO accreditation
- 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

Indexation

SASB

Topic	Accounting metric	2021 data		
Land Use and Ecological Impacts	Number of (1) lots and (2) homes delivered on redevelopment sites		(1) Lots	(2) Dwellings
		BTR	5	1,041 apartments
		PBSA	7	3,192 student beds
		Homes	1	23 houses
	Number of (1) lots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress	BTR	4	857 apartments
		PBSA	1	699 student beds
		Homes	0	0 houses
	Total amount of monetary losses as a result of legal proceedings associated with environmental regulations	Zero losses; no legal proceedings brought.		
	Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction	Our environmental policy 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. We conduct environmental impact assessments during our site procurement and planning development phase. The expectations of our institutional clients also informs our diligence processes.		
Employee Health and Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	(1) 102 per 100,000 employees (FY20: 128) Reportable incidents: 2 (FY20: 2) (2) (a) 0 (2) (b) 0		
Design for Resource Efficiency	(1) Number of homes that obtained a certified HERS® Index Score and (2) average score (dwellings per hectare)	EPC rating	(1) Lots	(2) Dwellings
		A	2	1,000
		B	12	3,071
		C	1	216
	Percentage of installed water fixtures certified to WaterSense® specifications	74% of dwellings delivered were fitted with equivalent UK water efficiency standard features		
	Number of homes delivered certified to a third-party multi-attribute green building standard	3,146 dwellings delivered (73% of total units delivered) achieved a BREEAM Standard rating of 'Very Good' or above		
	Description of risks and opportunities related to incorporating resource efficiency into home design, and how benefits are communicated to customers	See Our Future Places on pages 50 to 53 and Our Future Planet on pages 54 to 59 to understand how we think sustainably in our developments and how we engage with stakeholders.		

Topic	Accounting metric	2021 data		
Community Impacts of New Developments	Description of how proximity and access to infrastructure, services and economic centres affect site selection and development decisions	We consider how each development will be used by the occupants from the moment we look at site location. Proximity to university campuses, amenities, public transport and other services are key components to our development process, as outlined in our business model on pages 10 and 11.		
	Number of (1) lots and (2) homes delivered on infill sites		**(1) Lots**	**(2) Dwellings**
		BTR	1	184 apartments
		PBSA	2	1,153 student beds
		Homes	1	23 houses
	(1) Number of homes delivered in compact developments and (2) average density		**(1) Dwellings**	**(2) Average density**
		BTR	1,041 apartments	344.2 dph[1]
		PBSA	3,192 student beds	796.8 dph[1]
		Homes	201 houses	18.4 dph[1,2]
		1. Dwellings per hectare 2. Homes density is based on the total number of permitted units, not the number of units completed in FY21		
Climate Change Adaptation	Number of lots located in 100-year flood zones	1 (75 apartments)		
	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	We integrate climate risk analysis and activities into the preparation and execution of each of our developments. Our sustainability policy and ISO 14001 accredited environmental management systems codify and operationalise our approach to both physical and transitional climate-related risk management. As a business, we continue to assess our approach to managing climate risk.		
Activity metric	Number of controlled lots	BTR – 10 (c.4,012 apartments) PBSA – 22 (c.7,806 student beds) Homes – 10 (c.580 houses and apartments)		
	Number of homes delivered	BTR – 1,041 apartments PBSA – 3,192 student beds Homes – 54 houses		
	Number of active selling communities		**(1) Lots**	**(2) Dwellings**
		BTR	3	609 apartments
		PBSA	10	2,547 student beds
		Homes	4	391 houses

Section 172 statement

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

Section 172(1) statement

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

The Group's stakeholder engagement activities, which are set out on pages 64 and 65, help to inform the Board's decisions, by ensuring the Directors are aware of stakeholders' interests.

In addition, every significant new project and investment must have a business case that explicitly addresses stakeholders' interests.

Set out on this page are the matters the Board is required to take into account under s172(1).

Matter	Response
a) The likely consequence of any decision in the long term.	The Group works through a multi-year development cycle and operates in markets driven by long-term demographic and social trends (see pages 8 and 9). The Board is therefore required to consider the long-term implications of its decisions, for example when reviewing and approving the Group's strategy.
b) The interests of the company's employees.	The Board is closely aligned to the Group's culture and has a rigorous focus on key issues affecting employees, such as health and safety. During the year, we launched Your Voice, a survey measuring our employee engagement (see page 45).
c) The need to foster the company's business relationships with suppliers, customers and others.	The Group is reliant on its ability to deliver consistently for institutional clients and customers, supported by its supply chain partners. 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 64 and 65.

Matter	Response
d) The impact of the company's 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 40 to 59.
e) The desirability of the company maintaining a reputation for high standards of business conduct.	The Group relies heavily on its reputation and the Board therefore prioritises taking constructive action to resolve issues when they arise. The Group's actions on remediating cladding (see page 17) continue to demonstrate this in action. The Group also has robust policies and controls in relation to protecting human rights and preventing bribery and corruption (see page 48).
f) The need to act fairly between members of the company.	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.

Our stakeholders

We aim to maintain open and constructive dialogue with all our stakeholders to help us build trust and respect and make choices as a business that help shape the role we play in society.

Employees

Why we engage

Watkin Jones Group employs around 700 people. 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.

How we engaged

We launched Your Voice, an employee engagement survey. We also hosted a number of virtual sessions on mental health, wellbeing and resilience to keep our employees feeling connected and supported while working remotely during the pandemic.

Feedback and proposed actions arising from the survey and from our equality, diversity and inclusion strategy were discussed and agreed by the Board.

Our employee engagement activities are described on page 45.

What we learned

Our overall employee engagement score was 70%, which was a positive start and creates a baseline from which to measure our progress. Feedback identified three themes to focus on: investing in our people, supporting and managing workload and creating a great place to work. We are progressing with actions to feed into our people strategy.

Institutional clients

Why we engage

We maintain close relationships with current and potential institutional clients so we can understand the types of development and locations that are attractive to them.

Our clients usually purchase our PBSA and BTR developments on a forward-funded basis. Institutions benefit from high-quality assets that meet their investment criteria and we benefit from a capital-light structure that gives us excellent visibility on revenues.

How we engaged

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

We shared our knowledge of the markets in which we operate, discussed our insight into residents' requirements and completed all developments that were scheduled for delivery in the year.

Our Investment team is primarily responsible for our client relationships as they source potential development sites.

What we learned

A recurring theme in our meetings with clients 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 informed our ESG strategy when setting our targets. See pages 50 to 53 for further details.

Residents

Why we engage

We are responsible for managing over 22,000 student beds and BTR apartments. Delivering high-quality service to our residents is key to ensuring they have an excellent experience of living in the developments we manage, helps to ensure high levels of occupancy for our institutional clients and contributes to rental growth.

Understanding our residents' needs is key to providing great service and great developments. Residents' motivations, attitudes and behaviour form the basis of our design and innovation.

How we engaged

The ongoing restrictions due to the pandemic, coupled with the stress of being away from home, meant that looking after our students' mental health and wellbeing remained a key priority.

We provided a number of support services as well as accelerating our 'Be' wellbeing and lifestyle programme, which is built on four pillars: Be Active, Be Connected, Be Social and Be Supported. Further details can be found in our case study on page 39.

We also educate residents on environmental issues; during the year we promoted the reduction of plastic.

What we learned

Fresh received extremely positive feedback, winning a number of respected industry awards based on student survey responses. It achieved a very high resident satisfaction rating with a net promoter score of +32 against our target of +12. This reflects the hard work of our site teams through a particularly challenging period.

The strength of our stakeholder relationships has never been more important than during COVID. We continue to be committed to actively supporting our people, our industry and our communities.

Supply chain

Why we engage

Our subcontractors and suppliers are responsible for providing the skilled people and materials we employ to construct our developments. As such, they are a central part of our delivery model.

Through collaboration with them, we not only deliver high-quality places, but improve our collective impact, ensuring sustainable supply chains, reducing our environmental impact and making positive contributions to society.

How we engaged

Our engagement centred on sustainability during the year.

In particular, we assessed the proposals of a number of plant and machinery providers with a view to selecting more environmentally friendly options.

We also set our ESG expectations in pre-qualification questionnaires.

What we learned

Vacancies in construction and the cost of build materials are rising. Our self-build expertise gives greater control of these elements but we have more to do on our procurement strategy, particularly if we are to achieve our target of all suppliers being ISO 14001 accredited by 2025, and have strengthened our procurement function accordingly.

Shareholders

Why we engage

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.

How we engaged

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 growth opportunity in the affordable homes sector. It was also an opportunity to introduce new Board members to shareholders. The event included an opportunity to ask questions.

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.

What we learned

As with institutional clients, environmental targets were an area of focus for shareholders and our ESG strategy was well received.

Investor feedback following results presentations showed that shareholders were pleased with the Company's performance.

Communities

Why we engage

We want to be a good neighbour and deliver real value to our local communities through our developments and via the Watkin Jones Community Fund. The 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.

How we engaged

During the year, we delivered 1,041 BTR apartments, 3,192 student bedrooms and 79 homes, helping to alleviate the UK housing shortage. We created a number of green spaces within communities local to our developments and organised local litter picks, food bank collection points and clothing donation points.

Each site sends out a monthly newsletter to keep the local community informed of how the scheme is progressing and upcoming planned works. Further details can be found on page 52.

What we learned

Our efforts have largely been piecemeal and we think we can generate more value by partnering with a national charity and harnessing the efforts of all our employees. We are in the process of choosing a partner charity and have set a target to increase our employee volunteering to 5,000 hours annually by 2025.

Financial review

The Group delivered a robust financial performance in the year, demonstrating the resilience of the business against the backdrop of the ongoing COVID pandemic.

Sarah Sergeant
Chief Financial Officer

Highlights

	FY21 £m	FY20 £m	Change
Revenue	430.2	354.1	+21.5%
Gross profit	84.8	75.9	+11.7%
Administrative expenses	(27.5)	(24.2)	+13.5%
Operating profit before exceptional items	57.3	51.7	+10.8%
Exceptional costs	–	(20.5)	
Operating profit	57.3	31.2	+83.3%
Share of (loss)/profit in joint ventures	(0.1)	0.2	
Net finance costs	(6.1)	(6.1)	
Profit before tax	51.1	25.3	+101.9%
Income tax expense	(9.2)	(4.2)	
Profit for the year	41.9	21.1	+98.8%
Basic earnings per share	16.4p	8.2p	+98.5%
Adjusted basic earnings per share	16.4p	14.7p	+11.2%
Dividend per share	8.2p	7.35p	+11.6%

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

Revenue

Revenue grew strongly to £430.2 million, up 21.5% from £354.1 million in FY20, reflecting increased revenues from our BTR and PBSA development activities.

BTR development revenues were 47.4% higher at £138.6 million (FY20: £94.0 million) and arose from the five developments that were completed in the year, as well as the forward sale of our site in Hove. This strong revenue performance was achieved despite lower than anticipated forward land sales in the year, with the forward sale of our scheme in Lewisham completing shortly after the year end.

Revenues from our PBSA development business were £259.9 million (FY20: £226.0 million), an increase of 15.0%, driven by the seven schemes that were completed in the year and good progress on the schemes in build for delivery in FY22.

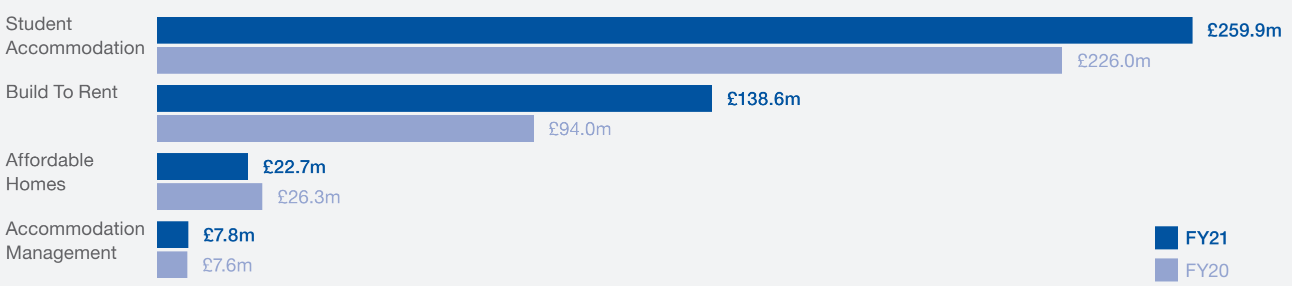
In addition, revenues benefited from the forward sale of two development sites in Edinburgh and one in Exeter in the second half of the year. PBSA revenues also include the rental income from our six leased student accommodation assets. The rental income on these was reduced by c.£5.0 million, compared to a normal year, as a result of the lower student occupancy caused by the pandemic. This revenue reduction was at the lower end of our previous guidance.

The Affordable Homes business delivered revenues of £22.7 million, down 13.7% on the £26.3 million recorded in FY20. Revenues in the prior year included c.£5.3 million from the completion of a 35-apartment scheme in Chester which had been sold on a turnkey basis. However, revenues in FY21 were c.£4.0 million lower than anticipated due to build delays at our site in Preston. The affordable housing pilot is expected to contribute to revenues from FY22.

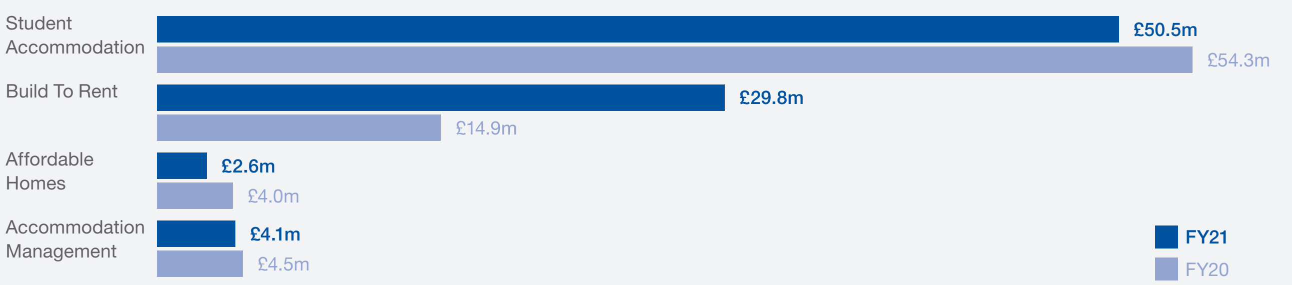
Fresh, our Accommodation Management business, achieved revenues of £7.8 million (FY20: £7.6 million). There was good underlying growth in the number of PBSA beds and BTR apartments under management, up 13.9% from 17,721 at the start of FY20 to 20,179 at the start of FY21. However, whilst Fresh's management fee income is largely fixed, a proportion is variable based on the level of occupancy and this was reduced by approximately £0.8 million as a result of the pandemic.

In addition to our core businesses, we recorded revenues of £1.3 million (FY20: £0.3 million) from developing commercial property alongside PBSA and BTR developments. This is reported within our Corporate segment. The revenues for FY21 related to the fitting out of an academic space in Duncan House, Stratford, which we have exchanged contracts to sell on completion of the fit-out works in FY22.

Revenue by operating segment



Gross profit by operating segment



Financial review continued

Gross profit

Gross profit for the year was £84.8 million (FY20: £75.9 million), an increase of 11.7%. This resulted in a gross margin of 19.7% (FY20: 21.4%).

BTR development gross profit doubled in the year to £29.8 million (FY20: £14.9 million), reflecting both the strong revenue growth and a higher gross margin at 21.5% (FY20: 15.8%). The higher gross margin was primarily the result of keeping costs well controlled as we closed out developments in the year, despite the operational challenges brought about by the pandemic.

The BTR gross margin also benefited from the lower than anticipated new forward land sales in the year. We typically earn a lower margin on the land sale element of a forward sale than we do on the separate contract for development works. Under IFRS 15 'Revenue from Contracts with Customers', the distinct contracts for the land sale and development works are accounted for separately. This means that we typically earn a lower margin in the year in which the land sale occurs, followed by higher margins in the following years as the development works are undertaken. We continue to target a gross margin of around 15% in BTR, with a margin on land sales of up to 10% and a development margin of 16% to 20%.

In the year, we incurred a charge of £3.0 million against the BTR gross profit in respect of a provision made against the carrying value of two of our historic BTR operating assets, which we are holding as inventory for sale, in order to cover the estimated cost of works to be carried out to improve the saleability of the assets.

Gross profit from PBSA development was 7.0% lower at £50.5 million, compared with £54.3 million in FY20. The gross margin was 19.4% (FY20: 24.0%). This was partly the result of the c.£5.0 million reduction in rental income from the leased PBSA assets as noted above, with the lost revenue feeding directly through to lower profit. The underlying margin from our PBSA development activities was approximately 21.7%, with the margin in FY20 having benefited from there being no new forward land sales at lower margin in that year and a particularly strong contribution from several developments in build. Our target margin for PBSA is around 20%, with a margin on land sales of up to 10% and a development margin of 22% to 25%.

In Affordable Homes, gross profit was £2.6 million (FY20: £4.0 million), resulting in a gross margin of 11.3% (FY20: 15.4%). The reduction in gross margin reflects the mix of sales in the year, with a number of remaining units at the division's older developments in Bath and Macclesfield cleared at lower margin.

Fresh generated a gross profit of £4.1 million (FY20: £4.5 million) with the gross margin reducing to 52.6% (FY20: 59.8%) as a result of the loss of variable fee income related to student occupancy levels, as discussed above.

