23 May 2023

Watkin Jones plc
(the 'Group')

HY Results for the six months ended 31 March 2023

'Completion of the first forward fund transaction of FY23 reinforces confidence in recovery in the medium term'

The Group announces its interim results for the half year ended 31 March 2023 ('HY23' or 'the period')

	Adjusted Results (1), (2)			**Statutory Results**		
	HY23	HY22	Change (%)	**HY23**	HY22	Change (%)
Revenue	**£153.9m**	£193.0m	(20.3)%	**£153.9m**	£193.0m	(20.3)%
Gross profit	**£16.1m**	£29.9m	(46.2)%	**£16.1m**	£29.9m	(46.2)%
Operating profit / (loss)	**£1.8m**	£14.6m	(87.7)%	**£0.7m**	£(13.4)m	105.2%
Profit / (loss) before tax	**£0.3m**	£11.4m	(97.4)%	**(£0.8)m**	£(16.6)m	95.2%
Basic earnings per share	**0.11p**	3.65p	(97.0)%	**(0.23)p**	(5.20)p	95.6%
Dividend per share	**1.4p**	2.9p	(51.7%)%	**1.4p**	2.9p	(51.7)%
Adjusted net cash(3)	**£45.3m**	£26.8m	69.0%			

(1) For HY23 Adjusted Operating Profit, Adjusted Profit before tax and Adjusted Earnings per share are calculated before the impact of an exceptional charge of £1.1 million for people restructuring costs

(2) For HY22 Adjusted Operating Profit, Adjusted Profit before tax and Adjusted Earnings per share are calculated before the impact of the exceptional charge of £28.0 million for the potential costs of the remedial work required under the new Building Safety Act

(3) Adjusted net cash is stated after deducting interest bearing loans and borrowings, but before deducting IFRS 16 operating lease liabilities of £47.5 million at 31 March 2023 (31 March 2022: £126.0 million)

Key Highlights

- HY results in line with expectations:
  - Revenue of £153.9 million from our forward sold developments which are on site; no new forward sales in the period
  - Adjusted operating profit of £1.8m reflecting reduced gross margins in line with previous guidance and additional costs incurred on our Exeter scheme following the liquidation of the third party main contractor and the subsequent step in by Watkin Jones
  - Net cash balance of £45.3 million
  - Interim dividend of 1.4p, reflecting building confidence in the H2 performance

- Forward fund market continuing to recover:
  - Underlying residential for rent market continues to perform well with both strong tenant demand and rental growth in our core PBSA and BTR sectors
  - Announced today the forward sale of an 819 bed PBSA scheme in Bristol to KKR; pricing in line with margin guidance and delivering a FY23 profit contribution of c.£5 million and a day 1 net cash receipt of c. £25 million. The scheme will complete in 2024 and will be managed by Fresh.
  - Currently we have a further five forward sales in the market, including one significant transaction. Two of these assets are under offer.

- Operational resilience continues to be demonstrated:
  - 12 current developments on track with five due to achieve practical completion this summer
  - £650 million contractually secure forward sold revenue to come through over the next two to three years
  - Build costs and supply chain well managed throughout the period. Starting to see build inflation reduce which should give rise to future buying gains
  - Good progress in all phases of our development model including land acquisitions and moving schemes through planning.

Outlook: H2

- Expected that H2-23 will be materially stronger than H1-23, with forward sales adding to performance from in-build developments
- Currently targeting up to five further forward sales in FY23, with full year earnings performance dependent on concluding these transactions in what remains a volatile environment, as well as finally agreed pricing and phasing terms
- While pricing on assets currently in the market is broadly in line with expectations, we are seeing purchasers looking for structures in the near term that weight profit more significantly to the latter stages of the development, to better align with their own funding requirements.
- Whilst the forward fund market is in the early stages of recovery, we have taken the decision to exercise caution in the short term and not accelerate pipeline assets on to our balance sheet in readiness for sale, which will result in c. £15 million of expected profit contribution from FY23 moving into FY24

Outlook: Longer term

- Encouraged by the continued recovery in the forward fund market, but will continue to take a risk-managed approach to managing our development pipeline through this period of volatility, which has resulted in a reduced pipeline value from c. £2 billion to c.£1.7 billion
- Starting to see attractive new land acquisition opportunities which support our long run target margins. Currently in exclusivity on c.£500 million expected revenue to come from exciting new development opportunities.
- This, combined with our current operational performance and the expected normalisation of the forward fund market reinforces confidence in the future

Richard Simpson, Chief Executive Officer of Watkin Jones, said:
"We are pleased to have delivered a half year result in line with expectations, managing build costs and our supply chain well. We are also encouraged by the early signs of build inflation reducing which should lead to future buying gains.

