23 January 2025

Watkin Jones plc
(the 'Group')

Full Year Results for the year ended 30 September 2024

Resilient performance reflected in improved profitability and cash position

The Group announces its annual results for the year ended 30 September 2024 ('FY24').

	Adjusted Results (1), (2)		**Statutory Results**	
	FY24	FY23	**FY24**	FY23
Revenue	**£362.4m**	£413.2m	**£362.4m**	£413.2m
Gross profit	**£33.8m**	£34.9m	**£33.8m**	£34.9m
Operating profit	**£10.6m**	£0.2m	**£3.6m**	(£38.0m)
Profit / (loss) before tax	**£9.2m**	(£2.9m)	**£(0.3m)**	(£42.5m)
Basic earnings / (loss) per share	**3.5p**	(0.6p)	**0.7p**	(12.7p)
Dividend per share	**-**	1.4p	**-**	1.4p
Adjusted net cash[3]	**£83.4m**	£43.9m		

(1) For FY24 Adjusted Operating Profit, Adjusted Profit before tax and Adjusted Earnings per share are calculated before the impact of exceptional charges of £7.0 million provided for remedial costs associated with building safety and £2.5 million for the unwinding of the discount rate on the building safety provision.

(2) For FY23 Adjusted Operating Profit, Adjusted Profit before tax and Adjusted Earnings per share are calculated before the impact of exceptional charges of £35.0 million provided for remedial costs associated with building safety, £3.1 million of restructuring costs and £1.5 million for the unwinding of the discount rate on the building safety provision.

(3) Adjusted net cash is stated after deducting interest bearing loans and borrowings, but before deducting IFRS 16 operating lease liabilities of £40.8 million at 30 September 2024 (30 September 2023: £45.2 million).

FY24 Highlights – Resilient performance

- Revenue of £362.4 million delivered predominantly from previously sold developments on site, supported by two further developments sold in the year and a successful first year of our Refresh offering.
- Significant improvement in adjusted operating profit from £0.2 million to £10.6 million, reflecting:
  - Two schemes sold in the period, including our Stratford joint venture, which enables the Group to benefit from a base profit and future value generated by the scheme;
  - Successful completion of six schemes, generating gross margins in line with guidance; and
  - Benefit of cost saving actions implemented in FY23.
- Continued focus on cash generation resulted in higher period end gross and adjusted net cash balances of £97.0 million and £83.4 million, respectively.
- Pipeline successes:
  - Achieved planning for a further c.2,600 PBSA beds, across four schemes; and
  - Secured two further PBSA development sites, subject to planning.
- The net provision for building safety works has decreased by £6.7 million to £48.0 million, reflecting:
  - Cash outflow of £16.2m, in line with expectations, including completion of remediation works on three buildings; and
  - An additional provision of £7.0 million, covering certain additional properties and changes in scope on several properties already in the provision.
- Continuing the approach adopted at the FY23 year end, the Board is prioritising the maintenance of financial flexibility and consequently is not declaring a dividend; the Board will keep this approach under review.

Outlook – Building on our resilience in a challenging investment market

- Investment market gradually showing signs of recovery, though pace is likely linked to further reductions in gilt and interest rates.
- Medium term outlook remains strong with excellent sector fundamentals continuing to drive investor sentiment and allocations.
- In the near term we continue to focus on the factors within our control:

- Successfully delivering our in-build projects;
  - Carefully managing our costs and cash; and
  - Continuing to broaden our revenue base with new sources of income.
- c.£300 million of contractually secure forward sold revenue as at 30 September 2024, within a total pipeline of almost £2 billion.
- Secured a new development partnership transaction in December 2024, to deliver 295 homes in St Helens, and letter of intent signed on two further schemes.
- Encouraging progress with Refresh following a successful first year, with an active pipeline being pursued.
- HSBC £50m banking facility extended by two years.
- The Group remains focussed on developing its long-term pipeline, with new acquisitions and planning consents in order to capitalise on a market recovery, and continues to explore innovative structuring and development funding arrangements to enable this.

Alex Pease, Chief Executive Officer of Watkin Jones, said: "The Group produced a resilient operational performance during FY24, in what remains a difficult investment market. The slow pace of interest rate cuts and timing of the general election meant that, whilst investor sentiment remained positive, transactional activity has not improved as quickly as expected. We responded by focusing on the factors within our control: successfully delivering our in-build projects and carefully managing our costs. We have also continued to broaden our revenue base, opening up new sources of income through our Refresh and development partnership initiatives.

"While the investment market has continued to be challenging, the sectors in which we operate remain attractive. PBSA is still undersupplied and BTR offers a key solution to the UK's housing shortage, helping to accelerate the delivery of new homes and fostering communities. As a market-leading developer with a strong track record, Watkin Jones is an ideal conduit for institutional capital. Looking to the medium term, we believe that there is an excellent opportunity in the sector and that we are well placed to take advantage of that."

Analyst meeting

A meeting for analysts will be held in person at 09.30am today, Thursday 23rd January at the offices of MHP Group, 60 Great Portland Street, London W1W 6RT. A copy of the Full Year results presentation is available on the Group's website: http://www.watkinjonesplc.com.

An audio replay of the meeting with analysts will be available after 12pm today at the following link:
https://stream.brrmedia.co.uk/broadcast/67616bdd139c6b2fd9c48681/6790cc332fca8d88fde0f43b

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Notes to Editors

Watkin Jones is the UK's leading developer and manager of residential for rent, with a focus on the build to rent, student accommodation and affordable housing sectors. The Group has strong relationships with institutional investors, and a reputation for successful, on-time-delivery of high quality developments. Since 1999, Watkin Jones has delivered over 50,000 student beds across 147 sites, making it a key player and leader in the UK purpose-built student accommodation market, and is increasingly expanding its operations into the build to rent sector, where it has delivered 2,200 apartments across 12 schemes to date. In addition, Fresh, the Group's specialist accommodation management business, manages c.19,000 student beds and build to rent apartments on behalf of its institutional clients. Watkin Jones has also been responsible for over 80 residential developments, ranging from starter homes to executive housing and apartments.

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

Watkin Jones was admitted to trading on AIM in March 2016 with the ticker WJG.L. For additional information please visit www.watkinjonesplc.com

CHIEF EXECUTIVE OFFICER'S REVIEW

The Group produced a resilient operational performance in FY24, in the context of a difficult investment market. The slow pace of interest rate cuts and the surprise timing of the general election meant that whilst investor sentiment remained positive, transactional activity on developments has not improved as quickly as expected, and we completed fewer forward sales as a result. We responded by focusing on the factors within our control: successfully delivering our in-build projects, carefully managing our costs and further increasing our resilience. In particular, we have broadened our revenue base, opened up new sources of income and worked hard to protect our cash position.

While the investment market has continued to be challenging, the sectors in which we operate remain attractive. PBSA is still undersupplied and BTR offers a key solution to the UK's housing shortage, helping to accelerate the delivery of new homes and fostering communities. Rents in both sectors continue to grow. We are also encouraged that the new government is pro-housebuilding and wants to unblock the planning system to meet its ambitious housing targets.

Performance

During FY24 we completed five projects and handed over the first phase of a sixth. All finished on time and materially to budget, despite being procured and delivered in a very difficult construction environment, with high build cost inflation and supply chain disruption during

FY22 and FY23. Our in-build sites are all progressing to plan. I am pleased that in the year we were able to close two forward sale transactions of our PBSA schemes at Stratford in East London and at Gas Lane in Bristol.

Group revenue was £362.4 million (FY23: £413.2 million), down 12.3%. In part this reflected the accounting treatment of the transaction of the Stratford development with Housing Growth Partnership (HGP), discussed later in this report. While it shares many of the characteristics of a forward sale, it was accounted for as the disposal of a subsidiary rather than a land sale. This excluded it from revenue, which would otherwise have been £24.8 million higher.

Gross profit reduced slightly to £33.8 million (FY23: £34.9 million) although operating profit before exceptional items was up materially at £10.6 million (FY23: £0.2 million).