Within the Corporate segment we recorded a loss of £2.1 million (FY20: £1.8 million). The loss in the year primarily related to an impairment provision made against a historic land site, following a re-assessment of its intended use. Commercial property development did not generate any significant profit in either FY21 or FY20.

Administrative expenses

Administrative expenses increased by 13.5% to £27.5 million (FY20: £24.2 million). Overheads in FY20 were suppressed by cost savings during the pandemic, mainly as a result of lower bonuses, reduced salaries for a period of time, a reduction in business travel and measures taken to control discretionary expenditure. Overhead costs in FY21 have reverted to a more normal level and reflect an annual increase from FY19 of approximately 6.0%.

Operating profit before exceptional items

Operating profit before exceptional items increased to £57.3 million (FY20: £51.7 million), at an operating margin of 13.3% (FY20: 14.6%).

Exceptional items

No exceptional items were incurred in FY21.

In FY20, the Group incurred an exceptional charge of £20.5 million, including a £14.8 million provision related to remedial works on cladding and charges totalling £5.7 million relating to additional costs arising from the COVID pandemic, more information on which can be found in the FY20 annual report.

We utilised £4.9 million of the cladding provision in FY20 and a further £1.0 million in FY21. We increased the provision by a further £0.5 million during the year, following receipt of a successful claim against a consultant who had been engaged on one of the properties we had remediated. The balance of the provision of £9.4 million is expected to be utilised over the next two years. In FY21 we undertook cladding remedial works on two developments, with the timing of the remaining works subject to agreement with the owners of the properties concerned. The cost of the cladding works, which is being shared with the property owners, continues to be in line with our original estimates.

Finance costs

The net finance cost for the year was £6.1 million (FY20: £6.1 million). These costs are primarily the finance cost of capitalised leases under IFRS 16, which totalled £4.9 million (FY20: £5.1 million).

The balance of our finance costs are 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 70).

Profit before tax

Profit before tax for the year was £51.1 million (FY20: £25.3 million). For FY20, adjusted profit before tax, which excludes the impact of the exceptional items for that year, was £45.8 million.

Taxation

The corporation tax charge was £9.2 million (FY20: £4.2 million). The effective tax rate of 18% (FY20: 16.7%) was less than the standard UK corporation tax rate of 19.0%, primarily as a result of a deferred tax credit relating to the remeasurement of deferred tax balances to take account of the increase in the corporation tax rate to 25.0% from April 2023.

The effective tax rate in FY20 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 was 16.4 pence (FY20: 8.2 pence). For FY20, adjusted basic earnings per share, which excludes the impact of the exceptional items for that year, was 14.7 pence.

Dividends

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

In FY20, the Board suspended the interim dividend as a result of the uncertainty caused by the pandemic. The Company paid a full year final dividend of 7.35 pence per share.

At 30 September 2021, the Company had distributable reserves of £75.3 million available to pay dividends.

EBITDA

EBITDA, which is calculated as set out on page 71, increased by 61.2% to £65.9 million (FY20: £40.9 million), giving an EBITDA margin of 15.3% (FY20: 11.5%). For FY20, adjusted EBITDA, which excludes the exceptional items for that year, was £61.3 million, representing an adjusted EBITDA margin of 17.3%.

Return on capital employed

The return on capital employed (ROCE) for the year, calculated as set out on page 71, was strong at 72.1% (FY20: 58.5%) and was consistent with the average of the three years before the pandemic of 72.6%. 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 2021, non-current assets amounted to £124.7 million (FY20: £134.7 million), with the most significant item being the carrying value of the leased student accommodation investment properties amounting to £98.6 million (FY20: £104.6 million). Right-of-use assets relating to office and car leases amounted to £4.5 million (FY20: £4.8 million). The reduction in these balances in the year reflects the depreciation charges. Intangible assets relating to Fresh amounted to £12.7 million (FY20: £13.3 million) and were reduced by the amortisation charge of £0.6 million in the year.

We had no significant interest in joint ventures at 30 September 2021, following a reduction in the balance of £3.2 million in the year to £17,000.

This reduction reflected the distribution of dividends from our four development joint ventures in Belfast, which have completed their development activities and are now being wound up. These dividends were set-off against the amounts owing to those companies.

Inventory and work in progress was £127.6 million. This was largely unchanged from last year end's position of £125.7 million and reflects the normal churn of sites through the business. In the year, inventory and work in progress was reduced by £44.5 million as a result of the sale of the Hove site and the Leicester PBSA and BTR developments, but we spent a similar amount on the acquisition of the Lewisham and Crewe sites, with the Lewisham site sold shortly after the year end.

In the year, we made impairment provisions totalling £5.0 million against the carrying value of inventory and work in progress, as discussed in the review of gross profit.

Contract assets reduced significantly in the year to £13.8 million (FY20: £41.5 million). These mainly relate to the final payment balances which are received on completion of developments in build. The reduction in the year reflects the benefit of the final payments that were received following the handover of the developments completed in the period.

Contract liabilities and trade and other payables amounted to £92.0 million and were £14.2 million lower than at 30 September 2020, reflecting a lower level of on-site build activity across the year end relative to a year ago.

The remaining provision for cladding remedial works of £9.4 million has been split relatively equally between current and non-current liabilities, based on our anticipated expenditure over the next two years. The movement in the provision in the year is considered under the review of 'Exceptional items' above.

Interest-bearing loans and borrowings stood at £12.0 million at 30 September 2021, down from £39.7 million a year ago. The reduction primarily relates to the repayment of the loans on the Hove and Leicester sites, on completion of the sales in the year. The current portion of our loans has increased by £4.0 million to £4.7 million, which reflects the March 2022 maturity date of our facilities with Svenska Handelsbanken AB (see 'Bank facilities' on page 70).

Lease liabilities arising from the adoption of IFRS 16 'Leases' in the prior year were reduced by £5.2 million to £129.3 million (FY20: £134.5 million), reflecting capital repayments made in the year of £6.1 million and net additions of £0.9 million.

Financial review continued

Cash and net debt

	FY21 £m	FY20 £m
Operating profit before exceptional items	57.3	51.7
Exceptional items	—	(8.7)
Depreciation and amortisation	8.7	9.4
Impairment of leased student accommodation property (non-exceptional)	—	0.3
(Increase)/decrease in working capital	10.3	2.1
Finance costs paid	(6.7)	(6.5)
Tax paid	(8.2)	(10.0)
Net cash inflow from operating activities	61.4	38.3
Purchase of fixed assets	(0.2)	(0.2)
Cash flow from joint venture interests	0.1	0.8
Dividends paid	(25.5)	(14.3)
Payment of lease liabilities	(6.1)	(6.1)
Cash flow from borrowings	(27.9)	0.4
Increase in cash	1.8	18.9
Cash at beginning of year	134.5	115.6
Cash at end of year	136.3	134.5
Less: borrowings	(12.0)	(39.7)
Net cash before deducting lease liabilities	124.3	94.8
Less: lease liabilities	(129.3)	(134.4)
Net debt	(5.0)	(39.6)

At the year end, we had a cash balance of £136.3 million and loans of £12.0 million, resulting in a net cash position of £124.3 million. At 30 September 2020, we had a cash balance of £134.5 million, loans of £39.7 million and net cash of £94.8 million.

Net cash balances are stated before deducting the lease liabilities of £129.3 million (30 September 2020: £134.5 million), arising as a result of applying IFRS 16. We believe the net cash balance before deducting lease liabilities is a more relevant measure for the Group.

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.

Our average month end net cash balance during FY21 was £44.2 million and had reduced by £107.4 million during the year to a net debt balance of £12.6 million at the end of July 2021, before increasing strongly by £136.9 million in the final two months of the year to the closing net cash position of £124.3 million.

The Group's net cash flow from operating activities for the year was £61.4 million (FY20: £38.3 million), reflecting a strong cash flow from our trading operations. The cash flow from operating activities, before deducting the cash cost of exceptional items, finance costs and tax payments, was £76.3 million (FY20: £63.5 million). The working capital balance was reduced by £10.3 million, compared to a reduction of £2.1 million in FY20.

Finance costs paid totalled £6.7 million (FY20: £6.5 million), including the finance charges on the capitalised lease liabilities of £4.9 million (FY20: £5.1 million), for which the capital payments amounted to £6.1 million (FY20: £6.1 million).

Dividends paid in the year totalled £25.5 million (FY20: £14.3 million). The dividend payments in FY21 were significantly higher as they 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 FY20 comprised only the final dividend for FY19.

Bank facilities

The Group has a £100.0 million RCF which runs until May 2025. At the year end, £7.8 million was drawn against the facility (30 September 2020: £35.0 million), giving headroom of £92.2 million. We also have an undrawn overdraft facility of £10.0 million. Total cash and available facilities at 30 September 2021 therefore stood at £238.5 million (FY20: £209.5 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. We are currently progressing a renewal of these facilities, which run to March 2022. The outstanding balance at the year end was £4.5 million (30 September 2020: £5.0 million).

Going concern

We have undertaken a thorough review of the Group's ability to continue to trade as a going concern for the period to 31 January 2023. 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 80 and 81.

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.

		Reconciliation		
	Reason for use		FY21 £'000	FY20 £'000
Adjusted operating profit	1	Operating profit	57,255	31,230
		Add: exceptional items	–	20,437
		Adjusted operating profit	57,255	51,667
Adjusted profit before tax	1,4	Profit before tax	51,121	25,314
		Add: exceptional items	–	20,437
		Adjusted profit before tax	51,121	45,751
Adjusted basic earnings per share	1,3,4	Profit for the year	41,932	21,092
		Add: exceptional items	–	20,437
		Less: tax on exceptional items	–	(3,883)
		Adjusted profit for the year	41,932	37,646
		Weighted average number of shares	256,163,459	255,795,659
		Adjusted basic earnings per share	16.369 pence	14.717 pence
EBITDA	1	Operating profit	57,255	31,230
		Add: share of (loss)/profit in joint ventures	(87)	199
		Add: depreciation	8,128	8,863
		Add: amortisation	560	560
		EBITDA	65,856	40,852
Adjusted EBITDA	1	EBITDA	65,856	40,852
		Add: exceptional items	–	20,437
		Adjusted EBITDA	65,856	61,289
Adjusted net cash	2	Net debt	(4,920)	(39,607)
		Add: lease liabilities	129,252	134,453
		Adjusted net cash	124,332	94,846
Return on capital employed	1,2	**Adjusted operating profit (as above)**	57,255	51,667
		Net assets at 30 September	184,811	167,838
		Less: adjusted net cash (as above)	(124,332)	(94,846)
		Less: intangible assets	(12,724)	(13,284)
		Less: investment property (leased)	(98,567)	(104,623)
		Less: right-of-use assets	(4,468)	(4,763)
		Add: lease liabilities	129,252	134,453
		Adjusted net assets at 30 September	73,972	84,775
		Adjusted net assets at 1 October	84,775	91,772
		Average adjusted net assets	79,374	88,274
		Return on capital employed	72.1%	58.5%

Sarah Sergeant
Chief Financial Officer

18 January 2022

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 2021, the Group's strategic risk register was reviewed at a special joint meeting of the Board and Audit Committee. This meeting acknowledged the work done during 2021 in progressing the Group's corporate risk management. In particular, the focus of the risk management process has been shifted to consider events rather than causes, using the 'bow-tie' model. Under this model, the focus is on identifying barriers that are aimed at preventing an event occurring and reducing the harmful impact if such an event happens.

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 73 to 79.

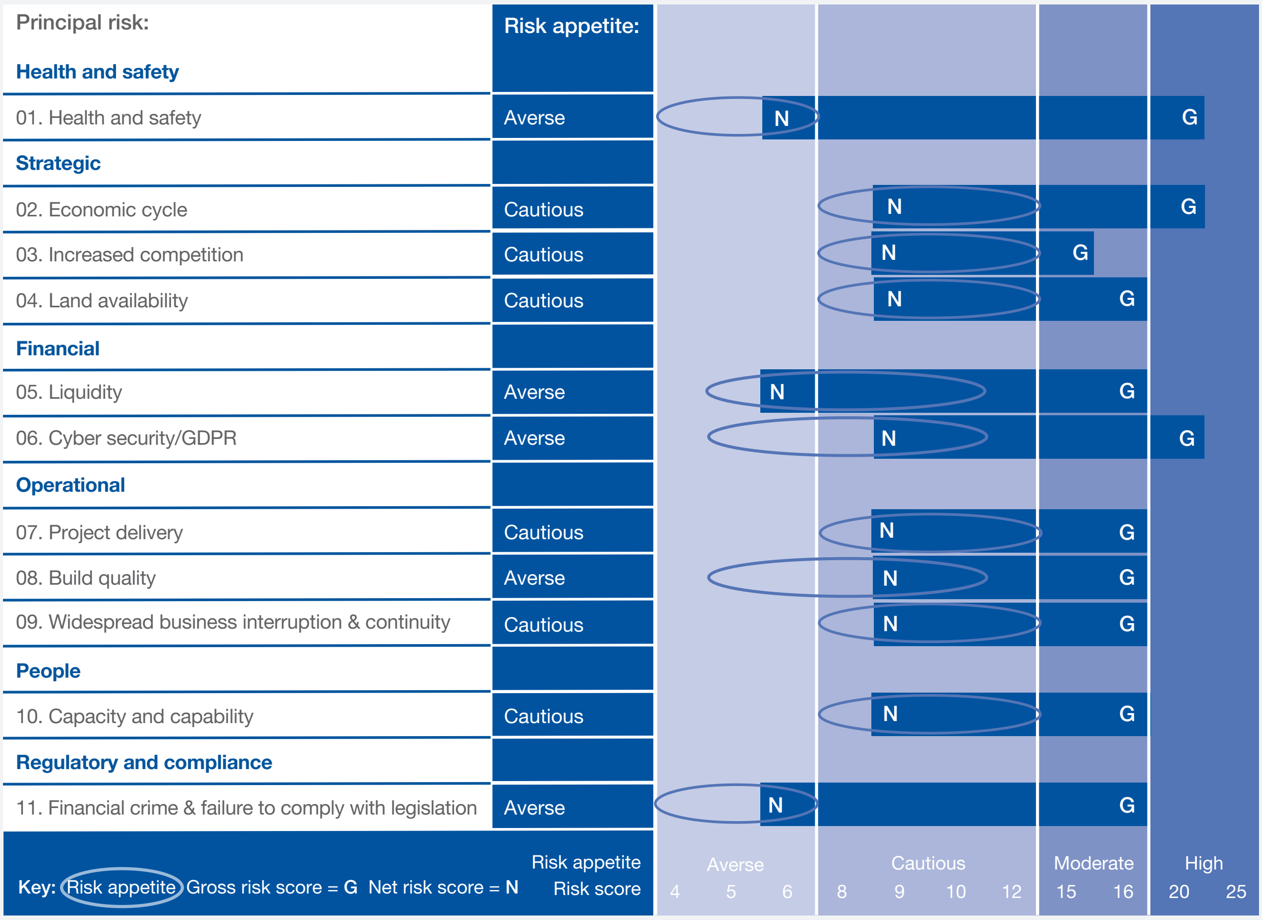
Heat map

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



Risk management and principal risks
continued

Risk 1 – Health and safety

Link to business model

Threats		Consequences	
Threats	**Preventative barriers**	**Preventative/recovery barriers**	**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.
Collapse of excavation or temporary work structure	Risk assessments and evaluations of competence of contractors.	**Escalation factors**	**Preventative barriers**
Unauthorised access to site	Security protocols set for different types of sites using hoardings, security staff, CCTV etc, based on the assessed risk.	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

Risk 2 – Economic cycle

Link to business model

Threats		Consequences	
Threats	**Preventative barriers**	**Preventative/recovery barriers**	**Consequences**
Input cost inflation	In-house construction expertise and supply chain relationships.	Control over land usually conditional and construction costs typically procured in advance to fix prices.	Increased costs reduce profits or render developments unviable.
Increased interest rates or reduction in available capital	Forward funding sales model reduces impact of interest rate movements in the short to medium term.	The Group's strong liquidity position gives it the flexibility to look through short-term disruption and fund selected developments on balance sheet.	Short-term economic turbulence leads to a freezing of the forward funding market.
Increases in investment yields	Forward funding sales model and use of sensitivity analysis when appraising developments.	Forward funding model insulates the Group from short-term yield movements.	Increase in the yield expectations of institutional clients reduces the value of developments.
Changes in employment or demographics	Target cities selected on the basis of their strong economic and demographic characteristics to help insulate them from any nationwide downturn.	**Escalation factors**	**Preventative barriers**
Political risks in occupier or investment markets	Diversification across different property classes/forward funding model means completed properties are not retained.	'Black Swan' event causing a sharp economic deterioration.	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

Key

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

Risk 3 – Increased competition

Link to business model

Threats

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

Consequences

Preventative/recovery barriers	Consequences
Capital structure provides the flexibility to progress selected developments on a turnkey basis to increase sales value.	Forecast margins are not achieved due to suppressed sales prices.
In-house construction capability provides an advantage compared to competitors reliant on third-party main contractors.	Forecast margins are not achieved due to increased construction costs.
Specialist in-house planning team and promotion of high quality design and sustainability standards.	Failure to bring sufficient developments through the planning process.

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

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

Risk 4 – Land availability

Link to business model

Threats

Threats	Preventative barriers
National or local political factors delay the planning process.	In-house planning expertise helps to identify locations with higher planning risk.
Alternative uses for land become more viable than the Group's core markets.	Regular reviews of our core markets and the property market in general to identify emerging trends.
Finite supply of land increases the risk of accepting sites with more development constraints.	Due diligence procedures in place for assessing the financial and technical viability of developments.
The land market freezes in response to a significant economic event.	The Group has the experience and ability to structure deals in different ways to adapt to the expectations of vendors.
Increased competition reduces our success rate in bidding for land.	Credible market presence due to track record of bringing land through planning and competitive pricing due to in-house construction capability.