"We look to the second half of the year with confidence and are particularly pleased to have secured the forward sale transaction in Bristol and expect to complete further forward sales before the year end. The overall recovery in the forward fund market is encouraging, however the Group will maintain a cautious approach to managing the pipeline. In addition to growing confidence in the sector, we are seeing attractive land acquisition opportunities and these coupled with our excellent operational performance leave us confident for the future."

Analyst meeting

There will be a pre-recorded audiocast of the Interim Results presentation available to view on the Group's website (www.watkinjonesplc.com) from 7am (BST) today and it can also be accessed via the following URL link https://stream.buchanan.uk.com/broadcast/6463b2140324894e892e0a12 . At 11am (BST), there will be a live 30-minute Q&A webcast for sell-side analysts, hosted by Richard Simpson (CEO), Sarah Sergeant (CFO) and Alex Pease (CIO). Those analysts wishing to join and receive dial in details should register their interest via watkinjones@buchanan.uk.com.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014 as it forms part of UK Domestic Law by virtue of the European Union (Withdrawal) Act 2018 ("UK MAR")

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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 48,000 student beds across 143 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. In addition, Fresh, the Group's specialist accommodation management business, manages over 22,000 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

Review of Performance

Results for the six months to 31 March 2023
Revenues for the period were £153.9 million (HY22: £193.0 million). Operationally the Group's businesses have continued to perform well, with our self-build developments progressing in line with expectations. The decrease in revenues reflects no new forward sales having been completed in the period compared to three in HY22.

Gross profit was £16.1 million (HY22: £29.9 million), with gross margin at 10.4% compared to 15.5% last year. The lower margin was in line with our current margin guidance, with incremental impact from additional build costs incurred at our scheme in Exeter where the main contractor went into liquidation.

Adjusted operating profit for the period was £1.8 million (HY22: £14.6 million), reflecting the impact of the lower gross margin.

Operating Profit for the period was £0.7 million (HY22: loss of £13.4 million) after an exceptional cost of £1.1 million for people restructuring costs incurred during the period.

Net finance costs for the period were £1.5 million (HY22: £3.2 million). Finance costs include £0.9 million (HY22: £2.4 million) in respect of the interest on leases.

Adjusted profit before tax for the period was £0.3 million (HY22: £11.4 million) and loss before tax for the period was £0.8 million (HY22: loss before tax of £16.6 million). Adjusted basic earnings per share for the period were 0.11 pence, compared to 3.65 pence for HY22.

Segmental review

Build to Rent ('BTR')
Revenues from BTR were maintained in the period at £93.0 million (HY22: £93.8 million). Revenues were derived from the build-out of our forward sold developments in Hove, Lewisham, Birmingham and Leatherhead which are progressing well and on track for their respective completions.

Gross profit for the period was £8.3 million (HY22: £12.0 million), a decrease of 30.9%. The gross margin for the period was 8.9% (HY22: 12.9%), reflecting the lower margin of our schemes which were forward sold in the latter half of FY22, including a development wrap scheme in Cardiff.

We are actively progressing a number of site acquisitions. We are also looking at options for our BTR operational properties.

Student accommodation ('PBSA')
Revenues from PBSA were 38.2% lower than last year at £48.4 million (HY22: £78.3 million) reflecting the number of and stage of development of the sites in-build as well as the lack of new forward sales in the period.

PBSA gross profit for the period was £4.8 million (HY22: £13.0 million) with gross margin for the period being 9.8% (HY22: 16.6%), reflecting the impact of additional build costs at our Exeter scheme and the earlier stage of development of the sites in build.

Subsequent to the period end and as announced today, we have agreed the forward sale of an 819 bed development in Bristol for completion in 2024.

Accommodation management (Fresh)

Fresh achieved revenues of £4.7 million (HY22: £4.1 million), reflecting higher levels of student occupancy. This reflects the higher number of student beds and BTR apartments under management at the start of FY23 (22,896) compared to FY22 (22,155)

The increase in Fresh's revenue for the period led to an increase in gross profit to £3.2 million (HY22: £2.7 million), at a margin of 68.0% (HY22: 65.9%).