BTR was again the largest contributor to our revenue but the improved profitability of our PBSA developments was the main driver of our increased profits. We were also pleased by the initial results of our Refresh business (see below), which, from a standing start, doubled our budget targets with revenue of £10.9 million at a strong gross margin of 13.8%.

At the year end, we achieved a better cash position than we forecast, with an adjusted net cash position of £83.4 million (30 September 2023: £43.9 million) and total cash and available facilities of £143.2 million (30 September 2023: £103.6 million), meaning our balance sheet remains strong.

Strategy

We have continued to successfully implement our three-part strategy, which aims to diversify our sources of income in residential to rent, drive operational efficiency and ensure we are a responsible business.

Diversify our sources of income

Forward sales remain central to our model but with limited activity during the period, we have been proactive in leveraging

our expertise in the residential for rent sector by developing new approaches, broadening our offering and diversifying our income streams. We are pursuing further ‘Development Partnerships’ with clients, looking to accelerate delivery and revenues by acquiring sites with planning consent or developing a consented site our partner already owns. Also, post FY24 close, we signed a development partnership with Torus to build 295 new affordable homes in Moss Nook, St Helens. This is another very positive example of us diversifying our sources of income.

The joint venture with HGP is an example of us exploring and executing alternative structures and in the case of that deal we have a significant opportunity to outperform our underwriting whilst managing risk.

We will continue to consider differing types of transaction which give us access to capital, and the potential to charge fees, whilst leveraging our leading development and construction expertise in the sector. Such flexibility should enable us to develop our pipeline and place the business in a strong position to capitalise on the opportunities that arise when the market recovers.

We will continue to keep an open mind when exploring the funding options available to us, in order to provide a robust business in the long-term interests of our stakeholders.

Our new Refresh business stream, meanwhile, has turned a challenge into an opportunity, as clients saw the high

standard of our building safety remediation work and asked us to apply that skill and experience to remediate their other assets.

This service can be further expanded to include a fuller refurbishment and repositioning of an asset. We are leveraging our wide network of institutional contacts to grow the business and the volume of assets requiring remediation and the level of interest suggests we can achieve meaningful revenues and further diversify our income. To position ourselves to take advantage of this opportunity, we have created a dedicated team to provide this offering, which includes refurbishment and redevelopment. This team works closely with Fresh, who provide insight on resident needs, which can then be incorporated into our proposal.

Driving operational efficiency

Driving efficiencies was a key focus in FY24, as we began the second phase of our programme to deliver excellence through operational improvement. The aim is to further improve productivity and efficiency while reducing risk, ensuring our processes, governance and decision-making work well and set us up to outperform. As part of this, we have redesigned our Delivery function to ensure we have the right resources in the right place, and to give our people the capacity to lead. Richard Harris, Managing Director of Group Delivery, is retiring in January 2025 and we have taken the opportunity to split his role. We have promoted and appointed to the executive team Gwyn Pritchard and Michael Bunyan to head up Construction and Project Services respectively. Richard has mentored them as part of our succession planning, to ensure a smooth transition. I want to thank Richard for his important contribution to the Group. We have also added to the executive team in the year with the appointment of Simon Jones as Chief Financial Officer and Adam McGhin as Chief Legal Officer & Company Secretary. Both Simon and Adam have substantial experience in the real estate sector and their leadership will prove key in driving forward the business to achieve our strategic goals.

Build cost inflation reduced during FY24 and we also benefited from our efforts to mitigate rising costs, including developing stronger relationships with our supply chain. We have created excellent partnerships with suppliers in

FY24 to further improve our buying power and held our second supplier conference, with an enthusiastic reception as we launched Refresh to them.

The Fresh division continues to provide a reliable income stream to the business. Having a management arm is also hugely accretive to our understanding of the sector and what really matters to residents when living in PBSA and BTR buildings. We anticipate further opportunity to increase Fresh's market share over the coming years as competitors exit the market.

Being a responsible business

This has been a tough period for our people but we have worked hard to keep them engaged and motivated, and I am pleased that we have retained our key personnel and skillsets. We have also maintained our exceptional health and safety record, substantially outperforming the peer group average.

Refresh captures everything good about sustainability. It gives people a better, safer place to live, helps improve the surrounding area and is good for the planet, as we can extend the building's useful life and avoid the substantial carbon emissions from replacing it. We also continue to reduce our own environmental impact. For example, we have redesigned the standard student bedroom and reduced the associated Scope 3 emissions by 10%. We are also diverting 99.15% of waste from landfill.

We made good progress with building safety remediation in the year, completing three projects at a cash cost in line with our expectations. The number of buildings in scope, the extent of the work required and discussions with building owners on reimbursement all continue to evolve, and the Board took the decision to recognise an additional £7.0 million liability during the year.

People

Our people are our greatest strength. The expertise and market-leading position of the business flows directly from the skills and quality of our people. When I carry out site visits throughout year, I am always struck and inspired by the knowledge and commitment of our staff. Their expertise is fundamental in continuing to deliver our strategy for the benefit of the residents and all of our stakeholders.

Outlook

We see good prospects for our capital- light forward sale model. The attractions of our end markets mean there is significant capital wanting to allocate to the residential to rent sector but too few built assets to satisfy this demand. The major shortage of accommodation means new assets are urgently needed and the requirements of the Building Safety Act and focus on ESG performance also mean investors want new, best-in-class assets.

The low number of transactions in FY24 will affect our FY25 results, by delaying revenue from building out schemes we had expected to forward sell. The Group's performance will be significantly influenced by the evolution in forward fund liquidity over the coming months and, while it is possible to deliver year-on-year progress in FY25, this will require market conditions to improve at a faster pace as we enter the new financial year.

The business will continue to grow our diversification strategies in 'Refresh' and 'Development Partnerships' across the UK living sectors to provide a resilient base for our traditional transactional and planning-led development activities. We will also continue to assess innovative and alternative real estate funding opportunities if accretive to the scale and speed of growth in the business.

As a market-leading developer with a strong track record, Watkin Jones is an ideal conduit for institutional capital. Further interest rate cuts are forecast, which should improve forward fund liquidity. We are actively sourcing new land for development and are currently marketing a number of schemes, with encouraging investor interest. Looking to the medium term, we believe that there is an excellent opportunity in the sector and that we are well placed to take advantage of that.

Alex Pease

Chief Executive Officer

23 January 2025

OPERATIONAL REVIEW

Build To Rent

	BTR apartments by estimated year of practical completion				
	Total pipeline	FY25	FY26	FY27	FY28
Forward sold	**2,382**	956	1,110	316	—
Forward sales in the market	**300**	—	70	—	230
Sites secured subject to planning	**795**	—	—	—	795
Total secured pipeline	**3,477**	956	1,180	316	1,025

Total revenues for the year were £211.3 million (FY23: £207.7 million), up 1.7%. Revenues were generated by the build-out of our forward sold developments and a development partnership scheme in Cardiff. During the year, we reached practical completion on our schemes at Hove and Lewisham, and handed over the first phase of the Sherlock Street development in Birmingham.

In FY24, we submitted planning on a site in Leeds with the potential to deliver around 230 units, which was approved just after year end. The current secured development pipeline for BTR is shown in the table above. The pipeline has an estimated future revenue value to us of £0.5 billion (FY23: £0.6 billion), of which £232 million is currently forward sold (FY23: £447 million).

Gross profit for the year was £18.0 million (FY23: £19.8 million), down 9.1%, resulting in a gross margin of 8.5% (FY23: 9.5%). This reflected the lack of land sales in the period, with the build margins of certain in-year schemes being lower than typical land margins.

We were delighted to win the BTR Specialist Award at the national EG Awards 2023. The judges commented:

"Watkin Jones has shown an incredible depth of activity over the period, and pushed the boundaries when it came to bringing capital to the BTR sector. The buildings Watkin Jones delivers are uncompromising in terms of design and approach to ESG standards and offer its residents a best-in-class service."