Consequences

Preventative/recovery barriers	Consequences
Robust investment appraisal methodology and governance structure.	Overpaying for land.
Vendor and agent relationships and credibility in the market.	The Group does not acquire enough land to meet its growth plan.
Established macro and micro economic analysis used to identify target cities and locations.	Land acquired in secondary locations or with significant technical and environmental challenges.

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

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

Risk management and principal risks
continued

Risk 5 – Liquidity

Link to business model

Threats		Consequences	
Threats	**Preventative barriers**	**Preventative/recovery barriers**	**Consequences**
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 £7.5 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.
Freezing or major disruption to the forward sale 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.	Unable to sell developments on a forward funded basis.
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.	**Escalation factors**	**Preventative barriers**
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.	Financial distress of a major client.	Deals typically forward sold with monthly receipts limiting the extent of the exposure to default.

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

Risk 6 – Cyber security/GDPR

Link to business model

Threats		Consequences	
Threats	**Preventative barriers**	**Preventative/recovery barriers**	**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.
Malware/ransomware	Firewall and web filter measures alongside anti-virus software and external penetration testing.	**Escalation factors**	**Preventative barriers**
Insider threats	Internal monitoring measures alongside limits to email sizes and restrictions to access.	Development of new malware which can evade existing security measures.	Monitoring of emerging threats.

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

Key

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

Risk 7 – Project delivery

Link to business model

Threats

Threats	Preventative barriers
Unrealistic build programmes	The Group's business model means that it is involved in planning for most of its developments, giving it a greater ability to ensure a suitable programme.
Failure to obtain necessary statutory approvals	Experienced in-house delivery teams use the Group construction management methodology which seeks early engagement and discharge of statutory conditions.
Poor quality workmanship	Management processes on site for ensuring build quality with QA procedures in place for monitoring and capturing QA data.
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, liasing with subcontractors to order materials in advance of requirements.

Consequences

Preventative/recovery barriers	Consequences
Monitoring of performance against programme in monthly senior management review meetings to ensure early intervention.	Project is delivered late, leading to financial penalties and reputational damage.
QA data collated and monitored in monthly senior management review meetings.	Poor quality workmanship.
Monitoring of progress against compliance with discharge of statutory requirements in monthly senior management review meetings.	Completed properties do not comply with statutory requirements.

Escalation factors	Preventative barriers
Pressures to meeting financial 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

Risk management and principal risks
continued

Risk 8 – Build quality

Link to business model

Threats		Consequences	
Threats	**Preventative barriers**	**Preventative/recovery barriers**	**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.	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.	Significant defects leading to remedial costs.
Budgetary pressures lead to selection of poor quality materials or subcontractors.	In-house construction expertise used to inform cost estimates when appraising land opportunities.	**Escalation factors**	**Preventative barriers**
Failure to comply with statutory requirements.	Regular reviews of legislation by in-house planning and technical teams and use of suitably qualified consultants.	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

Risk 9 – Widespread business interruption & business continuity

Link to business model

Threats		Consequences	
Threats	**Preventative barriers**	**Preventative/recovery barriers**	**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.	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.
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.	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.
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.	**Escalation factors**	**Preventative barriers**
Failure of a key supplier	Tendering due diligence considers suppliers' technical expertise and financial position.	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 revenue generating activities

Key

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

Risk 10 – Capacity and capability

Link to business model

Threats

Threats	Preventative barriers
Uncompetitive remuneration packages.	Salary benchmarking undertaken to ensure our remuneration packages are competitive.
Failure to improve diversity and inclusion in under-represented groups.	Promotion of the 'People Pillar' in the Group's Future Foundations initiative.
Absence of succession plans.	Formal executive succession review undertaken annually.
A deep-rooted negative culture.	Employee engagement is a core personal objective for all senior employees across the organisation.
Lack of support for employee wellbeing.	Promotion of mental health wellbeing through training programmes and internal communications.

Consequences

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

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

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

Risk 11 – Financial crime and failure to comply with legislation

Link to business model

Threats

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

Consequences

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

Escalation factors	Preventative barriers
Shortages in subcontractors increases pressure to appoint subcontractors with poor compliance controls in place.	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

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 2023 (the 'forecast period'). This review has been undertaken taking into consideration the following matters.

Liquidity

At 30 September 2021, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £238.5 million, as set out below.

	£m
Cash balances	136.3
RCF headroom	92.2
Overdraft facility	10.0
Total cash and available facilities	238.5

Strong liquidity has been maintained through the first quarter of the year ending 30 September 2022, 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. The Group also has a loan with Svenska Handelsbanken AB which is secured against its three operational BTR properties. This stood at £4.5 million on 30 September 2021. We have assumed that this facility will be renewed before its maturity date of 15 March 2022, but in the event of this not being renewed, there was sufficient cash headroom available to replay the facility in all the scenarios modelled.

All financial covenants under the facilities were met at 30 September 2021 and are forecasted to be met throughout the period to 31 January 2023.

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, we are altering the sales model for new sites by utilising the forward sale business model to sell significant proportions of each development.

We also receive rental income from tenants on our leased PBSA assets and operational BTR assets. The level of rental income received reduced for the PBSA assets during the year ending 30 September 2021 as a result of COVID, but this income is relatively small in the context of the Group's revenues as a whole and the occupancy levels for the academic year 2021/22 have recovered well.

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 ten PBSA developments and three BTR developments for delivery during the period FY22 to FY24, as well as the reserved/exchanged and forward sales for our Affordable Homes business and the contracted income for Fresh. Our currently secured cash flow, derived from our forward sold developments and other contracted income, net of overheads and tax, results in a modest cash utilisation over the forecast period, with the result that our liquidity position is maintained.

In addition to the secured cash flow, the base case forecast assumes a number of new forward sales and further house sales, which if achieved will result in a further strengthening of our liquidity position, after allowing for dividend payments. We currently have under offer, and are progressing, sales of two BTR schemes, which will underpin the additional forward sales assumptions in the forecast.

Risk analysis

In addition to the base case forecast, and though considered unlikely given the reaction of the institutional investment market to the pandemic to date, including the emergence of the Omicron variant, we have considered the possibility of a suspension of the forward sale market in the event of a further resurgence of the pandemic leading to a significant economic downturn or market uncertainty. 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 those currently under offer, as a result of a freeze in the sales markets.

In the severe but plausible downside scenario, we have included for the payment of our FY21 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 £45 million (excluding the £10 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 2023 and has therefore adopted the going concern basis in preparing the financial statements.

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

Richard Simpson
Chief Executive Officer

18 January 2022

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

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

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

Past appointments
Managing Partner and Global Head of Private Equity at 3i Group plc, and a member of its Executive and Investment committees, which included board appointments to Audley Travel, Mayborn Group, Foster + Partners and Element Materials Technology; Managing Director of SG Investment Banking.

Richard Simpson
Chief Executive Officer
Appointed to the Board: 2 January 2019

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.

Other current appointments
N/A

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; and served for six years in the British Army.

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

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

Other current appointments
N/A

Past appointments
N/A

Simon Laffin
Independent Non-Executive Director
Appointed to the Board: 26 February 2016

Skills and experience
- Experienced chair, executive and non-executive director in large and small, public and private companies, including acting as audit committee chair.
- Experienced in retail, property, FMCG, financing, restructuring and private equity in the UK, Europe, the USA and Australia.
- Overseen major turnarounds in both public and private companies.
- Strong reputation and relationships with institutional shareholders.

Other current appointments
Chair of the Audit Committee of Dentsu International; Non-Executive Director and member of the Audit and Supervisory Committee of Dentsu Group Inc.

Past appointments
Chair of Assura plc, Flybe Group plc and Hozelock Group Limited; Group Finance & Property Director of Safeway plc; Non-Executive Director of Quintain Estates and Development plc, Mitchells & Butlers plc and Northern Rock (as part of the rescue team); and an adviser to CVC Capital Partners.

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

Skills and experience
- Around 20 years of executive experience at large UK businesses, including J Sainsbury plc and FCC Environment.
- 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.
- Gained experience supporting the Remuneration Committee Chair at Segro PLC.

Other current appointments
Group Human Resources Director at Segro PLC.

Past appointments
Retail Human Resources Director for J Sainsbury plc; and Group Human Resources Director for FCC UK Environmental (previously the Waste Recycling Group).

Kerry Watson
Group Company Secretary
Appointed: 19 April 2021

Chair's introduction

Alan Giddins
Chair

Board of Directors:

Alan Giddins
Chair

Richard Simpson
Chief Executive Officer

Sarah Sergeant
Chief Financial Officer

Simon Laffin
Independent Non-Executive Director

Liz Reilly
Independent Non-Executive Director

Dear Shareholder

I am pleased to introduce this report, my first as Chair of Watkin Jones plc. Governance is the third strand of ESG and plays a crucial role in the evolution of any business. At its best, good governance enables better, more agile decision-making, adds value to the business, manages informed risk-taking within appropriate parameters and, ultimately, protects shareholder interests. This report sets out our areas of focus during the year.

Board changes

The Nomination Committee conducted two searches for Board candidates during the year. Sarah Sergeant was appointed Chief Financial Officer Designate in October 2021 and became Chief Financial Officer in November 2021, following a handover from Phil Byrom. I was appointed Chair Designate in July 2021, assuming the role of Chair on Grenville Turner's retirement in October 2021. Further information on the Committee's search process can be found on pages 92 and 93.

Senior appointments

A number of appointments were made to the Executive Committee during the year, partly to support the growth of the business and partly due to succession planning.

The Remuneration Committee spent considerable time benchmarking and approving the remuneration packages for each role as well as for the appointments to the Board. Further information can be found in its report on pages 94 to 101.

Risk assessment

During the year, we continued to develop our approach to risk. In particular, we revised our risk methodology to incorporate a bow-tie assessment for each principal risk. Further information can be found in the Audit Committee report on pages 88 to 91.

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'). 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

18 January 2022

Corporate governance

Board structure

The Board is responsible for the overall leadership of the Group and setting its values and standards. It comprises the Chair, two Executive Directors and two independent Non-Executive Directors. Their biographies can be found on pages 82 and 83.

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 the year.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Grenville Turner[1]	7	7	6	5
Alan Giddins[2]	1/1	1/1	1/1	—
Richard Simpson	7	—	—	—
Philip Byrom[3]	7	—	—	—
Sarah Sergeant[4]	—	—	—	—
Simon Laffin	7	7	6	5
Liz Reilly	7	7	6	5

1. Retired from the Board on 12 October 2021.
2. Appointed to the Board on 19 July 2021.
3. Retired from the Board on 11 November 2021.
4. Appointed to the Board on 6 October 2021.

Corporate governance continued

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 a subject to planning acquisition of a large PBSA development for which the land price required Board approval;
- considered the post-completion reviews of the Group's developments delivered during the year;
- approved a revised delegated authority matrix which was designed to capture the key decision points in terms of the approvals required during the development lifecycle;
- 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 strategy discussions. The Board also benefited from more frequent presentations from within the business. In addition, the Directors received formal update training on the Market Abuse Regulations and attended unconscious bias training, which is being rolled out across the business.

Board effectiveness

An internal performance evaluation was conducted for FY21. The last external evaluation was conducted in 2019 and therefore the Board intends to conduct an external evaluation during FY22. The Board considered the need for an evaluation exercise during FY20 but concluded that the priority should be to continue to focus on the Group's response to COVID.

Grenville Turner, the outgoing Chair, conducted individual interviews with each member of the Board and discussed the findings with the Company Secretary. The findings were presented to the Board at its meeting in July 2021. In summary, the findings were that:

- the agility of the Board in addressing the evolving COVID situation had been impressive, with real commitment from Executive and Non-Executive Directors to increase communication, ensure responsiveness and achieve clarity in decision-making;
- the agenda was appropriately balanced in terms of focus on critical areas such as health and safety, retrospective reviews to help understand the reasons for success and underperformance, and early engagement on future topics being brought for debate;
- greater clarity was needed around some management information to deepen understanding of areas such as progress on sites under development and also to identify more non-financial KPIs;
- the Board dynamic in meetings was felt to be conducive to contribution, challenge and debate; and
- a session on diversity and a training day on 'unconscious bias' had been well received.

Area to address	Progress in FY21
Keep the Board's composition and mix of skills under review as the business grows.	Approved recommendations from the Nomination Committee to appoint Alan Giddins as Chair Designate and Sarah Sergeant as Chief Financial Officer Designate.
Agree relevant non-financial KPIs to adequately track progress on ESG matters.	Agreed ESG targets for each strand of the Company's ESG strategy.
Identify further areas of development following on from the success of the diversity training.	Identified new areas of legislation on which to update the Board.
Continue to improve risk management and audit processes.	Noted the move to bow-tie methodology for risk assessment.

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 pages 88 to 91. 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 addition to the events described 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 17 February 2022. 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**.

Audit Committee report

Simon Laffin
Chair of the Audit Committee

Committee members

Simon Laffin (Chair)
Independent Non-Executive Director

Alan Giddins
Chair

Liz Reilly
Independent Non-Executive Director

Changes in membership:
Grenville Turner (until 12 October 2021)
Alan Giddins[1] (from 19 July 2021)

Additional attendees, as invited:
Ernst & Young (retiring external auditor), Deloitte (incoming external auditor), KPMG (internal auditor), CEO and CFO.

1. The Company Chair is a member of the Committee. The Board considers this appropriate as it has only two independent Non-Executive Directors. Both Mr Turner and Mr Giddins possess extensive business experience and knowledge of financial markets, as well as independence, which enabled them to play a full and valuable role.

Committee responsibilities

- Reviewing and challenging the risk identification and mitigation processes.
- Monitoring the quality of the Company's internal controls.
- Ensuring that financial performance is properly measured and reported.
- Liaising with and reviewing the work of the Group's internal and external auditors.

The Committee meets at least once a year. In FY21, the Committee met seven times.

Dear Shareholder

In the last 12 months, the Committee covered the following matters:

Oversight of strategic risk management

The Company's principal risks are summarised on pages 74 to 81.
The Company has identified its 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 refine its approach to risk management during the year by further applying the 'bow-tie' methodology to managing its principal risks. The Committee regards this methodology, developed by safety-critical industries, to be the best method of analysing risk and developing risk management policies. It focuses on identifying process barriers that can be put in place to identify if an event is at risk of happening and to reduce the probability of such event crystallising. It also requires the identification of barriers to recognise if an event has occurred and to reduce the consequences if it does.

The Company's Risk Committee, which comprises members of the executive team, conducted a deep dive 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 2021.
The Committee approved the risk profile subject to minor amendments to the range of gross and net risk.

The internal control framework and its effectiveness are discussed on page 87.

Interim results review

The Committee approved the scope of works for the interim results review and Ernst & Young (EY) then performed an analytical review of the interim results statements. Planning materiality was set at £1.29 million, and performance materiality at £0.968 million. A review was conducted on three current development sites, testing revenue, costs, forecast costs and performance conditions. No significant points arose.

Review of significant accounting risks and judgements made in the preparation of the annual financial statements

The Committee reviewed the key accounting matters with reference to areas of higher risk and areas involving significant judgement:

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 wrong.

The auditor explained the work that they undertake to verify revenue and noted no significant issues with the recognition. They also reviewed whether any additional costs could be incurred as a result of the COVID pandemic, for example due to late delivery of projects, and confirmed that no significant costs had been identified.

Management override: There is a risk that management could manipulate results. As part of its procedures, the external auditor reviews accounting estimates for evidence of management bias and the reasonableness of land and work in progress valuations.

They also assessed the Company's quality of earnings by looking at the level of provisions and non-underlying items compared to the prior year. The Audit Committee reviewed the strength of the Company's internal controls and the work undertaken by the external auditor for assurance that this risk is controlled. The Committee was satisfied with the auditor's conclusion that 'the control environment is effective and helps to reduce the likelihood of a material misstatement affecting the financial statements'.

Land and work in progress valuation: This is an important part of long-term contract accounting. The valuation of inventories requires significant judgement by management over 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 inventories are overstated. The Committee took into account 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 EY, including their assessment and valuation of the Group's development sites that had not been forward sold. EY found no significant issues in their audit and the Committee was satisfied with the judgements made.

Consideration of final year-end audit report

The Committee reviewed the external auditor's plans for the year-end audit.

The Committee then met with EY and reviewed their report on the year-end results (see pages 105 to 109):

- reporting materiality, which was set by the auditor at 5% of profit before tax and one-off items, which equates to £2.6 million. In practice, they apply a lower 'performance materiality' of £1.9 million as a basis for their detailed work, and report to the Committee all audit differences that they find over £0.13 million;
- impairment testing for leased investment properties. This refers to six legacy student accommodation assets that were sold and leased back. Before the application of IFRS 16, any impairment would have been classified as an onerous lease provision. An impairment charge was made in FY20 in respect of one of the leased assets, primarily as a result of the lower student occupancy in the 2020/21 academic year as a result of COVID and taking into account students not being able to return to their accommodation in January 2021. No further impairment was required;
- intangible assets relating to Fresh of £2.8 million in customer relationships and £9.7 million in goodwill. There was significant headroom;
- cladding provision. A charge of £14.8 million was made in the prior year for rectification works that will be needed on cladding, with a remaining provision of £9.4 million carried forward at the year end. This was calculated for each affected building;
- a number of immaterial corrected and uncorrected audit differences; and
- the Committee noted that all reporting requirements for an AIM-listed business are being complied with.