Operationally, Fresh has continued to support its residents focusing on community engagement and the Be Wellbeing programme.

Affordable-led Homes

The affordable-led residential development business achieved 20 sales completions in the period (HY22: 19 sales), resulting in an increase in revenue to £7.8 million (HY22 £5.4 million).

The gross profit achieved by the division was £0.9 million (HY22: £0.6 million), at a margin of 11.9% (HY22: 11.0%).

Balance sheet and liquidity

Our financial position and liquidity remain strong. We had a gross cash balance at 31 March 2022 of £83.3 million (31 March 2022: £44.7 million), whilst net cash stood at £45.3 million (31 March 2022: £26.8 million), before deducting IFRS 16 lease liabilities.

The Group had undrawn headroom of £65.4 million on its revolving credit facility ('RCF') with HSBC at 31 March 2023 and an unutilised overdraft facility of £10.0 million, giving total cash and available facilities of £158.7 million (31 March 2022: £140.5 million). In addition, a short term overdraft extension (to £20.0m total overdraft facility) has been agreed from 1 April 2023 to 30 September 2023.

The strength of our liquidity position has enabled us to continue to advance our growth strategy through securing opportunities in the land market during the period. This investment, combined with our normal annual cash profile, which sees a higher utilisation of cash in the first half of the year, resulted in a reduction in our net cash balance of £37.3 million since the start of the year (HY22: reduction of £97.5 million). Our inventory and work in progress balance has increased by a net £12.4 million, to £159.5 million. Of this balance, £13.4 million relates to the continued development of our Bedminster site, offset by affordable housing sales.

Contract assets and receivables at 31 March 2023 stood at £53.3 million and £33.0 million respectively and had increased £6.8 million from the position at 30 September 2022. The contract assets relate primarily to the final payments to be received on completion of the forward sold developments in build which have increased as developments have progressed. Contract and trade liabilities amounted to £100.9 million at 31 March 2023 and had increased by £6.1 million since FY22 year-end position due to a high level of construction activity linked to the stage of completion of developments.

Building Safety

We have utilised £4.1 million from our building safety improvements provision in HY23, in line with our expectations, and we continue to monitor the evolution of the Building Safety Act, including the Responsible Actors Scheme from the Department for Levelling Up, Housing and Communities (DLUHC).

ESG

Future Foundations, our ESG strategy, formalises our commitments and targets around core themes of future people, places and planet. This includes a commitment to achieving net zero scope 1 and 2 carbon emissions by 2030.

Our ESG initiatives continue to progress well. Our trial of timber frame housing is ongoing and we are assessing how we can further utilise modern methods of construction in our developments. Our plant strategy continues to be refined with a view to sourcing energy-efficient alternatives such as electric and battery operated tools. We are reviewing our procurement policies and approved supplier list to ensure we build strong relationships with those who demonstrate strong ESG credentials, and supporting our approved suppliers where necessary in gaining ISO 14001 accreditation.

The health and safety of our employees, contractors and residents of the properties we manage is a key priority for the Group. We have continued to improve day-to-day health and safety performance within the business. We target an incident rate of less than 5% of the national average for the construction industry, and we are currently performing well ahead of that target.

Dividend

The Board has declared an interim dividend for the period of 1.4 pence per share, which will be paid on 30 June 2023 to shareholders on the register at close of business on 9 June 2023. The shares will go ex-dividend on 8 June 2023.

Outlook

Today we have announced our first forward fund transaction of FY23 and we are encouraged by the continued recovery in the forward fund market. We are starting to see attractive new land acquisition opportunities which support our long run target margins and we are currently under offer or in negotiation for circa £500 million expected revenue to come of exciting new development opportunities. This, combined with our current operational performance and the expected normalisation of the forward fund market reinforces confidence in the future.