Student Accommodation

	PBSA beds by estimated year of practical completion				
	Total pipeline	FY25	FY26	FY27	FY28 onwards
Forward sold	**657**	260	397	—	—
Forward sales in the market	**2,605**	—	—	330	2,275
Sites secured subject to planning	**1,594**	—	—	—	1,594
Total secured pipeline	**4,856**	260	397	330	3,869

During the year we delivered three developments as planned, completing Lower Parliament Street in Nottingham, Metalworks in Bedminster, Bristol, and the Lower Bristol Road scheme in Bath. We forward sold the 260-bed Gas Lane scheme in Bristol, which will transform a brownfield site into a new student community in one of the UK's largest urban regeneration zones. This was our first transaction with a new client, Hines. We also sold the 397-bed development in Stratford, East London, to a new joint venture we created with the Housing Growth Partnership

(HGP), a social impact investor and part of Lloyds Banking Group. The JV is owned 75% by HGP and 25% by us, with funding provided by HGP and third-party debt.

We expect the JV will sell the completed scheme once it is stabilised and we have the opportunity to receive a further cash payment if the returns exceed agreed hurdle rates.

Revenues from PBSA were £117.6 million (FY23: £175.7 million), down 33.1%, in part because the HGP transaction was accounted for as the disposal of a subsidiary rather than a land sale. As a result it was not included within revenue, which would have been £24.8 million higher if the transaction had been a traditional forward sale. Despite reduced revenues, gross profit rose 19.3% to £13.6 million (FY23: £11.4 million), resulting in a much-improved gross margin of 11.6% (FY23: 6.5%). This reflects a recovery towards the margins we have historically earned in this sector.

The margin in FY23 was suppressed by additional build costs on a scheme in Exeter where the third-party main contractor went into liquidation, as well as acceleration costs required to achieve completion on some other developments.

In FY24, we secured sites subject to securing planning in Belfast (c.1,000 beds) and Bristol (358 beds). We also obtained planning on three sites, with the potential to deliver around 2,275 beds. The secured development pipeline for PBSA is shown in the table above. This pipeline has an estimated future revenue value to us of £0.8 billion (FY23: £0.9 billion), of which £60 million is currently forward sold (FY23: £60 million).

Single Family Homes

The affordable-led single family homes business completed 20 sales in the year (FY23: 36 sales), generating revenue of £12.9 million (FY23: £19.6 million).

The business has continued to make progress at its Crewe site but delays to house sales have increased holding and management costs, eroding the margin on completed transactions. Gross loss for the year was therefore £0.2 million (FY23: profit of £1.9 million) at a gross margin of -1.6% (FY23: +9.7%). We are looking at revising the planning at Crewe to reduce the number of four-bed units and provide more two and three-bed units, which will increase the potential for selling to single-family housing funds.

In December 2024, we signed a development partnership with Torus to construct 295 new affordable homes in St Helens.

Refresh

Having performed a soft launch of this business in the first half of the year, we successfully completed three refurbishment projects on PBSA assets for an existing institutional client. Total revenues in FY24 were £10.9 million, generating gross profit of £1.5 million at a margin of 13.8%.

The completed projects renovated 800+ bedrooms and more than 660sqm of amenity space over an 11-week period. The room renovations started at the end of term and in just eight weeks returned all rooms fully renovated for the new intake in September. The amenity works transformed unused spaces into vibrant hubs. This successful partnership has led to further active discussions on future work.

With a dedicated team in place to deliver these projects and an active pipeline, we anticipate good growth in FY25. The PBSA sector currently has the greatest potential, given the large proportion of outdated stock, but we also expect opportunities to improve older private rented sector accommodation.

Accommodation Management

Key statistics

Student beds and BTR apartments under management

FY24: 18,656

FY23: 23,064

Student net promoter score

FY24: +36

FY23: +35

Revenues in Fresh fell 14.7% to £8.1 million (FY23: £9.5 million), reflecting the 6,800 student beds that left Fresh in October 2023 with the majority being managed by a new in-house client platform. This was partially offset by Fresh taking over the management of an existing 250-bed PBSA scheme and mobilising a 120-bed BTR (affordable) scheme, as well as contract wins to take on the management of 366 student beds in FY25 and FY26. Fresh also mobilised 1,866 student beds ahead of the 2024/25 academic year, which will contribute to revenue in FY25.

At the end of FY24, Fresh had 18,656 units under management across 58 schemes (FY23: 23,064 units across 71 schemes). Lower revenue resulted in gross profit of £4.4 million (FY23: £6.0 million) at a margin of 54.3% (FY23: 64.8%).

We have a track record of excellent service and our student net promoter score in the Global Student Living Index (GSLI) increased for the fifth year in a row, to +36 (FY23: +35), well above the benchmark of +14. We also retained our Platinum certification. More than 4,600 of our residents took part in the survey.

In the year Fresh collected several awards: GSLI Best Learning Environment UK for Calico in Liverpool, Inspiring Women in Property Awards – Mental Health and Wellbeing Initiative of the Year and Property Week Heath and Wellbeing Award (2023). Our wellbeing programme has been an important contributor to student satisfaction and we reviewed it during FY24, giving us a five-year roadmap with targets, to allow us to monitor our impact and do more of what works.

To support our client service, we are investing in a client portal, which we hope to launch in 2025. This will enable clients to access data on their assets' financial, operational and ESG performance in near real time, assisting their onward reporting. We also continue to invest in our Yardi property management platform and implementing the next upgrade. This brings many advantages, including the ability to incorporate AI to increase efficiency, for example managing initial interactions to secure progression through our funnel and into the CRM.

Our market continues to evolve and consolidate, and we believe Fresh's independence will be increasingly important to clients. To support our growth plans, we have recruited a new commercial director from a competitor. We are also seeing good interest in our white-label offering, which enables asset owners to have their own accommodation brand. We expect this to gain traction in FY25.

FINANCIAL REVIEW

Strong operational delivery, cost control and broadening our offering contributed to substantially improved operating profit performance in FY24.

	Adjusted results[1]		Statutory results	
	FY24 £m	FY23 £m	**FY24 £m**	FY23 £m
Revenue	**362.4**	413.2	**362.4**	413.2
Gross profit	**33.8**	34.9	**33.8**	34.9
Operating profit/(loss)	**10.6**	0.2	**3.6**	(38.1)
Profit/(loss) before tax	**9.2**	(2.9)	**(0.3)**	(42.5)

1. A reconciliation between adjusted and statutory results is shown below.

Revenue

Group revenue for the year was £362.4 million (FY23: £413.2 million), down 12.3%. Revenue was primarily generated by our in-build developments, with the reduction in part reflecting the accounting treatment of the transaction of our Stratford development, which was executed as a disposal of subsidiary, rather than traditional land sale. Revenue also benefited from an initial contribution from our new Refresh offering.

On a segmental basis, revenue in the year was as follows:

	FY24	FY23	Change
	£m	£m	%
Build To Rent	**211.3**	207.7	1.7
Student Accommodation	**117.6**	175.7	(33.1)
Affordable-led Homes	**12.9**	19.6	(34.2)
Accommodation Management	**8.1**	9.5	(14.7)
Refresh	**10.9**	—	
Corporate	**1.6**	0.7	
Group revenue	**362.4**	413.2	(12.3)

Information on divisional revenue performance can be found in the operational review above.

Gross profit

Gross profit for the year was £33.8 million (FY23: £34.9 million), a decrease of 3.2%, with reduced revenue offset by improvements in gross margin. Student Accommodation was the primary contributor to this improved margin performance as a result of the strong operational delivery of our ongoing schemes.

On a segmental basis, gross profit in the year was as follows:

	FY24	FY23	Change
	£m	£m	%
Build To Rent	**18.0**	19.8	(9.1)
Student Accommodation	**13.6**	11.4	19.3
Affordable-led Homes	**(0.2)**	1.9	(110.5)
Accommodation Management	**4.4**	6.0	(26.7)
Refresh	**1.5**	—	
Corporate	**(3.5)**	(4.2)	
Gross profit	**33.8**	34.9	(3.2)

See the operational review above for more information on divisional gross profits. Corporate is primarily central costs such as plant, insurance and legal expenses that are not allocated to a business unit.

Operating profit

Operating profit for the year was £3.6 million (FY23: £(38.0) million loss). After adding back the exceptional £7.0 million increase to the building safety provision, adjusted operating profit for the year was £10.6 million (FY23: £0.2 million), reflecting the £6.3 million profit on divestment of the Stratford PBSA scheme.