Audit Committee report continued

External audit tender

As indicated in last year's report, during the year the Committee undertook a tender process for the external audit. Ernst & Young has been the external auditor for the Company for 24 years and our current policy is that the external audit should be tendered at least once every ten years. Following the adoption of this policy, the Committee had planned to hold a tender for the external audit in 2020 but decided that it would be prudent to delay by a year given the disruption caused by the COVID pandemic.

The tender process was conducted as follows:

- Three audit firms, including one non-Big Four firm, were invited to bid for the external audit. In line with the Company policy, EY, as incumbent auditor, was not invited to bid due to its length of tenure. However, the Audit Committee placed on record its appreciation of EY's long and high quality service and noted this length was the sole reason for the change in auditor.
- Each firm was invited to submit a proposal and give a presentation to the Committee. In order to help inform their proposal, each firm held meetings with a number of participants including the Chief Executive, senior managers, KPMG as internal auditor, the incumbent auditor and myself as Chair of the Audit Committee.
- The strength of each bid was evaluated against a range of criteria including focus and efficiency of the proposed audit, relevant sector experience, understanding of the business, resource capability and capacity, independence and audit fees.
- The Committee unanimously selected Deloitte LLP as the preferred audit firm and, having taken up references, recommended the appointment of Deloitte to the Board. The Board approved our recommendation.

As announced in July 2021, it was agreed that Deloitte would take up the role immediately following the signing of the FY21 financial statements, subject to shareholder approval.

External audit

Effectiveness of the external auditor

After last year's audit, the Committee and the Finance team reviewed the performance of the auditor, looking at the audit scope, the cost effectiveness and the general performance, and concluded that EY continued to provide an effective service. The Committee and the Board concluded that the firm remained independent and continued to have the necessary level of objectivity.

The Committee approved a 7.8% increase in audit fees, reflecting the general market-wide restoration of margins being driven by UK audit firms, following the Competition and Markets Authority review into the audit market and increased pressure on audit firms from regulators and government.

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.

EY did no chargeable work for the Company other than the audit and half-year review.

Internal audit

Internal audit services are provided by KPMG. 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. For example, during the year KPMG provided internal audit reports in relation to IT controls and supplier and contractor management. Recommendations in relation to those areas were accepted and the completion of associated actions was tracked and reported to the Committee.

Effectiveness of the internal auditor

The effectiveness of KPMG was assessed during the year taking into account their 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.

Other matters considered by the Committee

The Committee meets with the external auditors without management being present at least twice a year. In addition, as Chair, I speak individually with the internal and the external auditors before every scheduled Audit Committee meeting. In this way, we ensure that all matters that should be raised are notified to the Committee and members.

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 statements: The Committee reviewed this statement and several different scenarios of cash flow over the next year. The Company limits cash outflows on development projects before forward selling them. This tends to give positive cash flow from fairly early on in a development. These characteristics and the ability of the Company to stop work on any new developments underlines the relatively low cash risk. 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.

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

COVID: The Committee considers that the business has continued to operate satisfactorily through the pandemic and various lockdowns, as previously prepared contingency plans broadly worked as intended.

Year-end reporting and audit process: The Committee expressed its desire to speed up the year-end reporting and audit process. Management and EY worked together to identify ways to complete work earlier and faster without sacrificing any quality. This was applied to the 2021 year-end audit.

UK Bribery Act: The Committee reviewed the anti-bribery and corruption policy and approved it. It also reviewed the gifts and hospitality policy as well as specific instances.

IT general controls: The Committee received a report from the internal auditor on IT controls. A number of recommendations were made and accepted in full.

Business continuity planning: The Committee received an updated report on the Company's preparedness for business disruption. Previous plans centred on the possible loss of office access, but the pandemic and ensuing growth in home working has rendered this more business as usual than exceptional event. The business has coped well with the change, with the existing plan providing the basis for our adaptation. More emphasis is now being put on possible hazards at developments that we own and/or manage. A need to conduct a simulated emergency at a development was identified and will be conducted early in 2022, with additional focus on communications at such a time.

GDPR: It was concluded that there are no major concerns about the implementation of GDPR and that the quarterly Data Protection Management Group was taking responsibility for this.

Supplier and contract management: Internal audit reported on a review into supplier management. There were a number of important recommendations that identified that more checks needed to be made, more consistency was needed across the Group and better documentation of checks made. All the recommendations were accepted.

Performance metrics: These were once again assessed for their relevance, appropriateness and completeness for assessing performance against our strategy. No change was deemed necessary.

Whistleblowing: The Committee reviewed whistleblowing reports (collated by an independent third-party provider) at each meeting. There were a very small number of whistleblowing reports during the year, which were investigated as necessary. The internal posters were updated and reissued.

Staff annual bonus: The Committee approved the payment of the staff annual bonus, which is based on forecast Group profit for the year, in December before the accounts were 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).

Companies to be audited: The Committee considered the number of subsidiaries and SPVs and agreed that a number did not require individual audit. Applications were made to dissolve 15 SPVs to simplify the Group and reduce costs.

FRC enquiry: During the year, the Company received correspondence from the FRC's Corporate Reporting Review Team who had reviewed the FY20 annual report and accounts (the FRC's role is to consider compliance with reporting requirements and consequently their review does not provide assurance that the FY20 annual report and accounts were correct in all material respects). The FRC queried why one particular disclosure had not been included in the annual report relating to the recently introduced Streamlined Energy and Carbon Reporting regulations. The Company, assisted by the external auditor, responded and confirmed that it would comply fully with the disclosures in the FY21 annual report. The FRC was satisfied with the response, confirmed that no further response was required and closed the enquiry. The Audit Committee discussed the issue and agreed to add additional checks on the annual report to ensure full compliance in future.

Performance and terms of reference

The Committee's performance was considered as part of the Board evaluation process described on pages 86 and 87. Feedback showed that the Committee was felt to be operating well and noted the importance of its role during the pandemic, particularly with regard to developing the articulation of the Company's strategic risks. The Committee also self-assessed its performance, noting that there were no significant areas for improvement. The frequency of meetings was discussed and considered appropriate, particularly against the backdrop of the pandemic.

Our terms of reference were updated during the year to clarify our responsibilities in respect of internal audit. A copy of the Committee's terms of reference is available on the Company's website **watkinjonesplc.com/investors/corporate-governance**.

Financial experience on the Committee

The Board remains satisfied that I have the necessary recent and relevant financial experience to chair the Audit Committee.

Simon Laffin

Chair of the Audit Committee

18 January 2022

Nomination Committee report

Alan Giddins
Chair of the Nomination Committee

Committee members

Alan Giddins (Chair)
Chair

Simon Laffin
Independent Non-Executive Director

Liz Reilly
Independent Non-Executive Director

Changes in membership:
Grenville Turner (member until 12 October 2021)

Alan Giddins (member from 19 July 2021)

Additional attendees, as invited:
CEO, Chief People Officer, HR Director and other executives as required.

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

The Committee meets as required. In FY21, the Committee met five times.

Dear Shareholder

The appointment and retention of strong candidates is key to the success of the Company. The Nomination Committee plays a vital role in ensuring the selection and recommendation of appropriate candidates for appointment to the Board. This report explains the work of the Committee during the financial year.

During FY21, the Committee:

- considered succession planning for the Chair following Grenville Turner's decision to retire from the Board and recommended my appointment as Chair Designate (subsequently confirmed as Chair in October 2021); and
- considered succession planning for the Chief Financial Officer following Phil Byrom's decision to retire from the Board and recommended the appointment of Sarah Sergeant as Chief Financial Officer Designate from October 2021 (subsequently confirmed as Chief Financial Officer in November 2021).

Appointment of Chair

The Committee's work on Non-Executive Director succession focused on the appointment process for the Chair role. Responsibility for managing the process was assumed by Simon Laffin and Liz Reilly, Independent Non-Executive Directors.

The process for identifying a new Chair commenced with the agreement of a detailed brief of the role and objective criteria against which candidates would be assessed. The Committee identified the following as key candidate criteria: wide-ranging leadership skills, extensive experience of stakeholder engagement and first-hand experience of supporting growing businesses. A tender process was held with three leading recruitment firms, following which Ridgeway Partners was engaged to conduct a search for suitable candidates against these criteria.

Following interviews with all Board members, I was appointed as an independent Non-Executive Director in July 2021. I assumed the role of Chair in October 2021 and was independent on appointment.

Appointment of Chief Financial Officer

The Committee's work on Executive Director succession focused on the appointment process for the Chief Financial Officer role following Phil Byrom's indication that he intended to step down from the Board and retire from the Group by 2022. The process was led by Grenville Turner, with input from Richard Simpson as Chief Executive Officer and Simon Laffin as Chair of the Audit Committee.

A detailed brief of the role and objective criteria against which candidates would be assessed was agreed by the Committee. This identified the need for a candidate with clear expertise gained in companies that operate in a competitive marketplace, experience of driving strategic execution, and proven financial leadership. Following a tender process involving three leading recruitment firms, Odgers Berndtson was engaged to conduct a search for suitable candidates against these criteria. Following interviews with all Board members, Sarah Sergeant was appointed to the Board as Chief Financial Officer Designate in October 2021. She succeeded Phil Byrom as Chief Financial Officer in November 2021. In recommending Sarah for appointment to the Board, the Committee felt that her considerable financial, strategic and operational experience across complex commercial businesses would be a significant asset to the Board.

Board composition and succession planning

During the coming year, the Committee will review the size and shape of the Board to ensure it has the appropriate level of diverse thinking and experience to serve the Group. We believe it may be beneficial to increase the size of the Board over time as it is relatively small, with only three Non-Executive Directors. This means that all of the Non-Executive Directors are members of each Board committee. Given the current size of the Board, the Committee is satisfied that it is appropriate for the Company Chair to be a member of the Audit Committee.

Diversity

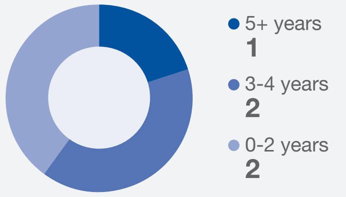
We recognise the ethical imperative and the business benefits of diversity and, as set out in our ESG report, diversity is one of the central strands of our Future People proposition. We have set targets for our workforce to better reflect society by 2025 and reflect society by 2030. We have improved the gender diversity of the Board, ending the year with 40% female directors, but women and BAME employees remain under-represented at senior levels of the Group. In part this is due to the nature of our industry. We have joined Women Into Construction, an organisation that promotes gender equality within the industry, and will continue to look for ways to enhance all aspects of diversity across the Group.

Alan Giddins

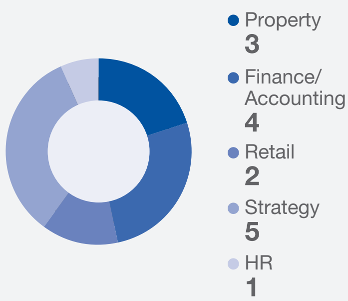
Chair of the Nomination Committee

18 January 2022

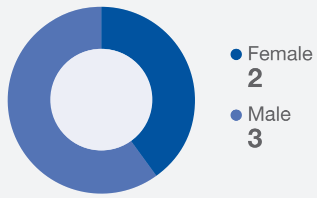
Tenure – as at January 2022



Experience – as at January 2022



Gender – as at January 2022



Directors’ remuneration report

Liz Reilly
Chair of the Remuneration Committee

Committee members

Liz Reilly (Chair)
Independent Non-Executive Director

Alan Giddins
Chair

Simon Laffin
Independent Non-Executive Director

Changes in membership:
Grenville Turner (member until 12 October 2021)

Alan Giddins (member from 19 July 2021)

Additional attendees, as invited:
FIT Remuneration Consultants LLP, Richard Simpson, Craig Wilcockson (Chief People Officer), Jackie Kelly (HR Director)

Committee responsibilities
The Remuneration Committee is primarily responsible for determining the Company’s remuneration policies in order to support its strategy and promote its long-term sustainable success, reviewing the performance of the Executive Directors and determining their terms and conditions of service.

The Committee also determines the remuneration of the Chair and the members of the Executive Committee.

The Committee meets at least twice a year. During the financial year, it met six times.

Activities during the year

- Reviewed fees for the Chair and remuneration for the Executive Directors and Executive Committee.
- Approved the remuneration package for Sarah Sergeant, appointed Executive Director on 6 October 2021, and the fee for Alan Giddins, who joined as Non-Executive Director and Chair Designate on 19 July 2021 and who was appointed Chair on 12 October 2021.
- Reviewed the FY20 Directors’ remuneration report prior to its approval by the Board and subsequent approval by shareholders at the 2021 AGM.
- Reviewed performance against the FY20 annual bonus plan targets and resulting awards and agreed the metrics and targets for the FY21 bonus plan.
- Reviewed LTIP award levels and performance metrics/targets for the 2021 LTIP awards.

Annual Statement

Dear Shareholder

On behalf of the Board, I am pleased to present our remuneration report for FY21. 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.

Performance in FY21

Ongoing challenges remained, principally as a result of COVID lockdowns which continued to impact building schedules in 2021. Despite this, the Company delivered a robust performance in the year. All 12 schemes scheduled for delivery were completed and we continued to make excellent progress in growing our development pipeline. Our future revenue pipeline stood at £1.8 billion at the financial year end, our highest total to date. Profit before tax (PBT) was £51.1 million (FY20 adjusted: 45.8 million), an increase of 11.7%, and EPS was 16.4 pence (FY20 adjusted: 14.7 pence), an increase of 11.2%.

We are seeing evidence that investment appetite from institutional investors is returning to pre-pandemic levels in both BTR and PBSA, which is encouraging for future growth prospects. BTR in particular has demonstrated its worth during the pandemic as residential rental incomes and occupancy rates remained resilient compared to other property sectors. In addition, BTR developments have the potential to become more highly valued in the wake of COVID, given their community aspect and the offering of modern amenities such as residents' lounges and shared workspace.

Key remuneration decisions

Annual salary review for FY22

The Committee approved an increase in base salaries of 2.9% for Richard Simpson and the executives immediately below Board level with effect from 1 October 2021. This was in line with the increase made to the wider workforce. Sarah Sergeant was ineligible for an increase, having been appointed to the Board on 6 October 2021.

Annual bonus for FY21

The annual bonus was based 75% on sliding scale profit targets and 25% on the achievement of personal performance objectives. The profit targets were based on profit before tax and resulted in an award equal to 60.375% of salary for Richard Simpson and Philip Byrom. Following consideration by the Committee, it approved an award of 20.5% of salary payable in respect of Richard Simpson's achievement of his personal performance objectives and 19% of salary payable in respect of Philip Byrom's achievement of his personal performance objectives. For further information, see page 98.

Long-term incentives for FY21

Awards under the Long Term Incentive Plan (LTIP) are measured with reference to the Company's growth in earnings per share (EPS) and absolute total shareholder return (TSR). Each measure makes up 50% of the award. In respect of the LTIP performance period ended 30 September 2021, the EPS element of the award will lapse as a result of the threshold target not being achieved, while the TSR element of the award will vest at 68.57% given the Company's TSR was between the threshold and maximum targets. This means the total award will vest at 34.28% in May 2022.

Appointment of Executive Director

Sarah Sergeant was appointed as an Executive Director on 6 October 2021. The Committee approved her remuneration package, which was in line with our remuneration policy and its underlying principles. Her annual base salary was set at £300,000 with 100% of salary maximum bonus opportunity and 100% of salary LTIP opportunity. No buyout awards were granted on appointment. Employer pension contributions were set at 7% of salary.

Further details of the remuneration decisions in respect of FY21 are set out in the annual report on remuneration on page 97 to 101.

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:

- approved salary increases for the Executive Directors in line with colleagues across the Group;
- aligned the bonus metrics between the Executive Directors and the wider workforce (which resulted in a switch from EBITDA to PBT);
- 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; and
- approved amendments to the company car policy for executives, in line with that for the wider workforce, to support the move to hybrid and electric company cars.

Implementing the remuneration policy for FY22

Following the launch of Future Foundations, the Company's environmental, social and governance (ESG) strategy, the composition of the bonus elements will be made up of 65% financial targets, 20% personal performance targets and 15% ESG targets. Annual bonus potential will be unchanged.

LTIP awards are expected to be granted at normal levels in January 2022. Noting market practice in this regard, rather than LTIP awards being based 50% on EPS and 50% on absolute TSR, the Committee will introduce a relative TSR measure for the first time which will measure the Company's TSR against sector peers. As such, the 2022 LTIP awards are expected to be based 50% on EPS, 25% on absolute TSR and 25% 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

18 January 2022

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.	20% of base salary	n/a
Annual bonus	To reward performance against annual targets which support the strategic direction of the Group.	Awards are based on annual performance and are normally payable in cash.	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.	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 FY21

The table below sets out how we implemented our remuneration policy in FY21 and any significant planned changes in the way the policy will be implemented in FY22.