Richard Simpson
Chief Executive Officer
23 May 2023

Consolidated Statement of Comprehensive Income
for the six month period ended 31 March 2023 (unaudited)

	Notes	***6 months to 31 March 2023 £'000***	*6 months to 31 March 2022 £'000*	*12 months to 30 September 2022 £'000*
Continuing operations				
Revenue		**153,854**	192,966	407,076
Cost of sales		**(137,801)**	(163,116)	(339,450)
Gross profit		**16,053**	29,850	67,626
Administrative expenses		**(14,274)**	(15,281)	(12,942)
Operating profit before exceptional costs		**1,779**	14,569	54,684
Exceptional costs	6	**(1,063)**	(28,000)	(30,365)
Operating profit / (loss)		**716**	(13,431)	24,319
Share of profit in joint ventures		**-**	-	(16)
Finance income		**190**	22	72
Finance costs		**(1,672)**	(3,238)	(5,982)
(Loss) / profit before tax from continuing operations		**(766)**	(16,647)	18,393
Income tax credit / (expense)	8	**173**	3,322	(4,979)
(Loss) / profit for the period attributable to ordinary equity holders of the parent		**(593)**	(13,325)	13,414
Other comprehensive income				
Net (loss) / gain on equity instruments designated at fair value through other comprehensive income		**(78)**	-	157
Total comprehensive (loss) / income for the period attributable to ordinary equity holders of the parent		**(671)**	(13,325)	13,571
Earnings per share for the period attributable to ordinary equity holders of the parent		**Pence**	Pence	Pence
Basic earnings per share	9	**(0.231)**	(5.202)	5.232
Diluted earnings per share	9	**(0.230)**	(5.185)	5.205
Adjusted basic earnings per share (excluding exceptional costs)	9	**0.105**	3.652	14.825
Adjusted diluted earnings per share (excluding exceptional costs)	9	**0.104**	3.640	14.748

Consolidated Statement of Financial Position
as at 31 March 2023 (unaudited)

	Notes	***31 March 2023 £'000***	*31 March 2022 £'000*	*30 September 2022 £'000*
Non-current assets				
Intangible assets		**11,885**	12,445	12,165
Investment property (leased)	11	**25,700**	95,397	27,331
Right of use assets	11	**5,475**	4,695	4,738
Property, plant and equipment		**1,811**	746	2,009
Investment in joint ventures		**1**	17	1
Deferred tax asset		**1,983**	7,165	1,941
Other financial assets		**1,288**	1,241	1,366
		48,143	121,706	49,551
Current assets				
Inventory and work in progress		**159,507**	155,027	147,118
Contract assets		**53,287**	37,367	50,821
Trade and other receivables		**32,967**	55,808	28,628
Current tax receivables		**3,586**	-	-
Cash and cash equivalents	13	**83,336**	44,685	110,841
		332,683	292,887	337,408
Total assets		**380,826**	414,593	386,959
Current liabilities				
Trade and other payables		**(100,544)**	(75,396)	(89,717)
Contract liabilities		**(373)**	(1,128)	(5,052)
Interest-bearing loans and borrowings		**(312)**	(615)	—
Lease liabilities		**(6,788)**	(6,611)	(6,248)
Provisions	7	**(7,402)**	(3,152)	(7,713)
Current tax liabilities		**-**	(2,276)	(4,402)
		(115,419)	(89,178)	(113,132)
Non-current liabilities				
Interest-bearing loans and borrowings		**(37,688)**	(17,262)	(28,288)
Lease liabilities		**(40,685)**	(119,421)	(42,851)
Provisions	7	**(21,995)**	(30,345)	(25,735)
Deferred tax liabilities		**-**	(813)	—
		(100,368)	(167,841)	(96,874)
Total Liabilities		**(215,787)**	(257,019)	(210,006)
Net assets		**165,039**	157,574	176,953
Equity				
Share capital		**2,564**	2,562	2,564
Share premium		**84,612**	84,612	84,612
Merger reserve		**(75,383)**	(75,383)	(75,383)
Fair value reserve of financial assets at FVOCI		**584**	536	662
Share-based payment reserve		**831**	3,171	526
Retained earnings		**151,831**	142,076	163,972
Total Equity		**165,039**	157,574	176,953

Consolidated Statement of Changes in Equity
for the six month period ended 31 March 2023 (unaudited)