Operating loss in the prior year was after charging:

- a £4.6 million loss on disposal of PRS assets; and
- £38.1 million of exceptional administrative expenses, comprising £35.0 million provided for remedial costs associated with building safety and £3.1 million of one-off restructuring costs.

Our adjusted operating profit of £10.6 million in FY24 therefore represents a significantly improved underlying result.

Administration expenses, excluding the impact of exceptional items, reduced to £29.5 million (FY23: £30.1 million), demonstrating strong cost control in the face of continued inflation in services costs and wages.

Finance costs

Finance costs for the year were £4.9 million (FY23: £5.0 million). These costs included:

- the finance cost of capitalised leases under IFRS 16, which totalled £1.7 million (FY23: £1.8 million);
- an exceptional charge of £2.5 million (FY23: £1.5 million) for the unwind of the discount of the building safety provision (see below); and
- fees associated with the availability of our revolving credit facility (RCF).

Finance costs in FY23 also included interest on the loans previously held with Svenska Handelsbanken AB, which we repaid in that year.

Loss before tax

Loss before tax for the year was £0.3 million (FY23: loss before tax of £42.5 million). Adjusted profit before tax, which excludes the impact of the exceptional items, was £9.2 million (FY23: adjusted loss before tax of £2.9 million).

Taxation

The corporation tax credit was £2.2 million (FY23: credit of £9.9 million). The effective tax credit rate was less than the standard UK corporation tax rate of 25% for the year, primarily as a result of tax reliefs utilised on disposal of a subsidiary. Cash tax in respect of FY24 was minimal, as a result of utilising brought forward tax losses.

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

Earnings per share

Basic earnings per share from continuing operations for the year was 0.7 pence (FY23: 12.7 pence loss per share). Adjusted basic earnings per share, which excludes the impact of exceptional items, was 3.5 pence (FY23: 0.6 pence).

Dividends

The Board has continued to prioritise the Group's financial flexibility during the current period of market disruption and has therefore not declared any dividends in respect of FY24. The Board will keep this under review. In FY23, we paid an interim dividend of 1.4 pence per share and no final dividend.

At 30 September 2024, the Company had distributable reserves of £41.6 million available to pay dividends.

EBITDA

EBITDA, which is calculated as set out below, was £11.2 million (FY23: loss of £21.0 million). Adjusted EBITDA, which excludes exceptional items, was £18.2 million (FY23: £17.2 million), with an adjusted EBITDA margin of 5.0% (FY23: 4.2%).

Return on capital employed

The return on capital employed (ROCE) for the year, calculated as set out below, increased to 14.8% (FY23: 0.2%) as a result of our improved profitability.

Building safety

We continue to focus on delivering our building safety rectification obligations and completed works on three buildings in FY24, with a cash outflow of £16.2 million in line with our expectations.

Following the conclusion of investigations undertaken, necessary remedial works were identified at further properties, and the scope of works at a number of properties already under remediation has been revised. An additional net provision of £7.0 million (30 September 2023: £35.0 million) has therefore been made during the year, for which further information is provided in note 4 to the financial statements.

As for many other participants in our industry, the properties in scope of the government's guidance and legislation continue to evolve, as do the range and cost of works. We are monitoring this as building investigations and discussions with building owners continue. The provision recognised represents our best estimate of the amounts required to remediate those properties where we expect remediation works to be required. However, as disclosed in note 4 to the financial statements, there are a number of properties for which the Group's liability remains uncertain and as such, we consider these to be contingent liabilities until such time as there is greater clarity on the Group's obligations or the extent, if any, of remedial works required.

As shown in the table below, at the year end we had a net provision of £48.0 million, after offsetting a £7.6 million reimbursement asset representing contractually agreed customer contributions to the remediation works.

Building safety provision	**Provision £m**	**Asset £m**	**Total £m**
At 1 October 2023	65.6	(10.9)	54.7
Arising during the year	8.1	(1.1)	7.0
Utilised in the year	(21.1)	4.9	(16.2)
Unwind of discount rate	3.0	(0.5)	2.5
At 30 September 2024	**55.6**	**(7.6)**	**48.0**

Our current expectation is for a cash outflow of approximately £10.6 million in FY25 with the balance between FY26 and FY30. Given these costs will be incurred in future years, the provision is discounted to its present value. As the discount unwinds over time, the change in the present value is recognised as an exceptional finance cost, as described above.

Statement of financial position

At 30 September 2024, non-current assets amounted to £69.0 million (FY23: £60.2 million), with the most significant item being the carrying value of the leased student accommodation investment properties amounting to £20.8 million (FY23: £24.2 million).

The deferred tax asset, predominantly relating to carried forward losses from the year ended 30 September 2023, amounted to £15.1 million (FY23: £12.1 million) and is expected to be fully utilised in the short to medium term.

Right-of-use assets relating to office and car leases amounted to £5.7 million (FY23: £5.3 million). Intangible assets relating to Fresh amounted to £11.0 million (FY23: £11.6 million) and were reduced by the amortisation charge of £0.6 million in the year.

The movement in the building safety provision and associated reimbursement assets is described above.

Inventory and work in progress was £94.3 million (FY23: £123.5 million), with the decrease reflecting the forward sale during the period of our Stratford and Bristol PBSA sites.

Contract assets decreased significantly in the year to £36.5 million (FY23: £66.4 million) reflecting the final payment balances which are received on completion of developments during the year, particularly from a number of BTR developments which were close to completion at the prior year end, and two PBSA schemes which completed during September 2024. Contract liabilities increased by £1.8 million during the year to £3.3 million.

Interest-bearing loans and borrowings reduced to £13.6 million at 30 September 2024 (FY23: £28.5 million) (see 'Bank facilities' below).

Lease liabilities were reduced to £40.8 million (FY23: £45.2 million), reflecting capital repayments made in the year offset by indexed rent increases on our student leased investment properties.

At the year end, we had a cash balance of £97.0 million and loans of £13.6 million, resulting in a net cash position of £83.4 million. At 30 September 2023, we had a cash balance of £72.4 million and loans of £28.5 million, resulting in a net cash position of £43.9 million.

Net cash balances are stated before deducting the lease liabilities of £40.8 million (30 September 2023: £45.2 million), arising as a result of applying IFRS 16. The lease liabilities relate primarily to several historic student accommodation sale and leaseback properties, for which the future lease rental liabilities are expected to be substantially covered by the future net student rental incomes to be received.

Cash flow

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 (when paid), overhead costs and land purchases.

However, as in the prior year, we expect our cash flow profile in FY25 will be more evenly spread than in previous years. This reflects the anticipated physical completions of some of our BTR developments in FY25, which will result in the Group receiving these final payments throughout the year.

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

The Group's net cash inflow from operating activities for the year was £30.2 million (FY23: outflow of £31.5 million), primarily reflecting the collection of bullet payments on our schemes completed during the year.

Net finance costs paid totalled £1.2 million (FY23: £2.8 million), including the finance charges on the capitalised lease liabilities of £1.7 million (FY23: £1.8 million).

No dividends were paid in the year (FY23: £15.1 million). Dividends paid in FY23 comprised the final dividend for FY22 and the interim dividend for FY23.

Cash and net debt

	FY24 £m	FY23 £m
Operating profit before exceptional items	**10.6**	0.2
Loss/(profit) on disposal of fixed assets	**0.1**	(0.3)
Depreciation and amortisation	**6.9**	11.5
Profit on disposal of subsidiary	**(6.3)**	—
Decrease/(increase) in working capital	**16.2**	(28.6)
Finance costs paid	**(1.2)**	(2.8)
Tax received/(paid)	**3.9**	(11.5)
Net cash flow from operating activities	**30.2**	(31.5)
(Purchase)/sale of fixed assets	**(0.1)**	15.0
Cash flow from joint venture interests including Stratford disposal	**16.9**	—
Dividends paid	**—**	(15.1)
Payment of lease liabilities	**(7.3)**	(6.8)
Repayment of borrowings	**(15.1)**	—
Increase/(decrease) in cash	**24.6**	(38.4)
Cash at beginning of year	**72.4**	110.8
Cash at end of year	**97.0**	72.4
Less: borrowings	**(13.6)**	(28.5)
Net cash before deducting lease liabilities	**83.4**	43.9
Less: lease liabilities	**(40.8)**	(45.2)
Net cash/(debt)	**42.6**	(1.3)

Total cash and available facilities

	FY24 £m	FY23 £m
Cash and cash equivalents	**97.0**	72.4
Revolving credit facility (RCF)	**50.0**	50.0
Drawn balance on RCF	**(13.8)**	(28.8)
Overdraft	**10.0**	10.0
Total cash and available facilities	**143.2**	103.6

Bank facilities

At the year end, the Group had the following bank facilities with HSBC:

- an RCF of £50.0 million, which we can use to fund land acquisitions and development work. The RCF had £13.8 million drawn against it at the year end (30 September 2023: £28.8 million); and
- an undrawn overdraft facility of £10.0 million.