Base salary	Executive Director base salary levels were increased by 2.9% from 1 October 2021, in line with the general workforce increase, for Richard Simpson. Sarah Sergeant was ineligible for an increase, having been appointed on 6 October 2021. Current salary levels for Richard Simpson and Sarah Sergeant are £393,593 and £300,000 respectively. Philip Byrom retired from the Board on 11 November 2021; his salary at that date was £262,650.
Benefits	Changes to the company car policy were approved with effect from 1 October 2021 to support the move to hybrid and electric company cars. Marginal increases to the car allowance were approved to take account of the increased cost of hybrid and electric cars. These changes were in line with the car policy for the wider workforce.
Pension	Richard Simpson will continue to receive a pension contribution of 20% of salary. Sarah Sergeant will receive a pension contribution of 7% of salary.
Annual bonus	The maximum potential will continue to be capped at 100% of salary, based on sliding scale financial targets (65%), personal performance targets (20%) and ESG targets (15%).
LTIP	The LTIP award granted in FY21 will be measured with reference to the Company's growth in EPS and absolute TSR. Each measure makes up 50% of the award. LTIP awards are expected to be granted during FY22 to Richard Simpson and Sarah Sergeant over shares equal to 200% and 100% of salary respectively. Noting market practice in this regard, rather than LTIP awards being based 50% on EPS and 50% on absolute TSR, the Committee will introduce a relative TSR measure for the first time which will measure the Company's TSR against sector peers. As such, the 2022 LTIP awards are expected to be based 50% on EPS, 25% on absolute TSR and 25% 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 2.9% from 1 October 2021. As such, current fees for Alan Giddins, Simon Laffin and Liz Reilly are £135,133, £56,215 and £56,215 respectively.

Single total figure of remuneration for FY21

In the year to 30 September 2021, the Directors received the following emoluments:

	Basic salary/fee		Annual bonus		Pension contribution		Benefits in kind		Total	
	FY21	FY20[1]	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20
Richard Simpson[5]	382,500	359,375	309,347	86,250	76,500	75,000	16,388	16,419	784,735	537,044
Alan Giddins[2]	11,206	—	—	—	—	—	—	—	11,206	—
Simon Laffin	54,631	50,882	—	—	—	—	—	—	54,631	50,882
Liz Reilly	54,631	50,882	—	—	—	—	—	—	54,631	50,882
Philip Byrom[3, 5]	262,650	246,771	208,478	59,225	26,265	25,750	19,316	23,279	516,709	355,025
Grenville Turner[4]	131,325	122,313	—	—	—	—	—	—	131,325	122,313

1. Reflects a 20% reduction in basic salaries and fees during the period April to June 2020 as part of our initial response to dealing with the pandemic.
2. Appointed to the Board as Non-Executive Director on 19 July 2021 and as Chair with effect from 12 October 2021.
3. Retired from the Board on 11 November 2021.
4. Retired from the Board on 12 October 2021.
5. The LTIP awards granted to Richard Simpson and Philip Byrom on 31 May 2019 will vest at 34.28% of the total awards, based on achievement against the performance conditions to 30 September 2021. The value of these awards has not been reflected in the above table as they will not vest until 31 May 2022.

Annual report on remuneration continued

Annual bonus in respect of FY21

Financial targets (75%):

	PBT (75%)
Threshold	£45.0m
On target	£50.0m
Maximum	£55.0m
Actual	£51.1m
% of salary payable	60.375%

Personal objectives (25%):

	Objectives	Committee assessment	% of salary payable
Richard Simpson	• Build an effective senior leadership team capable of delivering against the Group's five-year plan. • Deliver the first year of the Group's affordable housing pilot project. • Start a process of evaluating the Group's key corporate messaging with stakeholders. • Deliver against a set of targeted objectives across new schemes, planning, forward sale and construction, thereby creating the foundation for multi-year revenue and profit growth. • Increase the level of employee engagement as demonstrated through an improvement in the Group's employee engagement score. • Establish an ESG strategy which is embedded in the Group's purpose and which engages with the Company's workforce, communities and investors.	In considering Richard Simpson's performance against his personal objectives, the Committee recognised that, despite the impact of a further COVID lockdown, the financial performance of the business was above budget and that all developments were delivered by 30 September 2021. The Committee specifically highlighted the following: • The affordable homes pilot project had been successfully advanced. • An ESG strategy had been developed and delivered to both the Board and shareholders. This included a roadmap for the coming year across People, Places and Planet. • A strong Executive Committee had been put in place, with a number of key hires made during the year, including a Chief People Officer, Head of Delivery and Company Secretary. A new Chief Financial Officer had also joined the Company post the year end. • The Group had achieved a 70% employee engagement rating (+10%).	20.5%
Philip Byrom	• Deliver enhanced performance reporting, with improved financial and non-financial KPIs. • Innovate and improve the year-end audit process. • Actively support the Audit Committee in delivering on its stated goals for the year, including delivery of a successful audit tender process. • Deliver against a set of targeted objectives across new schemes, planning, forward sale and construction, thereby creating the foundation for multi-year revenue and profit growth. • Increase the level of employee engagement as demonstrated through an improvement in the Group's employee engagement score. • Establish an ESG strategy which is embedded in the Group's purpose and which engages with the Company's workforce, communities and investors.	In considering Philip Byrom's performance against his personal objectives, the Committee recognised that, despite the impact of a further COVID lockdown, the financial performance of the business was above budget, and in particular the year-end cash position was materially above expectations. The Committee also noted that during FY21 it was announced that Philip Byrom would be stepping down as Chief Financial Officer, with the result that the Board asked him to put in place an appropriate handover process. The Committee specifically highlighted the following: • The audit tender process had been well managed. • Philip Byrom had provided a thorough handover to the new Chief Financial Officer. • An ESG strategy had been developed and delivered to both the Board and shareholders. This included a roadmap for the coming year across People, Places and Planet. • The Group had achieved a 70% employee engagement rating (+10%). • That there had, however, only been limited progress in developing an improved set of KPIs.	19.0%

Based on these assessments, the annual bonus awards earned for the year ended 30 September 2021 were as follows:

	Objectives	Financial	Personal	Total
Richard Simpson	% of salary payable	60.375%	20.5%	80.875%
Philip Byrom	% of salary payable	60.375%	19.0%	79.375%

LTIP awards due to vest in FY21

Richard Simpson's 2018 Buyout Award (granted on 8 February 2019 in respect of an award which lapsed on cessation of his employment with Unite) and Philip Byrom's LTIP award (granted on 31 May 2018) were due to vest in FY21. However, the threshold levels of EPS and TSR performance measured over the three years to 30 September 2020 were not met. As such, these awards lapsed in full. Richard Simpson's 2018 Buyout Award was the last of the Buyout Awards issued to him in respect of his forfeited Unite LTIP awards.

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%. EPS growth over the performance period was 0.9% and this element of the award will lapse. TSR growth over the performance period was 9.8% and this element of the award will vest at 68.57%. Accordingly, the total award will vest at 34.28% in May 2022.

LTIP awards granted in FY21

The following LTIP awards were granted to the Executive Directors on 28 January 2021:

	Basis of award	Number of shares under award
Richard Simpson	200% of salary	386,402
Philip Byrom	100% of salary	132,664

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)	• 0% of this part of an award vesting for EPS growth of 10% p.a., increasing pro-rata to 100% of this part of an award vesting for EPS growth of 20% p.a. or more
TSR (50% of awards)	• 0% of this part of an award vesting for a share price of 250 pence, increasing pro-rata to 100% of this part of an award vesting for a share price of 325 pence or greater • based on the average closing share price in the final three months of the TSR performance period, as adjusted for dividends

Board changes

Sarah Sergeant was appointed as an Executive Director on 6 October 2021 on a base salary of £300,000 per annum and a pension of 7% of salary, with 100% of salary maximum bonus opportunity and 100% of salary LTIP opportunity. No Buyout Awards were granted on appointment.

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 will remain 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 for which he is employed.

Alan Giddins was appointed as a Non-Executive Director on 19 July 2021. His fee on appointment was commensurate with the other Non-Executive Directors at £54,631. On appointment as Chair, his fee increased to £135,133.

Directors' remuneration report continued

Annual report on remuneration continued

Outstanding share awards

The LTIP share awards outstanding for the Executive Directors at 30 September 2021 and as at the date of this report were as follows:

	Richard Simpson				Philip Byrom			
Award type	2018 Buyout Award	LTIP	LTIP	LTIP	LTIP	LTIP	LTIP	LTIP
Exercise price	1p	1p	1p	1p	1p	1p	1p	1p
Date of grant	8 Feb 2019	31 May 2019	22 Jun 2020	28 Jan 2021	31 May 2018	31 May 2019	22 Jun 2020	28 Jan 2021
Date of vesting	10 Apr 2021	31 May 2022	22 Jun 2023	28 Jan 2024	31 May 2021	31 May 2022	22 Jun 2023	28 Jan 2024
Interest at 1 Oct 2020	344,201	342,309	460,009	—	115,955	117,526	157,936	—
Granted in the year	—	—	—	386,402	—	—	—	132,664
Dividend equivalents	—	—	—	—	—	—	—	—
Lapsed	(344,201)	—	—	—	(115,955)	—	—	—
Exercised in the year	—	—	—	—	—	—	—	—
Interest at 30 Sep 2021	—	342,309	460,009	386,402	—	117,526	157,936	132,664
Performance period for TSR and EPS targets	1 Oct 2017 to 30 Sep 2020	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	1 Oct 2017 to 30 Sep 2020	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

Directors' interests in the Company's shares

At 30 September 2021 and as at the date of this report, the Directors had the following interests in the Company's shares:

	Number of shares
Richard Simpson	516,987
Alan Giddins	64,000
Philip Byrom	2,600,000
Sarah Sergeant	—
Grenville Turner	427,900
Simon Laffin	152,749
Liz Reilly	20,000
Total	**3,781,636**

	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
Alan Giddins	19 July 2021	3 months	3 months
Sarah Sergeant	6 October 2021	6 months	6 months
Simon Laffin	26 February 2016	3 months	3 months
Liz Reilly	21 January 2019	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. 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. Simon Laffin and Liz Reilly were appointed to the Board by letters of appointment dated 26 February 2016 and 4 January 2019 respectively.

Advisers to the Committee

FIT Remuneration Consultants LLP (FIT) provide 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 86 and 87. Feedback showed that the Committee was felt to be operating well.

Our terms of reference were reviewed during the year with no changes considered necessary. A copy of the Committee's terms of reference is available on the Company's website **watkinjonesplc.com/investors/corporate-governance**.

Liz Reilly
Chair of the Remuneration Committee

18 January 2022

Directors' report

The corporate governance disclosures on pages 85 to 87 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 81.

Review of business
The strategic report on pages 1 to 81 provides a review of the business, the Group's trading for the year ended 30 September 2021, key performance indicators and an indication of future developments and risks.

Result and dividend
The Group's profit for the year was £41.9 million (FY20: £21.1 million). More information about the Group's financial performance can be found in the financial review on pages 66 to 71 and in the financial statements on pages 110 to 151.

The Board has recommended a final dividend for the year of 5.6 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 66 to 71.

Directors
The Company's Directors during the year were:

- Alan Giddins (appointed 19 July 2021);
- Simon Laffin;
- Liz Reilly;
- Richard Simpson;
- Sarah Sergeant (appointed 6 October 2021);
- Grenville Turner (retired 12 October 2021); and
- Philip Byrom (retired 11 November 2021).

The current Directors' biographies can be found on pages 82 and 83. 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 15 December 2021, 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	Number of shares held	Percentage
Octopus Investments Limited	28,921,715	11.29
M&G Investments	20,696,564	8.08
Mark Watkin Jones and related parties	20,584,407	8.04
Polar Capital Holdings	12,760,073	4.98[1]
abrdn plc	12,583,838	4.91
JP Morgan Chase & Co	11,319,357	4.42
Jupiter Investment Management Holdings	8,504,692	3.32
Hargreaves Lansdown PLC	7,878,973	3.08
Close Brothers Group	7,736,443	3.02

1. Notified on 7 January 2022 under the Disclosure and Transparency Rules (DTR 5).

Directors' interests

The Directors' interests in the Company's shares are set out in the Directors' remuneration report on page 100.

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 2021, the Company's issued share capital was £2,561,634, divided into 256,163,459 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 64 and 65. Information on other employee matters such as investing in the workforce, employee diversity and the provision of equal opportunities for disabled employees can be found in the strategic report on pages 45 to 48.

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

In view of the fact that Ernst & Young had been the Company's auditor for over 20 years, a tender process was held during 2021. Following that process, the Board selected Deloitte LLP to be the Company's new auditor and they will be appointed immediately following the signing of the Company's financial statements for the year ended 30 September 2021.

A resolution to appoint Deloitte as auditor will be proposed at the 2022 annual general meeting.

Going concern

After making enquiries and as more fully explained in the going concern review on pages 80 and 81, the Directors have a reasonable expectation that the Group has adequate resources to continue to trade for the period to 31 January 2023. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 are 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 auditors are aware of that information.

This Directors' report was approved on behalf of the Board on 18 January 2022.

Sarah Sergeant
Chief Financial Officer

18 January 2022

Directors' responsibilities

in relation to the annual report and financial statements

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the parent company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- for the parent company financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

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

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

Independent auditor's report

to the members of Watkin Jones plc

Opinion

In our opinion:

- Watkin Jones plc's Group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with section 408 of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Watkin Jones plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2021 which comprise:

Group	Parent company
Consolidated statement of financial position as at 30 September 2021	Statement of financial position as at 30 September 2021
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 39 to 45 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 38 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards to the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

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 and parent company's ability to continue to adopt the going concern basis of accounting included:

- We have documented and evaluated the process followed by management to prepare the forecasts and conducted our own risk assessment.
- We checked the arithmetical accuracy and appropriateness of management's models and with regard to management's base case, downside and severe but plausible downside scenarios over the going concern period to 31 January 2023, we checked the integrity of the model and assessed the reasonableness of the key assumptions, such as the suspension of the forward sale market, used within the scenarios and validated to supporting documentation where appropriate.
- We read and evaluated the Group's lending agreements to ascertain any financial or non-financial covenant restrictions which are in place.
- We verified the cash starting position at 31 October 2021 to bank statements, and updated this to 31 December 2021 to bank statements and confirmed the availability of the revolving credit facility and overdraft facilities by comparing to the underlying agreements. We also confirmed the terms of the Handelsbanken loans, which are due for repayment in the forecast period.
- We assessed the forecast compliance of each covenant throughout the going concern period under all three scenarios presented by management.
- The audit procedures on going concern were supervised and directed by the audit engagement partner and senior members of the team.
- We performed two additional stress tests using our own projections to determine the impact of changing some of management's key assumptions on the going concern assumption. These key assumptions were in relation to: activity levels in the forward sale market and the impact of any further lockdowns, both of which would impact the liquidity headroom and covenant compliance.
- We reviewed the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern until 31 January 2023.

Conclusions relating to going concern continued

Our key observations in relation to the work performed are:

- the business has access to an RCF facility of £100 million which expires in May 2025 and an overdraft facility of £10 million which expires in June 2022;
- in all three of management's scenarios the business retained headroom on forecast cash and facilities throughout the going concern assessment period with the lowest level of headroom being £45 million (excluding overdraft) during management's severe but plausible downside scenario. The business is projected to meet all of its covenant tests throughout the forecast period under all three scenarios modelled by management; and
- the Handelsbanken loans are anticipated to be renewed in all three scenarios modelled by management. The business has adequate cash in all three scenarios modelled by management to repay these if necessary.

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 and parent company's ability to continue as a going concern for the period to 31 January 2023.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• The Group solely operates in the United Kingdom. We performed an audit of the complete financial information of all the Group companies.
Key audit matters	• Revenue recognition • Carrying value of land and work in progress
Materiality	• Overall Group materiality of £2.6 million which represents 5% of pre-tax income.

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

Changes from the prior year

There have been no changes in our scope compared to the prior year.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
1) Revenue recognition (revenue – 2021: £430 million, 2020: £354 million) Refer to the Audit Committee report (page 89); accounting policy (pages 117 and 118); and notes 6 and 7 of the consolidated financial statements (pages 117 to 120) The Group's main revenue stream comes from long-term contracts (2021: £388 million, 2020: £303 million). In line with IFRS 15, revenue and margin are recognised in line with the five-step model to account for revenue. There are various assumptions within the development appraisals regarding the estimated costs to complete which impact whether revenue and margin are recognised in the appropriate period. There is therefore a risk that the incorrect amount of revenue and costs is recorded in the income statement if the estimated costs to complete are incorrect, either due to error or management bias. Revenue from residential sales (affordable homes) of £23 million (2020: £26 million) is recognised on legal completion. There is a risk that the revenue is not recorded in the appropriate period due to cut off errors. Accommodation management revenue of £8 million (2020: £8 million) and rental income of £12 million (2020: £17 million) are recognised in line with management services provided or rental agreements in place. There is a risk that revenue is not recorded in the appropriate period due to cut off errors.	Our audit procedures included the following: • we evaluated the design and implementation of controls over revenue recognition and costs to complete and tested these controls as part of our audit strategy; and • we performed audit procedures designed to address the risk of management override of controls, including journal entry testing to confirm that the processing and timing of journals to record revenue are consistent with expectations. In relation to long-term contract revenue: • we considered and checked the revenue recognised was consistent with the calculated stage of completion, focusing on those developments not fully constructed pre-year end; • for all developments where revenue in excess of £191,600 was recognised in the year, we agreed the total forecast value to signed development agreements. We then tested the costs to complete and checked that revenue was correctly calculated on that basis; • to test costs to complete we critically challenged the forecast cost to complete by way of review of budgets and hindsight reviews on historical budgeting accuracy, corroborating any variances to budgets back to source documentation; and • for a sample of costs incurred during the year, we verified that they had been allocated to the appropriate development; • for all developments not fully constructed pre-year end, we challenged management over the forecast costs to complete, review of remaining contract risks against contingencies, stage of completion, the total budgeted costs and confirmed the percentage used to assess stage of completion through our discussions with, and challenge of, management specialists; and • we reviewed the reconciliations between in-house quantity surveyor assessed work done on cost valuation reports and revenue recorded to ensure all cumulative movements in revenue and costs have been appropriately recorded in the statement of comprehensive income and checked as to whether material variations had been approved by the customer. In relation to residential sales: • we selected a sample of residential sales made in September 2021 and October 2021 and corroborated the date of sale and value to the legal completion documentation and cash receipt. In relation to accommodation management revenue/rental income: • we selected a sample of sales invoices raised in September 2021 and October 2021 and recalculated the revenue recognised and deferred at year end by reference to the service contract; and • we performed substantive analytical review procedures using known occupancy rate movements, rental income per room and known management price movements to corroborate the occurrence and measurement of revenue throughout the period. The whole Group was subject to full scope audit procedures over revenue.