	Share Capital £'000	*Share Premium £'000*	*Merger Reserve £'000*	*Fair value of financial assets at FVOCI £'000*	*Share-based payment reserve £000*	*Retained earnings £'000*	*Total £'000*
Balance at 30 September 2021	2,562	84,612	(75,383)	536	2,824	169,660	184,811
Loss for the period	-	-	-	-	-	(13,325)	(13,325)
Share-based payments	-	-	-	-	347	-	347
Dividend paid (note 10)	-	-	-	-	-	(14,259)	(14,259)
Balance at 31 March 2022	**2,562**	**84,612**	**(75,383)**	**536**	**3,171**	**142,076**	**157,574**
Profit for the period	-	-	-	-	-	26,739	26,739
Share-based payments	2	-	-	-	(138)	-	(136)
Other comprehensive income	-	-	-	126	-	31	157
Deferred tax debited directly to equity	-	-	-	-	-	141	141
Recycled reserve for fully vested share-based payment schemes	-	-	-	-	(2,507)	2,507	-
Dividend paid (note 10)	-	-	-	-	-	(7,522)	(7,522)
Issue of shares	-	-	-	-	-	-	-
Balance at 30 September 2022	**2,564**	**84,612**	**(75,383)**	**662**	**526**	**163,972**	**176,953**
Loss for the period	-	-	-	-	-	(593)	(593)
Share-based payments	-	-	-	-	305	-	305
Other comprehensive loss	-	-	-	(78)	-	-	(78)
Dividend paid (note 10)	-	-	-	-	-	(11,548)	(11,548)
Balance at 31 March 2023	**2,564**	**84,612**	**(75,383)**	**584**	**831**	**151,831**	**165,039**

Consolidated Statement of Cash Flows
for the six month period ended 31 March 2023 (unaudited)

	Notes	***6 months to 31 March 2023 £'000***	*6 months to 31 March 2022 £'000*	*12 months to 30 September 2022 £'000*
Cash flows from operating activities				
Cash outflow from operations	12	**(14,646)**	(78,274)	(19,592)
Interest received		**190**	22	72
Interest paid		**(1,572)**	(3,278)	(5,782)
Tax (paid) / refunded		**(7,830)**	148	(1,557)
Net cash outflow from operating activities		**(23,858)**	(81,382)	(26,859)
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(189)**	(556)	(660)
Proceeds on disposal of property, plant and equipment		**4**	2,000	4,341
Proceeds on disposal of right-of-use assets		**-**	-	7,897
Net cash (outflow) / inflow from investing activities		**(185)**	1,444	11,578
Cash flows from financing activities				
Dividend paid	10	**(11,548)**	(14,259)	(21,781)
Payment of principal portion of lease liabilities		**(1,626)**	(3,359)	(4,717)
Payment of capital element of other interest-bearing loans		**-**	(403)	(389)
Drawdown of RCF		**10,301**	9,625	20,625
Repayment of bank loans		**(589)**	(3,274)	(3,909)
Net cash outflow from financing activities		**(3,462)**	(11,670)	(10,171)
Net (decrease)/increase in cash		**(27,505)**	(91,608)	(25,452)
Cash and cash equivalents at beginning of the period		**110,841**	136,293	136,293
Cash and cash equivalents at end of the period	13	**83,336**	44,685	110,841

Notes to the consolidated financial information

1. **General information**

Watkin Jones plc (the 'Company') is a limited company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 09791105). The Company is domiciled in the United Kingdom and its registered address is 50 Jermyn Street, London, United Kingdom, SW1Y 6LX.

The principal activities of the Company and its subsidiaries (collectively the 'Group') are the development and management of multi-occupancy residential rental properties.

The consolidated interim financial statements of the Group for the six month period ended 31 March 2023 comprises the Company and its subsidiaries. The basis of preparation of the consolidated interim financial statements is set out in note 2 below.

The financial information for the six months ended 31 March 2023 is unaudited. It does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. The consolidated interim financial statements should be read in conjunction with the financial information for the year ended 30 September 22 which has been prepared in accordance with international accounting standard in conformity with the requirements of the Companies Act 2006. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) of the Companies Act 2006.

This report was approved by the directors on 22 May 2023.

2. **Basis of preparation**

This set of condensed consolidated interim financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the UK. The interim financial statements have been prepared based on the UK adopted International Financial Reporting Standards "IFRS" that are expected to exist at the date on which the Group prepares its financial statements for the year ended 30 September 2023. To the extent that IFRS at 30 September 2023 do not reflect the assumptions made in preparing the interim financial statements, those financial statements may be subject to change.

The interim financial statements have been prepared on a going concern basis and under the historical cost convention.