Total cash and available facilities at 30 September 2024 therefore stood at £143.2 million (30 September 2023: £103.6 million).

Subsequent to the year end, the Group has agreed a two-year extension to these facilities, which will now run to 30 November 2027. The overdraft has been replaced with an accordion facility within the RCF of an additional £10.0 million, to support future land acquisitions.

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 2026. The basis of the review and an analysis of the downside risks is set out in note 2.1.

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		**FY24 £'000**	FY23 £'000
Adjusted operating profit/(loss)	1	Operating profit/(loss)	**3,566**	(37,970)
		Add: exceptional items in administrative expenses	**7,001**	38,140
		Adjusted operating profit	**10,567**	170
Adjusted profit/(loss) before tax	1,4	Loss before tax	**(307)**	(42,459)
		Add: exceptional items	**9,518**	39,598
		Adjusted profit/(loss) before tax	**9,211**	(2,861)
Adjusted basic earnings/(losses) per share	1,3,4	Profit/(loss) after tax	**1,895**	(32,547)
		Add: exceptional items	**9,518**	39,598
		Less: tax on exceptional items	**(2,380)**	(8,716)
		Adjusted profit/(loss) after tax	**9,033**	(1,665)
		Weighted average number of shares	**256,564,829**	256,434,903
		Adjusted basic earnings/(losses) per share	**3.52 pence**	(0.65) pence
EBITDA	1	**Operating profit/(loss)**	**3,566**	(37,970)
		Add: share of loss in joint ventures	**(8)**	(13)
		Add: impairment of land assets	**769**	5,496
		Add: loss on disposal of non-core assets	**—**	4,584
		Add: depreciation	**6,346**	6,388
		Add: amortisation	**559**	559
		EBITDA	**11,232**	(20,956)
Adjusted EBITDA	1	EBITDA	**11,232**	(20,956)
		Add: exceptional items in administrative expenses	**7,001**	38,140
		Adjusted EBITDA	**18,233**	17,184
Adjusted net cash	2	Net cash/(debt)	**42,602**	(1,294)
		Add: lease liabilities	**40,769**	45,195
		Adjusted net cash	**83,371**	43,901
Return on capital employed	1,2	**Adjusted operating profit**	**10,567**	170
		Net assets at 30 September	**132,590**	130,005
		Less: adjusted net cash	**(83,371)**	(43,901)
		Less: intangible assets	**(11,047)**	(11,606)
		Less: investment property (leased)	**(20,751)**	(24,240)
		Less: right-of-use assets	**(5,747)**	(5,276)

Add: lease liabilities	**40,769**	45,195
Adjusted net assets at 30 September	**52,443**	90,177
Adjusted net assets at 1 October	**90,177**	99,265
Average adjusted net assets	**71,310**	94,721
Return on capital employed	**14.8%**	0.2%

Simon Jones

Chief Financial Officer

23 January 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2024

		Year ended 30 September 2024			Year ended 30 September 2023		
	Notes	**Before exceptional items £'000**	**Exceptional items £'000**	**Total £'000**	Before exceptional items £'000	Exceptional items £'000	Total £'000
Continuing operations							
Revenue	5	**362,371**	**—**	**362,371**	413,236	—	413,236
Cost of sales		**(328,565)**	**—**	**(328,565)**	(378,377)	—	(378,377)
Gross profit		**33,806**	**—**	**33,806**	34,859	—	34,859
Administrative expenses	6	**(29,499)**	**(7,001)**	**(36,500)**	(34,689)	(38,140)	(72,829)
Profit on disposal of subsidiary		**6,260**	**—**	**6,260**	—	—	—
Operating profit/(loss)		**10,567**	**(7,001)**	**3,566**	170	(38,140)	(37,970)
Share of loss in joint ventures		**(8)**	**—**	**(8)**	(13)	—	(13)
Finance income		**1,008**	**—**	**1,008**	496	—	496
Finance costs		**(2,356)**	**(2,517)**	**(4,873)**	(3,514)	(1,458)	(4,972)
Profit/(loss) before tax		**9,211**	**(9,518)**	**(307)**	(2,861)	(39,598)	(42,459)
Income tax (expense)/credit	8	**(178)**	**2,380**	**2,202**	1,196	8,716	9,912
Profit/(loss) for the year attributable to ordinary equity holders of the parent		**9,033**	**(7,138)**	**1,895**	(1,665)	(30,882)	(32,547)
Other comprehensive income							
That will not be reclassified to profit or loss in subsequent periods:							
Net loss on equity instruments designated at fair value through other comprehensive income, net of tax		**(236)**	**—**	**(236)**	(188)	—	(188)
Total comprehensive income/(loss) for the year attributable to ordinary equity holders of the parent		**8,797**	**(7,138)**	**1,659**	(1,853)	(30,882)	(32,735)
		Pence	**Pence**	**Pence**	Pence	Pence	Pence
Earnings per share for the year attributable to ordinary equity holders of the parent							
Basic earnings/(loss) per share	9	**3.521**	**(2.782)**	**0.739**	(0.649)	(12.043)	(12.692)
Diluted earnings/(loss) per share	9	**3.497**	**(2.763)**	**0.734**	(0.649)	(12.043)	(12.692)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2024

	Notes	**30 September 2024 £'000**	30 September 2023 £'000
Non-current assets			
Intangible assets		**11,047**	11,606
Investment property (leased)		**20,751**	24,240

Right-of-use assets		**5,747**	5,276
Property, plant and equipment		**1,401**	1,796
Investment in joint ventures		**7,952**	1
Reimbursement assets	11	**6,147**	4,007
Deferred tax assets		**15,090**	12,096
Other financial assets		**866**	1,129
		69,001	60,151
Current assets			
Inventory and work in progress		**94,266**	123,516
Contract assets		**36,538**	66,368
Trade and other receivables		**31,191**	35,104
Reimbursement assets	11	**1,470**	6,858
Current tax receivable		**2,461**	7,088
Cash and cash equivalents		**96,962**	72,431
		262,888	311,365
Total assets		**331,889**	371,516
Current liabilities			
Trade and other payables		**(86,054)**	(100,723)
Contract liabilities		**(3,252)**	(1,469)
Interest-bearing loans and borrowings		**—**	—
Lease liabilities		**(7,750)**	(7,567)
Provisions	11	**(12,090)**	(24,457)
		(109,146)	(134,216)
Non-current liabilities			
Interest-bearing loans and borrowings		**(13,591)**	(28,530)
Lease liabilities		**(33,019)**	(37,628)
Provisions	11	**(43,543)**	(41,137)
		(90,153)	(107,295)
Total liabilities		**(199,299)**	(241,511)
Net assets		**132,590**	130,005
Equity			
Share capital		**2,567**	2,564
Share premium		**84,612**	84,612
Merger reserve		**(75,383)**	(75,383)
Fair value reserve of financial assets at FVOCI		**162**	425
Share-based payment reserve		**1,780**	1,407
Retained earnings		**118,852**	116,380
Total equity		**132,590**	130,005