Key observations communicated to the Audit Committee

Based upon the audit procedures performed, we conclude that revenue for all streams, and associated gross profit for long-term contracts, has been recognised on an appropriate basis in the year.

Key audit matters continued

Risk	Our response to the risk

2) Carrying value of land and work in progress 2021: £127 million (2020: £125 million) split between land of £53 million (2020: £53 million) and work in progress of £74 million (2020: £72 million).
Refer to the Audit Committee report (page 89); accounting policy (page 135); and note 21 of the consolidated financial statements (page 135)
The valuation of inventories at the lower of cost and net realisable value requires significant judgements by management over the anticipated revenues and forecast development costs.
There is a risk that the carrying values of the land and work in progress balances reported within inventories are overstated.
	Our audit procedures included the following:
	• we evaluated the design and implementation of controls and tested controls over the carrying value of land and work in progress;
	• for land and work in progress developments held at 30 September 2021 with a carrying value in excess of £191,600, we:
	  • compared the assumptions made regarding selling prices to market data and corroborated the explanations for any differences;
	  • compared the actual estimated costs and margin over the development lifecycle and validated key drivers for change in margin to assess management's forecasting accuracy; and
	  • verified a sample of costs incurred in the year to purchase invoice.
	For those sites determined to be most at risk of overstatement, being large sites that are in the process of development but are yet to be forward sold, we involved our internal real estate specialists to validate the value of land and work in progress held. The specialists reviewed the methodology used to develop the estimate and evaluated management's estimate against their own assessment.
	The whole Group was subject to full scope audit procedures over the carrying value of land and work in progress.

Key observations communicated to the Audit Committee

We conclude that the inputs and assumptions applied are reasonable and that the carrying value of land and work in progress at 30 September 2021 is appropriate.

In the prior year, our auditor's report included a key audit matter in relation to going concern. In the current year, given the performance of the business and the success of the vaccine rollout and consequential effect to the wider economic environment, we no longer considered this to be required.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.6 million (2020: £2.3 million), which is 5% (2020: 5%) of pre-tax income (2020: pre-tax income before separately disclosed items). We believe that pre-tax income provides us with the key performance measure of management and is what the users of financial statements are most interested in.

We determined materiality for the parent company to be £6.6 million (2020: £7.6 million), which is 4% (2020: 4%) of equity using a capital-based performance measure.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £1.9 million (2020: £1.7 million). We have set performance materiality at this percentage due to our past experience on the audit indicating a lower risk of misstatements, both corrected and uncorrected. Performance materiality for the parent company was set at 75% (2020: 75%) of our planning materiality which was £4.9 million (2020: £5.7 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.13 million (2020: £0.11 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

For the parent company this was set at £0.33 million (5%) of planning materiality (2020: £0.38 million, 5% of planning materiality).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 103, other than the financial statements and our auditor's report thereon.

The Directors are responsible for the other information 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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 104, 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 and 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.

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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are: International Financial Reporting Standards, Companies Act 2006, UK Taxation laws, Construction Industry Scheme, Health and Safety Act 2014, Building Act 1984, Housing Act 2004, Landlord and Tenant Act 1985.

  We understood how Watkin Jones plc is complying with those frameworks by performing a variety of procedures including but not limited to: enquiry of key management personnel and entity legal counsel, reading board minutes and other relevant correspondence, reading internal audit reports, evidencing internal policies and procedures back to documentation and ensuring appropriate follow up action is taken where relevant;
- we assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying the controls which are in place at the entity level and whether the design of these controls is sufficient for the prevention and detection of fraud. We also consider the risk of management override and the design and implementation of controls at the financial statement level to prevent this; and
- based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. In respect of the risk of management override we performed tailored journal entry testing to identify a subset of the whole population that might pertain to fraud risk areas, performed procedures on revenue to a lower testing threshold and enquired of parties in areas of significant judgment.

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

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.

Jamie Dixon

Senior statutory auditor
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester

18 January 2022

Consolidated statement of comprehensive income

for the year ended 30 September 2021

	Notes	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Continuing operations			
Revenue	6	430,211	354,121
Cost of sales		(345,430)	(278,205)
Gross profit		84,781	75,916
Administrative expenses		(27,526)	(24,249)
Operating profit before exceptional items		57,255	51,667
Exceptional costs	8	—	(20,437)
Operating profit	9	57,255	31,230
Share of (loss)/profit in joint ventures	20	(87)	199
Finance income		4	251
Finance costs	12	(6,051)	(6,366)
Profit before tax		51,121	25,314
Income tax expense	13	(9,189)	(4,222)
Profit for the year attributable to ordinary equity holders of the parent		41,932	21,092
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		108	(6)
Total comprehensive income for the year attributable to ordinary equity holders of the parent		42,040	21,086

		Pence	Pence
Earnings per share for the year attributable to ordinary equity holders of the parent			
Basic earnings per share	14	16.369	8.246
Diluted earnings per share	14	16.340	8.234
Adjusted proforma basic earnings per share (excluding exceptional costs)	14	16.369	14.717
Adjusted proforma diluted earnings per share (excluding exceptional costs)	14	16.340	14.696

The notes on pages 114 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 September 2021

	Notes	30 September 2021 £'000	30 September 2020 £'000
Non-current assets			
Intangible assets	16	**12,724**	13,284
Investment property (leased)	17	**98,567**	104,623
Right-of-use assets	17	**4,468**	4,763
Property, plant and equipment	18	**3,656**	4,376
Investment in joint ventures	20	**17**	3,243
Deferred tax assets	28	**4,057**	3,313
Other financial assets	29	**1,241**	1,133
		124,730	134,735
Current assets			
Inventory and work in progress	21	**127,593**	125,660
Contract assets	22	**13,810**	41,522
Trade and other receivables	23	**28,198**	23,518
Cash and cash equivalents	24	**136,293**	134,513
		305,894	325,213
Total assets		**430,624**	459,948
Current liabilities			
Trade and other payables	25	**(89,198)**	(97,300)
Contract liabilities	22	**(2,845)**	(8,967)
Interest-bearing loans and borrowings	26	**(4,653)**	(711)
Lease liabilities	17	**(6,113)**	(6,310)
Provisions	27	**(4,667)**	(6,277)
Current tax liabilities		**(2,015)**	(819)
		(109,491)	(120,384)
Non-current liabilities			
Interest-bearing loans and borrowings	26	**(7,308)**	(38,956)
Lease liabilities	17	**(123,139)**	(128,143)
Provisions	27	**(4,732)**	(3,587)
Deferred tax liabilities	28	**(1,143)**	(1,040)
		(136,322)	(171,726)
Total liabilities		**(245,813)**	(292,110)
Net assets		**184,811**	167,838
Equity			
Share capital	31	**2,562**	2,562
Share premium		**84,612**	84,612
Merger reserve		**(75,383)**	(75,383)
Fair value reserve of financial assets at FVOCI		**536**	428
Share-based payment reserve	32	**2,824**	2,348
Retained earnings		**169,660**	153,271
Total equity		**184,811**	167,838

The notes on pages 114 to 147 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 18 January 2022 and signed on its behalf by:

Richard Simpson
Director

Consolidated statement of changes in equity

for the year ended 30 September 2021

	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 2019	2,553	84,612	(75,383)	434	2,311	146,568	161,095
Profit for the year	—	—	—	—	—	21,092	21,092
Other comprehensive income	—	—	—	(6)	—	—	(6)
Total comprehensive income	—	—	—	(6)	—	21,092	21,086
Share-based payments	—	—	—	—	37	—	37
Deferred tax debited directly to equity (note 28)	—	—	—	—	—	(70)	(70)
Issue of shares	9	—	—	—	—	—	9
Dividend paid (note 15)	—	—	—	—	—	(14,319)	(14,319)
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**

The notes on pages 114 to 147 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 September 2021

	Notes	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Cash flows from operating activities			
Cash inflow from operations	33	76,307	54,868
Interest received		4	245
Interest paid		(6,638)	(6,792)
Tax paid		(8,211)	(10,035)
Net cash inflow from operating activities		61,462	38,286
Cash flows from investing activities			
Acquisition of property, plant and equipment		(208)	(317)
Proceeds on disposal of property, plant and equipment		4	69
Cash flow from joint venture interests		57	812
Net cash inflow from investing activities		(147)	564
Cash flows from financing activities			
Dividends paid	15	(25,484)	(14,319)
Proceeds from exercise of share options		—	9
Payment of principal portion of lease liabilities		(6,145)	(6,089)
Payment of capital element of other interest-bearing loans		(242)	(1,034)
Drawdown of RCF		25,705	20,843
Repayment of bank loans		(53,369)	(18,499)
Bank loan arrangement fees		—	(900)
Net cash outflow from financing activities		(59,535)	(19,989)
Net increase in cash		1,780	18,861
Cash and cash equivalents at 1 October 2020 and 1 October 2019		134,513	115,652
Cash and cash equivalents at 30 September 2021 and 30 September 2020		136,293	134,513

The notes on pages 114 to 147 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 September 2021

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 2021 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.

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 2023 (the 'forecast period'). This review has been undertaken taking into consideration the following matters.

Liquidity

At 30 September 2021, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £238.5 million, as set out below.

	£m
Cash balances	136.3
RCF headroom	92.2
Overdraft facility	10.0
Total cash and available facilities	**238.5**

Strong liquidity has been maintained through the first quarter of the year ending 30 September 2022, 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. The Group also has a loan with Svenska Handelsbanken AB which is secured against its three operational BTR properties. This stood at £4.5 million on 30 September 2021. We have assumed that this facility will be reviewed before its maturity date of 15 March 2022, but in the event of this not being renewed, there was sufficient cash headroom available to repay the facility in all the scenarios modelled.

All financial covenants under the facilities were met at 30 September 2021 and are forecasted to be met throughout the period to 31 January 2023.

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, we are altering the sales model for new sites by utilising the forward sale business model to sell significant proportions of each development.

We also receive rental income from tenants on our leased PBSA assets and operational BTR assets. The level of rental income received reduced for the PBSA assets during the year ending 30 September 2021 as a result of COVID, but this income is relatively small in the context of the Group's revenues as a whole and the occupancy levels for the academic year 2021/22 have recovered well.

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 ten PBSA developments and three BTR developments for delivery during the period FY22 to FY24, as well as the reserved/exchanged and forward sales for our Affordable Homes business and the contracted income for Fresh. Our currently secured cash flow, derived from our forward sold developments and other contracted income, net of overheads and tax, results in a modest cash utilisation over the forecast period, with the result that our liquidity position is maintained.

In addition to the secured cash flow, the base case forecast assumes a number of new forward sales and further house sales, which if achieved will result in a further strengthening of our liquidity position, after allowing for dividend payments. We currently have under offer, and are progressing, sales of two BTR schemes, which will underpin the additional forward sales assumptions in the forecast.

Risk analysis

In addition to the base case forecast, and though considered unlikely given the reaction of the institutional investment market to the pandemic to date, including the emergence of the Omicron variant, we have considered the possibility of a suspension of the forward sale market in the event of a further resurgence of the pandemic leading to a significant economic downturn or market uncertainty. 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 those currently under offer, as a result of a freeze in the sales markets.

In the severe but plausible downside scenario, we have included for the payment of our FY21 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 £45 million (excluding the £10 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 2023 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.

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.

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.

Revenue recognition

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.

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.

Land and work in progress valuation

During the year ending 30 September 2021, the Group conducted reviews of the net realisable value of its development land and work in progress. The reviews were conducted on a site-by-site basis, using assumptions surrounding anticipated selling prices, the level of future development costs required in addition to the carrying values at that date and estimated costs of disposal. These reviews identified the requirement to recognise impairment provisions of £2.0 million in respect of development land and £3.0 million in respect of stock and work in progress. The Directors have considered the range of reasonably possible outcomes in terms of the selling prices assumed when calculating the net realisable value of the impaired developments held within stock and work in progress and have estimated that the final outturn could be in the range £0.2 million higher or £0.7 million lower than assumed in these estimates.

Cladding provision

The Group has made a provision for fire safety recladding works the Group has committed to undertake on its past developments. This provision was calculated based on the estimated cost for each affected building after deducting customer contributions. The Directors have considered the range of reasonably possible outcomes and have estimated that the final net outturn could be in the range of £1.0 million lower to £1.0 million higher than provided for at the year end. 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
Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	1 April 2021
Interest Rate Benchmark Reform – phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
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

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.

6. Disaggregated revenue information continued

Accounting policy continued

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 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 2021	Student Accommodation £'000	Build To Rent £'000	Affordable Homes (formerly Residential) £'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

Year ended 30 September 2020	Student Accommodation £'000	Build To Rent £'000	Affordable Homes (formerly Residential) £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Type of goods or service						
Construction contracts or development agreements	181,248	92,618	—	—	250	274,116
Sale of land	5,558	—	—	—	—	5,558
Sale of completed property	23,502	—	26,268	—	—	49,770
Rental income	15,718	1,373	—	—	—	17,091
Accommodation management	—	—	—	7,586	—	7,586
Total revenue from contracts with customers	226,026	93,991	26,268	7,586	250	354,121
Timing of revenue recognition						
Goods transferred at a point in time	29,060	—	20,961	—	—	50,021
Services transferred over time	196,966	93,991	5,307	7,586	250	304,100
Total revenue from contracts with customers	226,026	93,991	26,268	7,586	250	354,121

Revenue from one customer in the year accounted for more than 10% of total revenue, representing revenue of £45,631,000. This was reported under the Student Accommodation segment (2020: revenue from two customers individually accounted for more than 10% of total revenue, representing revenue of £140,780,000, with £81,793,000 reported under the Student Accommodation segment and £58,987,000 reported under the Build To Rent segment. Revenue from the largest customer totalled £81,793,000 and from the second largest customer £58,987,000.

Subsequent to the year end, the name of the Residential business was changed to Affordable Homes, as explained more fully in note 7.

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.

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 FY21 and FY20:

a. Student Accommodation – the development of purpose built student accommodation;
b. Build To Rent – the development of build to rent accommodation;
c. Affordable Homes (formerly Residential) – 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.

As detailed in the Chief Executive Officer's review on page 17, subsequent to the year end, the Group has confirmed its intention to reposition the Residential division from being a developer of homes for sale to an affordable housing-led business, and has renamed it the Affordable Homes division. Consequently, previous references to the Residential segment have been changed to Affordable Homes. No revenues relating to the development of homes under the affordable homes business model were recorded in FY21 or FY20 and the revenues for those years relate to the former Residential business.

7. Segmental reporting continued

Year ended 30 September 2021	Student Accommodation £'000	Build To Rent £'000	Affordable Homes (formerly Residential) £'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

Year ended 30 September 2020	Student Accommodation £'000	Build To Rent £'000	Affordable Homes (formerly Residential) £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Segmental revenue	226,026	93,991	26,268	7,586	250	354,121
Segmental gross profit	54,285	14,884	4,042	4,540	(1,835)	75,916
Administration expenses	—	—	—	(3,432)	(20,817)	(24,249)
Exceptional costs	—	—	—	—	(20,437)	(20,437)
Share of profit in joint ventures	199	—	—	—	—	199
Finance income	—	—	—	—	251	251
Finance costs	—	—	—	—	(6,366)	(6,366)
Profit/(loss) before tax	54,484	14,884	4,042	1,108	(49,204)	25,314
Taxation	—	—	—	—	(4,222)	(4,222)
Continuing profit/(loss) for the year	54,484	14,884	4,042	1,108	(53,426)	21,092
Profit for the year attributable to ordinary equity shareholders of the parent						21,092
Inventory and work in progress (note 21)	30,706	53,964	30,656	—	10,334	125,660

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 material items of income or expense that have been shown separately due to the significance of their nature or amount and it is considered unlikely that they are to be repeated.

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
COVID costs		
COVID additional costs of on-site working and in completing developments	—	(2,659)
Waiver of academic year 2019/20 final term rents due on leased student accommodation assets due to lockdown measures	—	(1,086)
Impairment of the right-of-use carrying value of leased student accommodation assets due to reduced 2020/21 student occupancy	—	(1,892)
Total COVID costs	—	(5,637)
Fire safety recladding works	—	(14,800)
Total exceptional costs	—	(20,437)

There have been no exceptional items during the year. In the prior year, a total impairment charge of £2,241,000 was recognised in relation to the carrying value of leased student accommodation assets (note 17). £1,892,000 of this impairment charge was treated as an exceptional item due to the impact of reduced student occupancy during the 2020/21 academic year as a result of the COVID pandemic. This element of the total charge was estimated by comparing the final impairment calculations to a calculation of the impairment charge using the income forecasts for 2020/21 prepared prior to the pandemic.

All of the exceptional costs in the prior year were treated as allowable deductions for corporation tax purposes.