The interim financial statements have been presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

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 interim financial statements do not include all financial risk information and disclosures required in the annual financial statements and they should be read in conjunction with the financial information that is presented in the Company's audited financial statements for the year ended 30 September 2022. There has been no significant change in any risk management policies since the date of the last audited financial statements.

Going concern

At 31 March 2023, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £158.7m made up of cash balances of £83.3m, RCF Headroom of £65.4m and an overdraft facility of £10.0m. In addition, a short term overdraft extension (to £20.0m total overdraft facility) has been agreed from 1 April 2023 to 30 September 2023.

Good liquidity has been maintained through the period, providing the Group with a good level of cash and available banking facilities for the year ahead.

Group forecasts have been prepared that have considered the Group's current financial position and market circumstances. We have prepared a base case cash flow for the period to 30 June 2024 which is aligned to the Group's business plan and trading assumptions for that period. Our currently secured cash flow, derived from our forward sold developments and other contracted income, net of overheads and tax, results in cash utilisation over the forecast period such that our liquidity position is maintained.

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

In addition to the base case forecast, we have considered a severe downside scenario of a continued slow recovery of the forward sale market, such that no further land acquisitions are made, and no forward sales are achieved apart from the sale of one of the Group's PBSA assets where the construction is already well progressed. The cash forecast under this scenario illustrates that adequate liquidity is maintained through the forecast period. The minimum total cash and available facilities balance under this scenario was £78 million (excluding the £10.0 million overdraft).

We consider the likelihood of events occurring which would exhaust the total cash and available facilities balances remaining to be remote. However, should such events occur, management would be able to implement reductions in staff costs, discretionary expenditure and investments in unsold developments to ensure that the Group's liquidity is enhanced.

Based on the results of the analysis undertaken, the Directors have a reasonable expectation that the Group has adequate resources available to continue to trade for the period to 30 June 2024 and has therefore adopted the going concern basis in the preparing the financial statements.

3. Accounting policies

The accounting policies used in preparing these interim financial statements are the same as those set out and used in preparing the Company's audited financial statements for the year ended 30 September 2022.

4. Segmental reporting

The Group has identified four segments for which it reports under IFRS 8 'Operating segments', as follows:

A Student accommodation – the development of purpose-built student accommodation;
B Build to rent – the development of build to rent accommodation;
C Residential – the development of residential property for sale; 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.

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.

6 months to 31 March 2023 (unaudited)	*Student Accommodation*	*Build to rent*	*Residential*	*Accommodation management*	*Corporate*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Segmental revenue	48,407	92,970	7,779	4,698	-	153,854
Segmental gross profit	4,760	8,272	923	3,151	(1,053)	16,053
Administration expenses	-	-	-	(2,539)	(11,735)	(14,274)
Exceptional costs	-	-	-	(220)	(843)	(1,063)
Finance income	-	-	-	-	190	190
Finance costs	-	-	-	-	(1,672)	(1,672)
Profit/(loss) before tax	4,760	8,272	923	393	(15,114)	(766)
Taxation	-	-	-	-	173	173
Profit/(loss) for the period	4,760	8,272	923	393	(14,941)	(593)
Inventory and WIP	93,850	33,056	29,306	-	3,295	159,507

6 months to 31 March 2022 (unaudited)	*Student Accommodation*	*Build to rent*	*Residential*	*Accommodation management*	*Corporate*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Segmental revenue	78,284	93,753	5,408	4,086	11,435	192,966
Segmental gross profit	13,018	12,038	635	2,673	1,486	29,850
Administration expenses	-	-	-	(3,120)	(12,161)	(15,281)
Exceptional expenses	-	-	-	-	(28,000)	(28,000)
Finance income	-	-	-	-	22	22
Finance costs	-	-	-	-	(3,238)	(3,238)
Profit/(loss) before tax	13,018	12,038	635	(447)	(41,891)	(16,647)
Taxation	-	-	-	-	3,322	3,322
Profit/(loss) for the period	13,018	12,038	635	(447)	(38,569)	(13,325)
Inventory and WIP	79,574	45,443	27,321	-	2,689	155,027