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2024

	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 2022	2,564	84,612	(75,383)	662	526	163,972	176,953
Loss for the year	—	—	—	—	—	(32,547)	(32,547)
Other comprehensive income	—	—	—	(237)	—	49	(188)
Total comprehensive income	—	—	—	(237)	—	(32,498)	(32,735)
Share-based payments	—	—	—	—	1,067	—	1,067
Recycled reserve for fully vested share-based payment schemes	—	—	—	—	(186)	186	—
Deferred tax debited directly to equity	—	—	—	—	—	(151)	(151)
Dividend paid	—	—	—	—	—	(15,129)	(15,129)
Balance at 30 September 2023	2,564	84,612	(75,383)	425	1,407	116,380	130,005
Profit for the year	**—**	**—**	**—**	**—**	**—**	**1,895**	**1,895**
Other comprehensive income	**—**	**—**	**—**	**(263)**	**—**	**27**	**(236)**
Total comprehensive income	**—**	**—**	**—**	**(263)**	**—**	**1,922**	**1,659**
Share-based payments	**—**	**—**	**—**	**—**	**901**	**—**	**901**

Recycled reserve for fully vested share-based payment schemes	**—**	**—**	**—**	**—**	**(528)**	**528**	**—**
Issue of new share capital	**3**	**—**	**—**	**—**	**—**	**—**	**3**
Deferred tax credited directly to equity	**—**	**—**	**—**	**—**	**—**	**22**	**22**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance at 30 September 2024	**2,567**	**84,612**	**(75,383)**	**162**	**1,780**	**118,852**	**132,590**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2024

	Notes	**Year ended 30 September 2024 £'000**	Year ended 30 September 2023 £'000
Cash flows from operating activities			
Cash inflow/(outflow) from operations	12	**27,521**	(17,215)
Interest received		**1,008**	496
Interest paid		**(2,177)**	(3,315)
Tax received/(paid)		**3,872**	(11,466)
Net cash inflow/(outflow) from operating activities		**30,224**	(31,500)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(120)**	(550)
Proceeds on disposal of property, plant and equipment		**12**	210
Proceeds on disposal of PRS assets		**—**	15,323
Proceeds on disposal of subsidiary		**6,260**	—
Repayment of related party loan following disposal of subsidiary		**18,540**	—
Investments in joint venture interests		**(7,951)**	—
Net cash inflow from investing activities		**16,741**	14,983
Cash flows from financing activities			
Dividends paid		**—**	(15,129)
Payment of principal portion of lease liabilities		**(7,370)**	(6,806)
Drawdown of RCF		**—**	27,579
Repayment of bank loans and RCF		**(15,064)**	(27,537)
Net cash outflow from financing activities		**(22,434)**	(21,893)
Net increase/(decrease) in cash		**24,531**	(38,410)
Cash and cash equivalents at 1 October 2023 and 1 October 2022		**72,431**	110,841
Cash and cash equivalents at 30 September 2024 and 30 September 2023		**96,962**	72,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 September 2024

1. General information

Watkin Jones plc (the 'Company') is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 9791105) and its shares are listed on the Alternative Investment Market of the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered address is 12 Soho Square, London, United Kingdom, W1D 3QF.

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

The consolidated financial statements for the Group for the year ended 30 September 2024 comprise the Company and its subsidiaries. The basis of preparation of the consolidated financial statements is set out in note 2 below.

2. Basis of preparation

The financial statements of the Group have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with United Kingdom adopted International Accounting Standards.

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

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 September 2024 or 2023, but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies, and those for 2024 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

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.

2.1 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 2026 (the 'forecast period'). This review has been undertaken taking into consideration the following matters.

Liquidity

At 30 September 2024, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £143.2 million, as set out below.

	£m
Cash balances	97.0
RCF headroom	36.2
Overdraft facility	10.0
Total cash and available facilities	**143.2**

Strong liquidity has been maintained through the first quarter of the year ending 30 September 2025, providing the Group with a good level of cash and available banking facilities for the year ahead.

The Group's revolving credit facility (RCF) is committed and has recently been extended to November 2027 to give flexibility given the current market conditions. The overdraft facility has been replaced with a £10.0 million accordion option within the RCF, which reduces associated facility charges for the Group. The RCF can be used for the acquisition of land and associated development works. All financial covenants under this facility were met at 30 September 2024 and are forecast to be met throughout the period to 31 January 2026.

Business model

Our business model is capital light. By forward selling or acting as development partners for the majority of our build to rent, purpose built student accommodation and Refresh developments, we receive payment before we incur any significant development cash outflows.

In FY24 our business model has evolved to include a joint venture structure at Stratford, which is not capital intensive but does allow us to benefit from future market improvement on disposal of the asset.

By controlling our pipeline we are able to ensure that we only commit expenditure to projects that are either development partnerships, are forward sold or on which we are undertaking 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. 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.

Our Refresh business involves little initial investment or rolling working capital, with works completed generally certified and invoiced on a monthly basis.

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

We also receive rental income from tenants on our leased PBSA assets. The PBSA assets are anticipated to be almost fully occupied for the 2024/25 academic year.

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

Counterparty risk

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

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

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

Base case cash forecast

We have prepared a base case cash forecast for the forecast period, based on our current business plan and trading assumptions for the year. This is well supported by our forward sold pipeline of two PBSA developments and five BTR developments for delivery during the period FY25 to FY27, as well as the reserved/exchanged and forward sales for our Affordable Homes business and the contracted income for Fresh and Refresh. Our current 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.

This scenario includes allowances for remedial spend on building safety matters, including a contingency value.

Risk analysis

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

We have run a reasonable downside model scenario, such that forward sales and new site acquisitions are delayed by up to six months, to assess the possible impact of the above risks. 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 £82.2 million (excluding the £10.0 million accordion facility).

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

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 2026 and has therefore adopted the going concern basis in preparing the financial statements.

3. Accounting policies

The results for the year have been prepared on a basis consistent with the accounting policies set out in the Watkin Jones plc Annual Report for the year ended 30 September 2024.

4. Building safety provision

The Group holds a provision for building safety remedial works, for which the legislative background was disclosed in the Group's annual report and financial statements for the year ended 30 September 2023.

During the year ended 30 September 2023, the Group was formally approached to sign up to the Responsible Actors Scheme (RAS) which came into force in England on 4 July 2023.

By signing up to the RAS the Group is required to sign the Developers' Remediation Contract (the 'Contract') which requires us to:

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

The Group signed the Contract in December 2023. Under the obligations of the scheme we have written to building owners to understand their position regarding those buildings.

The Contract is intended to cover leasehold buildings rather than PBSA or BTR, and therefore the significant majority of buildings that the Group has developed over the last 30 years are outside the scope of the Contract. There are 13 leasehold buildings falling within the scope of the RAS, and five of these are included within the provision, with no further buildings being added during the year ended 30 September 2024. To date, no communications have been received from building owners for any of these remaining properties.

Based on our internal review procedures described above, the provision made in the year ended 30 September 2023 included an estimation of works required in relation to buildings identified as requiring remediation.

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.

This is a highly complex area with significant estimates in respect of the cost of remedial works, the quantum of any legal expenditure associated with the defence of the Group's position in this regard, and the extent of those properties within the scope of the applicable government guidance and legislation, which continue to evolve. For those properties not covered by the RAS, the Group is under no obligation to contact property owners.

In addition, the legislation underpinning the determination of liability for remediation of fire safety issues is complex, with case law evolving. All our buildings were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

The amount provided for these works has been estimated by reference to recent industry experience and external quotes for similar work identified. The investigation of the works required at many of the buildings is at an early stage and therefore it is possible that these estimates may change over time or if government legislation and regulation further evolves. If further buildings are identified this could also increase the required provision, but the potential quantity of this change cannot be readily determined in the absence of such identification through further claims or investigative work.

As a number of other housebuilders and developers have done since the introduction of the RAS, the provision made in the year ended 30 September 2023 included an amount for contingency to reflect further buildings being identified as within the scope of the RAS and for unforeseen remediation costs beyond management's current knowledge.

In 2023, the Welsh Government announced a new agreement with developers to tackle fire safety defects in medium high-rise residential buildings, known as the Developers' Pact, which the Group signed during the year ended 30 September 2024. The Group has been approached in respect of one property which we have provided for on the basis that minimal remedial works are required. In our view, based on the investigative procedures that we have carried out, there are no further remedial works required to any other Welsh properties.