9. Total operating profit

This is stated after charging/(crediting):

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Audit services to the parent company	136	126
Audit services to the subsidiaries	134	124
Amortisation of intangible assets	560	560
Depreciation:		
Property, plant and equipment	839	998
Investment property (leased)	6,292	6,522
Right-of-use assets	997	1,343
Loss/(profit) on disposal of right-of-use assets	6	—
Loss/(profit) on disposal of property, plant and equipment	85	(24)
	9,049	9,649

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 2021	Year ended 30 September 2020
Construction	**233**	260
Accommodation management	**344**	329
Management and administration	**134**	116
	711	705

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Wages and salaries	**28,104**	25,334
Employee incentive – long-term incentive plans (note 32)	**476**	37
Social security costs	**3,293**	2,939
Defined contribution pension costs	**783**	805
	32,656	29,115

The prior year comparative figures in the above table have been restated to include the accrued annual bonus payable in relation to the financial year ending 30 September 2020. This restatement does not affect any of the other figures in the financial statements.

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 £783,000 (2020: £805,000). There are £56,000 unpaid contributions at the end of the year (2020: £49,000).

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 (2020: £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 2021 £'000	Year ended 30 September 2020 £'000
Wages and salaries	**4,012**	2,446
Compensation for loss of office	**235**	380
Employee incentive – long-term incentive plans (note 32)	**365**	25
Social security costs	**470**	573
Pension costs	**227**	209
	5,309	3,633

11. Directors' emoluments

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Wages and salaries	1,450	1,015
Employee incentive – long-term incentive plans (note 32)	269	53
Social security costs	188	270
Pension costs	103	101
	2,010	1,439
Highest paid Director:		
Emoluments	708	462
Employee incentive – long-term incentive plans	202	52
Pension costs	77	75

During the year ended 30 September 2021, no share options were exercised (2020: 441,360 share options exercised at a gain of £638,206 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 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 2021 £'000	Year ended 30 September 2020 £'000
Finance charges	1,120	1,263
Interest on lease liabilities (note 17)	4,895	5,103
Other interest payable	36	—
	6,051	6,366

During the year the Group has capitalised interest payable on bank loans of £587,000 (2020: £465,000) 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 LIBOR.

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.

13. Income taxes continued

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Current income tax		
UK corporation tax on profits for the year	**9,635**	4,076
Adjustments in respect of prior periods	**254**	(305)
Total current tax	**9,889**	3,771
Deferred tax		
Origination and reversal of temporary differences	**51**	455
Adjustments in respect of prior year	**(13)**	(10)
Remeasurement of deferred tax for changes in tax rates	**(738)**	6
Total deferred tax	**(700)**	451
Total tax expense	**9,189**	4,222

Reconciliation of total tax expense

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Profit before tax	**51,121**	25,314
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**9,713**	4,810
Expenses not deductible	**110**	288
Income not taxable	**(14)**	(53)
Remeasurement of deferred tax for changes in tax rates	**(738)**	6
Other differences	**(123)**	(514)
Prior period adjustment	**241**	(315)
At the effective rate of tax of 18.0% (2020: 16.7%)	**9,189**	4,222
Income tax expense reported in the statement of profit or loss	**9,189**	4,222

In the Budget 2021, the Government announced that the rate of 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 2021 £'000	Year ended 30 September 2020 £'000
Profit for the year attributable to ordinary equity holders of the parent	**41,932**	21,092
Add back exceptional costs for the year (note 8)	**—**	20,437
Less corporation tax benefit from exceptional costs for the year	**—**	(3,883)
Adjusted profit for the year attributable to ordinary equity holders of the parent (excluding exceptional costs after tax)	**41,932**	37,646

	Year ended 30 September 2021 Number of shares	Year ended 30 September 2020 Number of shares
Weighted average number of ordinary shares for basic earnings per share	256,163,459	255,795,659
Adjustment for the effects of dilutive potential ordinary shares	453,761	367,800
Weighted average number for diluted earnings per share	256,617,220	256,163,459

	Pence	Pence
Basic earnings per share		
Basic profit for the year attributable to ordinary equity holders of the parent	16.369	8.246
Adjusted proforma basic earnings per share (excluding exceptional costs after tax)		
Adjusted profit for the year attributable to ordinary equity holders of the parent	16.369	14.717
Diluted earnings per share		
Basic profit for the year attributable to diluted equity holders of the parent	16.340	8.234
Adjusted proforma diluted earnings per share (excluding exceptional costs after tax)		
Adjusted profit for the year attributable to diluted equity holders of the parent	16.340	14.696

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 2021 £'000	Year ended 30 September 2020 £'000
Interim dividend paid in June 2021 of 2.6 pence (June 2020: nil pence)	6,658	—
Final dividend paid in February 2021 of 7.35 pence (February 2020: 5.6 pence)	18,826	14,319
	25,484	14,319

The interim dividend that would have been paid in June 2020 was suspended as a precautionary measure whilst the impact of COVID on the business was assessed.

The final dividend proposed for the year ended 30 September 2021 is 5.6 pence per ordinary share. This dividend was declared after 30 September 2021 and as such the liability of £14,345,000 has not been recognised at that date. At 30 September 2021, the Company had distributable reserves available of £75,332,000 (30 September 2020: £100,816,000).

16. Intangible assets

Accounting policy

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

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

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

	Customer relationships £'000	Brand £'000	Goodwill £'000	Total £'000
Cost				
At 1 October 2019, 30 September 2020 and 30 September 2021	**5,604**	**499**	**9,744**	**15,847**
Amortisation				
At 30 September 2019	1,824	179	—	2,003
Amortisation for the year	510	50	—	560
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**
Net book value				
At 30 September 2021	**2,760**	**220**	**9,744**	**12,724**
At 30 September 2020	3,270	270	9,744	13,284

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 reviewed the carrying value of the investment in Fresh Property Group Ltd, which is a single CGU, at 30 September 2021, 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 7.48% (2020: 5.05%) to reflect the time value of money. Cash flows beyond the five-year period are extrapolated using a 3% growth rate, which is seen as the long-term average growth rate for the business.

The following are the key assumptions used in projecting the cash flows as at 30 September 2021:

- 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 2026. Units under management are forecast to be 22,155 in FY22, 24,720 in FY23, 27,220 in FY24, 29,220 in FY25 and 30,720 in FY26. 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 2.5% per annum;
- the achieved gross margin is maintained in line with past experience; and
- indirect costs are incurred in line with the budgets for the CGU for the period ending 30 September 2022 and thereafter increase at 2.5% per annum.

The following are the key assumptions used in projecting the cash flows as at 30 September 2020:

- 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 2025. Units under management are forecast to remain at 20,000 in FY21 and FY22 to reflect the disruption caused by COVID before increasing to 22,500 in FY23, 26,500 in FY24 and 31,000 in FY25. 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% per annum;
- the achieved gross margin is maintained in line with past experience; and
- indirect costs are incurred in line with the budgets for the CGU for the period ending 30 September 2021 and thereafter increase at 2.5% per annum.

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 its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in lease payments resulting from a change in an index or rate used to determine such lease payments, or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The 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.

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.

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 2019	158,231	9,411	1,597	169,239
Additions/adjustment	3,162	—	313	3,475
Disposals	—	—	(478)	(478)
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**
Depreciation				
At 30 September 2019	44,550	4,203	875	49,628
Charge for the year	6,522	791	552	7,865
Disposals	—	—	(341)	(341)
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**
Impairment				
At 30 September 2019	3,457	—	—	3,457
Charge for the year	2,241	—	—	2,241
At 30 September 2020	5,698	—	—	5,698
Charge for the year	—	—	—	—
At 30 September 2021	**5,698**	**—**	**—**	**5,698**
Net book value				
At 30 September 2021	**98,567**	**4,347**	**121**	**103,035**
At 30 September 2020	104,623	4,417	346	109,386
At 30 September 2019	110,224	5,208	722	116,154

Investment property (leased) assets relate to the Group's six student leaseback arrangements. Each of the six leaseback arrangements are considered to be a separate CGU. The Directors consider an impairment indication to exist if there is a shortfall between the annual net rental income generated by each property and the annual headlease payment due under each lease. The Directors have reviewed the carrying value of four of these leases where there is an indication of impairment and compared them to their respective recoverable amounts. An impairment charge of £Nil has been recognised during the year. In the previous year, an impairment charge of £2,241,000 was recognised in respect of one of the Group's sale and leaseback arrangements – Europa, Liverpool – because the recoverable amount was less than the depreciated carrying value of the asset. £1,892,000 of this impairment charge was recognised as an exceptional item in the consolidated statement of comprehensive income and £349,000 was recognised within Student Accommodation cost of sales.

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				Value in use £'000	
	Year ended 30 September 2021	Year ended 30 September 2020	Discount rate (yields)	Lease termination date	Year ended 30 September 2021	Year ended 30 September 2020
Collegelands, Glasgow	–	–	5.5%	6 September 2026	12,328	14,244
Europa, Liverpool	–	2,241	6.5%	18 March 2030	10,756	12,462
Optima, Loughborough	–	–	6.0%	18 March 2030	2,166	2,182
Glassyard Building, London	–	–	5.0%	10 September 2034	9,984	11,177
Dunaskin Mill, Glasgow	–	–	5.5%	5 September 2051	54,639	53,059
New Bridewell, Bristol	–	–	5.5%	12 March 2052	56,125	56,964
Total	–	2,241			145,998	150,088

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

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
At the start of the period	134,453	137,522
Additions	977	3,475
Disposals	(33)	(455)
Accretion of interest	4,895	5,103
Payments	(11,040)	(11,192)
At the end of the period	129,252	134,453
Current	6,113	6,310
Non-current	123,139	128,143

Lease liability maturity analysis

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Year one	11,226	11,041
Year two	11,086	10,880
Year three	11,015	10,781
Year four	11,222	10,707
Year five	11,433	10,909
Onwards	142,367	150,554
	198,349	204,872

Group as lessor – operating lease rentals receivable

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Non-cancellable operating lease rentals are receivable as follows:		
Within one year	13,514	12,436
Later than one year and less than five years	12,747	573
After five years	16,457	780
	42,718	13,789

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 increase in operating lease rentals receivable at 30 September 2021 compared to the prior year, has arisen as a result of the Group entering into a ten year sub-lease with the University of Bristol in September 2021 for the provision of student accommodation at its New Bridewell property.

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 2019	8,783	157	8,940
Additions	452	—	452
Disposals	(387)	—	(387)
At 30 September 2020	8,848	157	9,005
Additions	**208**	**—**	**208**
Disposals	**(483)**	**—**	**(483)**
At 30 September 2021	**8,573**	**157**	**8,730**
Depreciation			
At 30 September 2019	3,819	155	3,974
Charge for the year	998	—	998
Disposals	(343)	—	(343)
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**
Net book value			
At 30 September 2021	**3,654**	**2**	**3,656**
At 30 September 2020	4,374	2	4,376
At 30 September 2019	4,964	2	4,966

Plant and machinery

The carrying value of plant and machinery subject to security under other interest-bearing loan agreements at 30 September 2021 was £599,000 (2020: £835,000). Additions during the year include £Nil (2020: £273,000) 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[1,5]	Ordinary	Property developer
Bridge Road Bath Limited[5]	Ordinary	Property developer
Conington Road Lewisham Limited[1,5]	Ordinary	Property developer
Crown Place Woking Limited[5]	Ordinary	Property developer
Customhouse Student Limited[5]	Ordinary	Property developer
Dalby Avenue Bedminster Limited[1,5]	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[1,5]	Ordinary	Property developer
Grove Crescent Stratford Limited[1,5]	Ordinary	Property developer
Gorse Stacks Development Limited[6]	Ordinary	Property developer
Heol Santes Helen Limited[5]	Ordinary	Property developer
High Street Swansea Limited[1,5]	Ordinary	Property developer
India Street Glasgow Limited[5]	Ordinary	Property developer
Iona Street Edinburgh Limited[5]	Ordinary	Property developer
Lower Bristol Road Bath Limited[5]	Ordinary	Property developer
LPS Nottingham Limited[1,5]	Ordinary	Property developer
New Mart Road Limited[1,5]	Ordinary	Property developer
Onega Centre Bath Limited[5]	Ordinary	Property developer
Pirrie Belfast Limited[1,5]	Ordinary	Property developer
Randalls Road Leatherhead Limited[1,5]	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
Westfield Avenue Edinburgh Limited[1,5]	Ordinary	Property developer
Wilmslow Road Manchester Limited[1,5]	Ordinary	Property developer
Fresh Property Group Ltd[9]	Ordinary	Accommodation management
Fresh Property Group Ireland Limited[10]	Ordinary	Accommodation management
DR (Student) Limited[5]	Ordinary	Holding company
Fresh Property Group Holdings Ltd[5]	Ordinary	Holding company
Watkin Jones Group Limited[2]	Ordinary	Holding company
Watkin Jones Holdings Limited[3]	Ordinary	Holding company
Newmark Developments Limited[5]	Ordinary	Holding company and property development services
Watkin Jones AM Limited[5]	Ordinary	Property fund asset manager
Dunaskin Student Limited[5]	Ordinary	Property letting
Finefashion Limited[5]	Ordinary	Property letting

19. Subsidiaries continued

Name	Class of shares	Nature of business
New Bridewell Limited[5]	Ordinary	Property letting
New Bridewell 1 Limited[8]	Ordinary	Property letting
New Bridewell 2 Limited[8]	Ordinary	Property letting
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
Lucas Student Lettings Limited[5]	Ordinary	Dormant
Military Road Canterbury Limited[5]	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[1,5]	Ordinary	Dormant
Trafford Street Chester Limited[5]	Ordinary	Dormant
Victoria Park Bath 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 21-22 Llandygai Industrial Estate, Llandygai, Bangor, Gwynedd, LL57 4YH; 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 2021, 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 Academy Street Limited[1,2]	Ordinary	50%	31 March	Dormant
Lacuna Belfast Limited[1,2]	Ordinary	50%	31 March	Dormant
Lacuna Dublin Road 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. In members' voluntary liquidation.

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 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	—	—	—	—	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
Profit/(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.

Year ended 30 September 2020	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	2,900	—	135	263	714	4,012
Operating profit/(loss)	476	(178)	126	(72)	177	529
Finance income/(expense)	—	—	—	—	—	—
Profit/(loss) before tax	476	(178)	126	(72)	177	529
Income tax gain/(expense)	(83)	—	(24)	14	(38)	(131)
Profit/(loss) for the year	393	(178)	102	(58)	139	398
Total comprehensive income/(loss) for the year	393	(178)	102	(58)	139	398
Group share of profit/(loss) for the year	196	(89)	51	(29)	70	199
Current assets, including cash and cash equivalents	437	457	2,786	3,464	746	7,890
Non-current assets	—	—	—	—	—	—
Current liabilities, including financial liabilities	(85)	(179)	(26)	(89)	(1,031)	(1,410)
Non-current liabilities, including financial liabilities	—	—	—	—	—	—
Net assets	352	278	2,760	3,375	(285)	6,480
Equity						
At 1 October 2019	(41)	456	2,658	3,433	(924)	5,582
Profit/(loss) for the year	393	(178)	102	(58)	139	420
Capital contribution	—	—	—	—	500	500
At 30 September 2020	352	278	2,760	3,375	(285)	6,480
Remove joint venture partners' share of net assets	(176)	(139)	(1,380)	(1,688)	146	(3,237)
Group's carrying amount of the investment	176	139	1,380	1,687	(139)	3,243

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 2021 £'000	Year ended 30 September 2020 £'000
Development land	**53,220**	53,326
Stock and work in progress	**74,373**	72,334
Total inventories at the lower of cost and net realisable value	**127,593**	125,660

Total costs incurred during the year were £198,184,000 (2020: £251,361,000), of which £26,332,000 are included in inventory and work in progress (2020: £38,991,000). During the year, the Group recognised net realisable value impairment charges of £2,026,000 in respect of development land and £3,029,000 in respect of stock and work in progress.

22. Contract assets and liabilities

(a) Current contract assets

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
At 1 October	**41,522**	25,578
Transferred to receivables	**(40,861)**	(8,683)
Balance remaining in relation to contract assets at the start of the year	**661**	16,895
Increase relating to services provided in the year	**13,149**	24,627
At 30 September	**13,810**	41,522

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 2021 £'000	Year ended 30 September 2020 £'000
At 1 October	**8,967**	5,164
Revenue recognised in the year that was included in contract liabilities at the beginning of the year	**(6,132)**	(965)
Contract liabilities repaid	**(2,835)**	(4,199)
Balance remaining in relation to contract liabilities at the start of the year	**—**	—
Increase due to cash received or invoices raised in the year for performance obligations not recognised in revenue	**2,845**	8,967
At 30 September	**2,845**	8,967

The contract liabilities relate to advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially satisfied at the reporting date in relation to the development of student accommodation, build to rent, affordable homes and commercial projects:

30 September 2021	Year ended 30 September 2022 £'000	Year ended 30 September 2023 £'000	Year ended 30 September 2024 £'000	**Total £'000**
Construction contracts	141,399	43,014	5,284	**189,697**

30 September 2020	Year ended 30 September 2021 £'000	Year ended 30 September 2022 £'000	Year ended 30 September 2023 £'000	Total £'000
Construction contracts	233,267	12,775	—	246,022

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 2021 £'000	Year ended 30 September 2020 £'000
Trade receivables	17,101	16,243
Less: provision for impairment of receivables	—	—
Trade receivables – net	17,101	16,243
Prepayments and other receivables	6,163	2,146
Equity instruments designated at fair value through OCI	130	366
Receivable from related parties (note 37)	1	1
Receivable from joint ventures (note 37)	—	471
Refundable land deposits paid	4,803	4,291
Total trade and other receivables	**28,198**	23,518

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 2021 £'000	Year ended 30 September 2020 £'000
Neither past due nor impaired	17,071	16,129
Past due but not impaired:		
Not more than three months	—	—
Greater than three months	30	114
	17,101	16,243

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 2021 and 2020, 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 2021 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 2020: £814,000). For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand. The Group has not drawn on any overdraft facilities.