The Housing (Cladding Remediation) (Scotland) Act was passed in June 2024, and contained provision for the Responsible Developers Scheme, a remediation agreement for which the specific details are still to be agreed with developers. It is the Group's expectation that the basis for this scheme will be consistent with the RAS, such that it is intended to cover leasehold buildings. The Group has constructed one leasehold property in Scotland, which remains under contract. In our view, based on the investigative procedures that we have carried out, there is no remedial work required on that property.

During the year ended 30 September 2024, the Group continued to work closely with residents and building owners within our legacy portfolio. Works were completed at three properties, with final legal settlement reached for a further three properties, all of which were included in the prior year's provision.

Following the conclusion of investigations undertaken, necessary remedial works were identified at further properties and appropriate costs provided. Contributions towards the remediation costs for a number of these properties have been agreed with building owners.

As remediation of the remaining properties in the Group's programme continues, the scope of works at a number of these properties has been revised. Whilst for certain properties the required level of remediation has reduced from original estimates, at others the anticipated scope and cost for remediation has increased.

An additional net provision of £7.0 million (30 September 2023: £35.0 million) for remedial works has therefore been made during the year, whilst broadly maintaining the level of contingency held from the prior year to reflect the continued levels of uncertainty of extent of remediation required. The net provision at 30 September 2024 was therefore £48.0 million (30 September 2023: £54.7 million).

We expect this cost to be incurred over the next six years, and the provision has been discounted to its present value accordingly. The timing of this expenditure will be dependent on the timely engagement by building owners, revisions to programme under the new BSA Gateways, and the availability of appropriately qualified subcontractors.

We continue to make progress with negotiating contributions from clients to mitigate our liability in relation to these remedial works and received £4.9 million of such contributions during the year. At the balance sheet date the Group has recognised reimbursement assets remaining of £7.6 million (30 September 2023: £10.9 million). These are expected to be recovered over the next five years.

At 30 September 2024, the Group remained in discussions with a number of property owners for eight properties whereby the legal responsibility or confirmation of fire safety remediation requirements remains uncertain and which therefore form part of the Group's contingent liabilities. As referred to above, the clarification of whether these liabilities crystallise are dependent on multiple factors which is expected to be concluded in the next 12 to 24 months.

At the same time, the Group continues to explore opportunities to recover the costs of remediation through the Group's insurance providers and supply chain. However, no benefit has been assumed within the provision unless contractual terms have been established.

Of the outstanding net provision, £9.1 million is fixed as a result of legal settlements agreed with building owners. However, for the remaining liabilities, should the costs associated with the remedial works increase by 10%, the provision required would increase by £3.5 million. Should the discount rate applied to the calculation reduce by 1%, the provision required would increase by £0.8 million. Further details of the provision are set out in note 11.

Should an additional property be identified which requires remedial works for which the Group is liable, it would be reasonable to estimate the additional cost at c.£0.9 million, based on the average expected cost of works for recently identified properties requiring remediation.

5. Segmental reporting

The Group has identified six segments for which it reports under IFRS 8 'Operating Segments'. The following represents the segments that the Group operated in during FY24 and FY23:

a. Student Accommodation – the development of purpose built student accommodation;
b. Build To Rent – the development of build to rent accommodation;
c. Affordable Homes – the development of residential housing;
d. Refresh – the refurbishment, redevelopment and repurposing of existing accommodation;
e. Accommodation Management – the management of student accommodation and build to rent/private rental sector (PRS) property; and
f. 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 other operating segment.

All revenues arise in the UK.

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

Apart from inventory and work in progress, no other assets or liabilities are analysed into the operating segments.

Year ended 30 September 2024	Student Accommodation £'000	Build To Rent £'000	Affordable Homes £'000	Refresh £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Revenue	**117,604**	**211,267**	**12,879**	**10,896**	**8,064**	**1,661**	**362,371**
Segmental gross profit/(loss)	**13,634**	**18,019**	**(232)**	**1,548**	**4,390**	**(2,784)**	**34,575**
Impairment of land assets	**—**	**—**	**—**	**—**	**—**	**(769)**	**(769)**
Gross profit/(loss)	**13,634**	**18,019**	**(232)**	**1,548**	**4,390**	**(3,553)**	**33,806**
Administration expenses	**—**	**—**	**—**	**—**	**(4,799)**	**(24,700)**	**(29,499)**
Profit on disposal of subsidiary	**6,260**	**—**	**—**	**—**	**—**	**—**	**6,260**
Exceptional administrative expenses	**—**	**—**	**—**	**—**	**—**	**(7,001)**	**(7,001)**
Operating profit/(loss)	**19,894**	**18,019**	**(232)**	**1,548**	**(409)**	**(35,254)**	**3,566**
Share of loss in joint ventures	**—**	**—**	**—**	**—**	**—**	**(8)**	**(8)**
Finance income	**—**	**—**	**—**	**—**	**—**	**1,008**	**1,008**
Finance costs	**—**	**—**	**—**	**—**	**—**	**(2,356)**	**(2,356)**
Exceptional finance costs	**—**	**—**	**—**	**—**	**—**	**(2,517)**	**(2,517)**
Profit/(loss) before tax	**19,894**	**18,019**	**(232)**	**1,548**	**(409)**	**(39,127)**	**(307)**
Taxation	**—**	**—**	**—**	**—**	**—**	**2,202**	**2,202**
Continuing profit/(loss) for the year	**19,894**	**18,019**	**(232)**	**1,548**	**(409)**	**(36,925)**	**1,895**

Profit for the year attributable to ordinary equity shareholders of the parent							**1,895**
Inventory and work in progress	**42,701**	**25,958**	**23,511**	**508**	**—**	**1,588**	**94,266**

Year ended 30 September 2023	Student Accommodation £'000	Build To Rent £'000	Affordable Homes £'000	Refresh £'000	Accommodation Management £'000	Corporate £'000	Total £'000
Revenue	175,739	207,711	19,607	—	9,481	698	413,236
Segmental gross profit	11,409	19,836	1,920	—	5,988	1,202	40,355
Impairment of land assets	—	—	—	—	—	(5,496)	(5,496)
Gross profit/(loss)	11,409	19,836	1,920	—	5,988	(4,294)	34,859
Administration expenses	—	—	—	—	(5,441)	(24,664)	(30,105)
Loss on disposal of PRS assets	—	—	—	—	—	(4,584)	(4,584)
Exceptional administrative expenses	—	—	—	—	—	(38,140)	(38,140)
Operating profit/(loss)	11,409	19,836	1,920	—	547	(71,682)	(37,970)
Share of loss in joint ventures	—	—	—	—	—	(13)	(13)
Finance income	—	—	—	—	—	496	496
Finance costs	—	—	—	—	—	(3,514)	(3,514)
Exceptional finance costs	—	—	—	—	—	(1,458)	(1,458)
Profit/(loss) before tax	11,409	19,836	1,920	—	547	(76,171)	(42,459)
Taxation	—	—	—	—	—	9,912	9,912
Continuing profit/(loss) for the year	11,409	19,836	1,920	—	547	(66,259)	(32,547)
Profit for the year attributable to ordinary equity shareholders of the parent							(32,547)
Inventory and work in progress	83,430	10,970	27,314	—	—	1,802	123,516

6. Exceptional costs

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000
Recognised in administrative expenses		
Building Safety provision	**7,001**	35,000
Restructuring costs	**—**	3,140
Total exceptional items recognised in administrative expenses	**7,001**	38,140
Recognised in finance costs		
Unwind of discount rate on Building Safety provision	**2,517**	1,458
Total exceptional items recognised in finance costs	**2,517**	1,458
Total exceptional costs	**9,518**	39,598

There has been an additional charge of £7,001,000 (2023: charge of £35,000,000) taken in relation to provisions made for Building Safety related costs. The provision made in the prior year has been unwound to its present value, resulting in £2,517,000 (2023: £1,458,000) of finance costs. Further information on these charges is included in note 4 and note 11.

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

7. Total operating profit

This is stated after charging/(crediting):

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000
Audit services to the parent company	**100**	100
Audit services to the subsidiaries	**425**	275
Amortisation of intangible assets	**559**	559
Impairment of land assets	**769**	5,496
Depreciation:		

Property, plant and equipment	**411**	697
Investment property (leased)	**4,432**	4,217
Right-of-use assets	**1,503**	1,474
Loss on disposal of PRS assets	**—**	4,584
Loss/(profit) on disposal of property, plant and equipment	**91**	(294)

8. Income taxes

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000
Current income tax		
UK corporation tax on profits for the year	**—**	—
Adjustments in respect of prior periods	**745**	318
Foreign taxes	**—**	27
Total current tax	**745**	345
Deferred tax		
Origination and reversal of temporary differences	**(1,272)**	(9,229)
Adjustments in respect of prior year	**(1,675)**	216
Remeasurement of deferred tax for changes in tax rates	**—**	(1,244)
Total deferred tax	**(2,947)**	(10,257)
Total tax credit	**(2,202)**	(9,912)

Reconciliation of total tax credit:

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000
Loss before tax	**(307)**	(42,459)
Loss multiplied by standard rate of corporation tax in the UK of 25% (2023: 22%)	**(77)**	(9,341)
Fixed asset differences	**—**	40
Expenses not deductible	**369**	86
Income not taxable	**(1,565)**	(36)
Remeasurement of deferred tax for changes in tax rates	**—**	(1,244)
Other differences	**25**	178
Differences to foreign tax rates	**—**	(20)
Adjustments in respect of prior periods	**745**	318
Prior year adjustment to deferred tax	**(1,699)**	107
Income tax credit reported in the statement of profit or loss	**(2,202)**	(9,912)

As a result of the Finance Act 2021, the rate of UK corporation tax increased to 25% from 6 April 2023. The deferred tax assets and liabilities held by the Group at the start of the current year have been revalued to reflect this increase. The deferred tax asset arising from losses in the period is expected to be fully utilised in the medium term.

9. Earnings per share

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

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000
Profit/(loss) for the year attributable to ordinary equity holders of the parent	**1,895**	(32,547)
Add back exceptional costs for the year (note 6)	**9,518**	39,598
Less corporation tax benefit from exceptional costs for the year	**(2,380)**	(8,716)
Adjusted profit/(loss) for the year attributable to ordinary equity holders of the parent (excluding exceptional items after tax)	**9,033**	(1,665)

	Year ended 30 September 2024 Number of shares	Year ended 30 September 2023 Number of shares
Weighted average number of ordinary shares for basic earnings per share	**256,564,829**	256,434,903
Adjustment for the effects of dilutive potential ordinary shares	**1,736,691**	—
Weighted average number for diluted earnings per share	**258,301,520**	256,434,903

	Year ended 30 September 2024 Pence	Year ended 30 September 2023 Pence
Basic earnings per share		
Basic profit/(loss) for the year attributable to ordinary equity holders of the parent	**0.739**	(12.692)
Adjusted basic earnings per share (excluding exceptional items after tax)		
Adjusted profit/(loss) for the year attributable to ordinary equity holders of the parent	**3.521**	(0.649)
Diluted earnings per share		
Basic profit/(loss) for the year attributable to diluted equity holders of the parent	**0.734**	(12.692)
Adjusted diluted earnings per share (excluding exceptional items after tax)		
Adjusted profit/(loss) for the year attributable to diluted equity holders of the parent	**3.497**	(0.649)

10. Dividends

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000
Final dividend paid in February 2023 of 4.50 pence per share	**—**	11,539
Interim dividend paid in June 2023 of 1.40 pence per share	**—**	3,590
	—	15,129

No final dividend is proposed for the year ended 30 September 2024 (2023: nil pence per ordinary share). As such, no liability (2023: liability of £nil) has been recognised at that date. At 30 September 2024, the Company had distributable reserves available of £41,643,000 (30 September 2023: £41,115,000).

11. Provisions

Building Safety provision

	Provision £'000	Reimbursement asset £'000	Total £'000
At 1 October 2022	33,448	—	33,448
Arising during year	45,865	(10,865)	35,000
Utilised	(15,177)	—	(15,177)
Unwind of discount rate	1,458	—	1,458
At 1 October 2023	65,594	(10,865)	54,729
Arising during year	**8,147**	**(1,146)**	**7,001**
Utilised	**(21,125)**	**4,894**	**(16,231)**
Unwind of discount rate	**3,017**	**(500)**	**2,517**
At 30 September 2024	**55,633**	**(7,617)**	**48,016**

The balance can be classified as follows:

Year ended 30 September 2024	Provision £'000	Reimbursement asset £'000	Total £'000
Current	**12,090**	**(1,470)**	**10,620**
Non-current	**43,543**	**(6,147)**	**37,396**

Total		55,633	(7,617)	48,016

Year ended 30 September 2023	Provision £'000	Reimbursement asset £'000	Total £'000
Current	24,457	(6,858)	17,599
Non-current	41,137	(4,007)	37,130
Total	65,594	(10,865)	54,729

A provision of £65,594,000 was held at 30 September 2023 for the Group's anticipated contribution towards the cost of building safety remedial works.

A further net increase in provision of £7,001,000 has been made during the year ended 30 September 2024 for building safety remediation costs. The judgements and estimates surrounding this provision and corresponding reimbursement assets are set out in note 4.

The net provision at 30 September 2024 amounts to £48,016,000, of which £10,620,000 is expected to be incurred in the year ending 30 September 2025 and £37,396,000 is expected to be incurred between 1 October 2025 and 30 September 2030. The provision has been discounted to its present value accordingly, at a risk-free rate of 4.54% based on UK five-year gilt yields (2023: 4.60%).

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

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000
Loss before tax	**(307)**	(42,459)
Depreciation of leased investment properties and right-of-use assets	**5,935**	5,691
Depreciation of plant and equipment	**411**	697
Amortisation of intangible assets	**559**	559
Profit on disposal of subsidiary	**(6,260)**	—
Loss/(profit) on disposal of property, plant and equipment	**91**	(294)
Loss on disposal of operational PRS assets	**—**	4,584
Finance income	**(1,008)**	(496)
Finance costs	**4,873**	4,972
Share of loss in joint ventures	**8**	13
Decrease in inventory and work in progress	**10,711**	4,634
Decrease/(increase) in contract assets	**29,830**	(15,547)
Decrease/(increase) in trade and other receivables	**3,913**	(6,476)
Increase/(decrease) in contract liabilities	**1,783**	(3,583)
Decrease/(increase) in reimbursement assets	**3,748**	(10,865)
(Decrease)/increase in trade and other payables	**(14,689)**	9,600
(Decrease)/increase in provisions	**(12,978)**	30,688
Increase in share-based payment reserve	**901**	1,067
Net cash inflow/(outflow) from operating activities	**27,521**	(17,215)

13. Analysis of net cash/(debt)

30 September 2024	**At beginning of year £'000**	**Cash flow £'000**	**Other movements £'000**	**At end of year £'000**
Cash at bank and in hand	**72,431**	**24,531**	**—**	**96,962**
Bank loans	**(28,530)**	**15,064**	**(125)**	**(13,591)**
Net cash before deducting lease liabilities	**43,901**	**39,595**	**(125)**	**83,371**
Lease liabilities	**(45,195)**	**9,089**	**(4,663)**	**(40,769)**
Net cash/(debt)	**(1,294)**	**48,684**	**(4,788)**	**42,602**

	At beginning		Other	

30 September 2023	of year £'000	Cash flow £'000	movements £'000	At end of year £'000
Cash at bank and in hand	110,841	(38,410)	—	72,431
Bank loans	(28,288)	(42)	(200)	(28,530)
Net cash before deducting lease liabilities	82,553	(38,452)	(200)	43,901
Lease liabilities	(49,099)	6,806	(2,902)	(45,195)
Net cash/(debt)	33,454	(31,646)	(3,102)	(1,294)

Cash at bank and in hand as at 30 September 2024 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 2023: £53,000). Non-cash movements relate to 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.

14. Annual report

Copies of this announcement are available from the Company at 12 Soho Square, London W1D 3QF. The Group's annual report for the year ended 30 September 2024 will be posted to shareholders shortly and will be available on our website at www.watkinjonesplc.com.