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 2021 £'000	Year ended 30 September 2020 £'000
Trade payables	60,691	72,354
Deferred rental income	2,521	3,790
Taxes and social security costs	4,186	1,963
Payable to related parties (note 37)	36	27
Payable to joint ventures (note 37)	—	3,304
Deferred land payments	3,600	—
Accruals	12,720	12,137
Other payables	5,444	3,725
Total trade and other payables	89,198	97,300

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 2021 £'000	Year ended 30 September 2020 £'000
Current		
Svenska Handelsbanken AB five-year term loan	4,468	499
HSBC Bank plc RCF arrangement fees	(200)	(200)
Other interest-bearing loans	385	412
	4,653	711

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Non-current		
Svenska Handelsbanken AB five-year term loan	—	4,484
HSBC Bank plc RCF	7,829	34,978
HSBC Bank plc RCF arrangement fees	(525)	(725)
Other interest-bearing loans	4	219
	7,308	38,956

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

During the previous year, the Group agreed an increase in the amounts available under its five-year revolving credit facility (RCF) with HSBC from £60.0 million to £100.0 million. The maturity date of the facility is 15 May 2025. At 30 September 2021, the Group had undrawn borrowing facilities of £102.2 million (2020: £75.0 million) with HSBC Bank plc, comprising its RCF and a £10 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 years ending 30 September 2021 and 30 September 2020, 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 is a five-year term loan secured by a legal charge over certain operating property stock assets. The maturity date is 15 March 2022 and the applicable interest rate is 2.65% 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.

Cladding provision

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Current		
At 1 October	6,277	—
Arising during the year	558	11,213
Utilised	(1,023)	(4,936)
Transferred to non-current	(1,145)	—
At 30 September	4,667	6,277

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Non-current		
At 1 October	3,587	—
Arising during the year	—	3,587
Transferred from current	1,145	—
At 30 September	4,732	3,587

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. A provision of £14,800,000 was made in the year ending 30 September 2020 for the Group's anticipated contribution towards the cost of the fire safety recladding works. The provision remaining at 30 September 2021 amounts to £9,399,000, of which £4,667,000 is expected to be incurred in the year ending 30 September 2022 and £4,732,000 is expected to be incurred in the year ending 30 September 2023.

28. Deferred tax

Accounting policy

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

The movement on the deferred tax account is shown below:

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
At the start of the period	2,273	2,794
Included directly in equity	(59)	(70)
Statement of comprehensive income credit/(debit)	700	(451)
At the end of the period	2,914	2,273
Comprising:		
Deferred tax asset	4,057	3,313
Deferred tax liability	(1,143)	(1,040)
At the end of the period	2,914	2,273

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 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

	Short-term timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 October 2019	2,862	(68)	2,794
Statement of comprehensive income debit	(451)	—	(451)
Included directly in equity	(70)	—	(70)
At 30 September 2020	2,341	(68)	2,273

The deferred tax debited directly to equity of £59,000 relates to an adjustment to the opening deferred tax asset balances arising on the adoption of IFRS 16. In the year ending 30 September 2020, deferred tax debited directly to equity of £70,000 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 2021 £'000	Year ended 30 September 2020 £'000
Financial instruments at fair value		
Equity instruments designated at fair value through other comprehensive income	**1,241**	1,133
Other financial assets	**1,241**	1,133

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 September 2021 (2020: £Nil).

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

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**

30 September 2020	Units	Price £	Value £'000
Curlew Student Trust			
Units held by Watkin Jones & Son Limited	1,689,991	0.4267	721
Carried interest investment held by Fresh Property Group Ltd			62
Curlew Student Trust 2			
Carried interest investment held by Fresh Property Group Ltd			350
Group's carrying amount of the investment			1,133

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).

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 2021, the Group had no material exposure to interest rate movements. The Group renewed its RCF with HSBC for a further five years on 15 May 2020. The amount available under this facility was increased to £100.0 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 ending 30 September 2021 (2020: none).

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

	Effect on profit before tax	
0.5% change in interest rate	**Year ended 30 September 2021 £'000**	Year ended 30 September 2020 £'000
Impact on profit before tax	**61**	195

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 2021 and 30 September 2020:

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

Liquidity risk – 30 September 2020	On demand £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	Total £'000
Interest-bearing loans and borrowings	—	911	39,681	—	40,592
Trade and other payables	—	97,300	—	—	97,300
	—	98,211	39,681	—	137,892

Credit risk

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

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

Our customers are predominantly blue-chip institutional funds and the risk of default on the trade receivables they owe the Group is low. In many cases, the funds for a forward sold development are ring-fenced, placed in escrow, or backed by committed debt funding which reduces the risk of default. Credit evaluations are performed for all customers. Management has policies and procedures in place to monitor the Group's exposure to credit risk and the payment performance of the Group's customers.

30. Financial risk management continued

Credit risk continued

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

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Allotted, called up and fully paid		
Ordinary shares of one pence each	**2,562**	2,562

The number of ordinary shares in issue at 30 September 2021 was 256,163,459 (30 September 2020: 256,163,459).

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, note 10, 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:

Share awards granted	Year ended 30 September 2021 Number	Year ended 30 September 2020 Number
At 1 October	**2,991,283**	2,185,940
Granted in the year	**1,230,560**	1,372,003
Exercised in the year	**—**	(441,360)
Lapsed in the year	**(1,269,888)**	(125,300)
At 30 September	**2,951,955**	2,991,283

There were no awards exercised during the year. The weighted average share price at the date of exercise for the awards exercised during 2020 was 145.6 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 2021 was 1.7 years (2019: 1.9 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. The fair value of the share awards granted subject to total shareholder return (TSR) performance conditions has been estimated at the grant date using a Monte Carlo valuation model. The following table lists the inputs to the model used for the share awards granted in 2021 and 2020:

	2021 LTIP	2020 LTIP
Share price at grant	195.8 pence	160.4 pence
Exercise price	One pence	One pence
Expected term (years)	Three	Three
Expected volatility (%)	31.3	32.9
Risk-free interest rate (%)	-0.07	-0.06
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 ending 30 September 2021, the amount charged to the statement of comprehensive income and credited to share-based payment reserve was £476,000 (30 September 2020: £37,000).

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

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Profit before tax	51,121	25,314
Depreciation of leased investment properties and right-of-use assets	7,289	7,865
Depreciation of plant and equipment	839	998
Impairment of leased investment properties	—	2,241
Amortisation of intangible assets	560	560
Loss/(profit) on disposal of right-of-use assets	6	—
Loss/(profit) on disposal of property, plant and equipment	85	(24)
Finance income	(4)	(245)
Finance costs	6,051	6,366
Share of (loss)/profit in joint ventures	87	(199)
Decrease/(increase) in inventory and work in progress	(1,933)	8,566
Interest capitalised in inventory and work in progress	587	465
Decrease/(increase) in contract assets	27,712	(15,944)
Decrease/(increase) in trade and other receivables	(4,680)	(10,786)
(Decrease)/increase in contract liabilities	(6,122)	3,803
(Decrease)/increase in trade and other payables	(5,302)	15,987
(Decrease)/increase in provision for fire safety cladding works	(465)	9,864
Increase in share-based payment reserve	476	37
Net cash inflow from operating activities	**76,307**	**54,868**

Major non-cash transactions

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

34. Analysis of net cash/(debt)

30 September 2021	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
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 debt	(39,607)	35,831	(1,144)	(4,920)

30 September 2020	At beginning of year £'000	Cash flow £'000	Other movements £'000	At end of year £'000
Cash at bank and in hand	115,652	18,861	—	134,513
Other interest-bearing loans	(1,392)	1,034	(273)	(631)
Bank loans	(37,413)	(1,444)	(179)	(39,036)
Net cash before deducting lease liabilities	76,847	18,451	(452)	94,846
Lease liabilities (note 17)	(137,522)	6,089	(3,020)	(134,453)
Net debt	(60,675)	24,540	(3,472)	(39,607)

Cash at bank and in hand as at 30 September 2021 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 2020: £814,000). 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

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. There were no material capital commitments at 30 September 2020.

36. Contingent liabilities

The Group has contingent liabilities of £2,478,000 (2020: £537,000) 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 £7,829,000 (2020: £34,978,000).

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 £316,000 (2020: £316,000). No amount was owed to or from Planehouse Limited and its subsidiary companies at 30 September 2021 (30 September 2020: £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 £Nil to Richard Simpson (2020: £16,800) 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 2021 or 2020. The fair value of the units held in CST by Watkin Jones & Son Limited at 30 September 2021 amounted to £793,000 (2020: £721,000) and the fair values of the carried interest investments in CST and CST2 held by Fresh Property Group Ltd amounted to £98,000 (2020: £62,000) and £350,000 (2020: £350,000) respectively.

Under a joint venture agreement the Group owed £9,000 at 30 September 2021 to Deiniol Developments Limited (2020: £466,000 due from Deiniol Developments Limited). During the year the Group received a payment of £325,000 from Deiniol Developments Limited and made a capital contribution of £150,000 to Deiniol Developments Limited. The Group owns 50% of the share capital in Deiniol Developments Limited.

The Group has a 50% interest in Lacuna Belfast Limited. During the year, Lacuna Belfast Limited made a dividend distribution of £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 £54,000 to Lacuna Belfast Limited during the year (2020: made payments of £5,000 to Lacuna Belfast Limited). At 30 September 2021, no amount was owed to or from Lacuna Belfast Limited (2020: £194,000 owed to Lacuna Belfast Limited). Subsequent to 30 September 2021, Lacuna Belfast Limited has been placed into members' voluntary liquidation.

The Group has a 50% interest in Lacuna Dublin Road Limited. During the year, Lacuna Dublin Road Limited made a dividend distribution of £1,321,000 to each joint venture party, which was set off against the amounts owed by them to Lacuna Dublin Road Limited. The Group received a management fee of £63,000 from Lacuna Dublin Road Limited during the year (2020: £Nil) and received payments from Lacuna Dublin Road Limited of £95,000 (2020: £62,000). At 30 September 2021, no amount was owed to or from Lacuna Dublin Road Limited (2020: £1,308,000 owed to Lacuna Dublin Road Limited). Subsequent to 30 September 2021, Lacuna Dublin Road Limited has been placed into members' voluntary liquidation.

The Group has a 50% interest in Lacuna WJ Limited. During the year, Lacuna WJ Limited made a dividend distribution of £1,679,000 to each joint venture party, which was set off against the amounts owed by them to Lacuna WJ Limited. The Group received payments of £7,000 from Lacuna WJ Limited during the year (2020: made payments of £280,000). At 30 September 2021, no amount was owed to or from Lacuna WJ Limited (2020: £1,635,000 owed to Lacuna WJ Limited). Subsequent to 30 September 2021, Lacuna WJ Limited has been placed into members' voluntary liquidation.

The Group has a 50% interest in Lacuna Academy Street Limited. During the year, Lacuna Academy Street Limited made a dividend distribution of £169,000 to each joint venture party, which was set off against the amounts owed by them to Lacuna Academy Street Limited. During the year, the Group charged development fees to Lacuna Academy Street of £Nil (2020: £250,000) and made payments to Lacuna Academy Street Limited of £40,000 and received payments of £50,000 (2020: made payments of £44,000 and received payments of £1,379,000). At 30 September 2021, no amount was owed to or from Lacuna Academy Street Limited (2020: £168,000 owed to Lacuna Academy Street Limited). Subsequent to 30 September 2021, Lacuna Academy Street Limited has been placed into members' voluntary liquidation.

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

38. Subsequent events

On 21 October 2021, the Group entered into an agreement for the forward sale of its BTR development in Lewisham, for a consideration of £141,281,000 to be recognised over the duration of the development works. At 30 September 2021, the Group held an amount of £37,701,000 in stock and work in progress in respect of this development.

On 10 January 2022, the Department of Levelling Up, Housing and Communities issued a public letter to developers on cladding and build safety. The Group will work through any impact as the suggestions evolve into proposals and there are no associated costs recorded in these financial statements. The provision for the remediation or replacement of cladding under existing government guidelines is set out in note 27.

Company statement of financial position

as at 30 September 2021

	Notes	30 September 2021 £'000	30 September 2020 £'000
Fixed assets			
Investments	42	**258,599**	258,123
Current liabilities			
Trade and other payables	43	**(93,269)**	(67,785)
Total liabilities		**(93,269)**	(67,785)
Net assets		**165,330**	190,338
Equity			
Share capital	44	**2,562**	2,562
Share premium		**84,612**	84,612
Share-based payment reserve		**2,824**	2,348
Retained earnings		**75,332**	100,816
Total equity		**165,330**	190,338

The notes on pages 150 and 151 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 (2020: £Nil).

Approved by the Board of Directors on 18 January 2022 and signed on its behalf by:

Richard Simpson
Director

Company statement of changes in equity
for the year ended 30 September 2021

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance as at 30 September 2019	2,553	84,612	2,311	115,135	204,611
Dividend paid (note 41)	—	—	—	(14,319)	(14,319)
Issue of shares	9	—	—	—	9
Share-based payments	—	—	37	—	37
Balance 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**

Notes to the Company financial statements

for the year ended 30 September 2021

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

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 (2020: £Nil).

No cash flow has been presented for the Company as it has no cash in its own right.

The statement of financial position has been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Dividends

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

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.

	2021 £'000	2020 £'000
Wages and salaries	**1,450**	1,015
Employee incentive – long-term incentive plans	**269**	53
Social security costs	**188**	270
Pension costs	**103**	101
	2,010	1,439

41. Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend paid in June 2021 of 2.6 pence (June 2020: nil pence)	**6,658**	–
Final dividend paid in February 2021 of 7.35 pence (February 2020: 5.6 pence)	**18,826**	14,319
	25,484	14,319

The interim dividend that would have been paid in June 2020 was suspended as a precautionary measure whilst the impact of COVID on the business was assessed.

The final dividend proposed for the year ended 30 September 2021 is 5.6 pence per ordinary share. This dividend was declared after 30 September 2021 and as such the liability of £14,345,000 has not been recognised at that date. At 30 September 2021, the Company had distributable reserves available of £75,332,000 (30 September 2020: £100,816,000).

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 2019	258,086
Capital contribution relating to share-based payments	37
At 30 September 2020	258,123
Capital contribution relating to share-based payments	476
At 30 September 2021	**258,599**

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

	2021 £'000	2020 £'000
Financial liabilities		
Amounts owed to Group undertakings	**93,269**	67,785

44. Share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
Ordinary shares of one pence each	**2,562**	2,562

The number of ordinary shares in issue at 30 September 2021 was 256,163,459 (30 September 2020: 256,163,459).

45. Share-based payments

Accounting policy

The Company issues equity-settled share-based payments to certain Executive Directors of the Company and to certain employees of its subsidiaries. Equity-settled share-based payments are measured at fair value at the grant date. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. The cost of equity-settled share-based payments granted to employees of subsidiary companies is borne by the employing company, without recharge. The cost of equity-settled share-based payments granted to Executive Directors of the Company is recharged to its principal trading subsidiary as it receives the benefit of their services. In the Company's financial statements, the Company's investment in subsidiaries is increased by an amount equal to the charge for the period, with a corresponding increase to share-based payment reserve.

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.

Advisers

Nominated adviser and broker
Peel Hunt LLP
7th Floor
100 Liverpool Street
London EC2M 2AT

Joint broker
Jefferies International Limited
100 Bishopsgate
London EC2N 4JL

Auditor and reporting accountants
Ernst & Young LLP
2 St Peter's Square
Manchester M2 3EY

Solicitors to the Company
DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Company registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Financial PR
Buchanan
107 Cheapside
London EC2V 6DN

Shareholder information

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

Number of securities in issue
As of 18 January 2022, the Company's issued share capital consists of 256,163,459 ordinary shares with a nominal value of one pence each. The Company has no treasury shares.

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

Securities not in public hands
As of 18 January 2022, the percentage of the Company's issued share capital that is not in public hands is 9.9%.

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

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

Registered in England and Wales (company number 9791105).

Glossary

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

Financial calendar

Annual general meeting (AGM)

The Company's AGM will be held at 10.30am on Thursday 17 February 2022 at the offices of Peel Hunt, 100 Liverpool St, London EC2M 2AT. The notice of meeting is available on the Group's website **watkinjonesplc.com**.

Final dividend

The final dividend will be paid on 25 February 2022 to shareholders on the register at the close of business on 28 January 2022. The shares will go ex-dividend on 27 January 2022.

FSC www.fsc.org RECYCLED Paper made from recycled material FSC® C022913

This report is printed on Revive 100 Offset made from FSC® recycled certified post-consumer waste pulp. Printed sustainably in the UK by Pureprint, a CarbonNeutral® company with FSC® chain of custody and an ISO 14001 certified environmental management system recycling over 100% of all dry waste.

Designed by lyonsbennett
lyonsbennett.com

Creating the **future of living**

Watkin Jones plc
7-9 Swallow Street
London
W1B 4DE

+44 (0)330 912 4000
info@watkinjones.com

watkinjonesplc.com

Watkin Jones Group

@Watkin_Jones