Year ended 30 September 2022	*Student Accommodation £'000*	*Build to rent £'000*	*Residential £'000*	*Accommodation management £'000*	*Corporate £'000*	*Total £'000*
Segmental revenue	180,037	191,228	14,478	9,072	12,261	407,076
Segmental gross profit	26,353	32,808	1,915	5,909	641	67,626
Administration expenses	-	-	-	(5,788)	(25,407)	(31,195)
Profit on disposal of student leasehold properties	-	-	-	-	18,253	18,253
Exceptional costs	-	-	-	-	(30,365)	(30,365)
Share of operating loss in joint ventures	-	-	-	-	(16)	(16)
Finance income	-	-	-	-	72	72
Finance costs	-	-	-	-	(5,982)	(5,982)
Profit/(loss) before tax	26,353	32,808	1,915	121	(42,804)	18,393
Taxation	-	-	-	-	(4,979)	(4,979)
Profit/(loss) for the period	26,353	32,808	1,915	121	(47,783)	13,414
Inventory and WIP	75,840	38,763	29,785	-	2,730	147,118

5. *Disaggregated revenue information*

6 months to 31 March 2023 (unaudited)	*Student Accommodation* £'000	*Build to rent* £'000	*Residential* £'000	*Accommodation management* £'000	*Corporate* £'000	*Total* £'000
Type of goods or service						
Construction contracts or development agreements	45,031	87,002	-	-	-	132,033
Sale of land	-	-	-	-	-	-
Sale of completed property	-	5,507	7,779	-	-	13,286
Rental income	3,376	461	-	-	-	3,837
Accommodation management	-	-	-	4,698	-	4,698
Total revenue from contracts with customers	48,407	92,970	7,779	4,698	-	153,854
Timing of revenue recognition						
Goods transferred at a point in time	3,376	5,968	7,779	-	-	17,123
Services transferred over time	45,031	87,002	-	4,698	-	136,731
Total revenue from contracts with customers	48,047	92,970	7,779	4,698	-	153,854

6 months to 31 March 2022 (unaudited)	*Student Accommodation* £'000	*Build to rent* £'000	*Residential* £'000	*Accommodation management* £'000	*Corporate* £'000	*Total* £'000
Type of goods or service						
Construction contracts or development agreements	64,534	45,005	-	-	2,110	111,649
Sale of land	6,447	48,200	-	-	-	54,647
Sale of completed property	-	-	5,408	-	9,325	14,733
Rental income	7,303	548	-	-	-	7,851
Accommodation management	-	-	-	4,086	-	4,086
Total revenue from contracts with customers	78,284	93,753	5,408	4,086	11,435	192,966
Timing of revenue recognition						
Goods transferred at a point in time	6,447	48,200	5,408	-	9,325	69,380
Services transferred over time	71,837	45,553	-	4,086	2,110	123,586
Total revenue from contracts with customers	78,284	93,753	5,408	4,086	11,435	192,966

Year ended 30 September 2022	*Student Accommodation* £'000	*Build to rent* £'000	*Residential* £'000	*Accommodation management* £'000	*Corporate* £'000	*Total* £'000
Type of goods or service						
Construction contracts or development agreements	135,502	97,617	-	-	2,936	236,055
Sale of land	30,947	92,450	-	-	-	123,397
Sale of completed property	-	-	14,478	-	9,325	23,803
Rental income	13,588	1,161	-	-	-	14,749
Accommodation management	-	-	-	9,072	-	9,072
Total revenue from contracts with customers	180,037	191,228	14,478	9,072	12,261	407,076
Timing of revenue recognition						
Goods transferred at a point in time	30,947	92,450	14,478	-	9,325	147,200
Services transferred over time	149,090	98,778	-	9,072	2,936	259,876
Total revenue from contracts with customers	180,037	191,228	14,478	9,072	12,261	407,076

6. ***Exceptional costs***

	6 months to 31 March 2023	*6 months to 31 March 2022*	*12 months to 30 September 2022*
	£'000	*£'000*	*£'000*
Building Safety Act provision	**-**	(28,000)	(30,365)
Restructuring costs	**(1,063)**	-	-
Total exceptional costs	**(1,063)**	(28,000)	(30,365)

Action has been taken during the period ended 31 March 2023 to manage the Group's cost base, with exceptional costs of £1,063,000 incurred due to related redundancies. Provisions were made in previous periods for costs associated with the Building Safety Act 2022. No further exceptional costs related to this provision have been incurred in the period ended 31 March 2023.

7. ***Provisions***

Legacy building safety improvements provision

	£'000
Current	
At 1 October 2022	7,713
Arising during the year	-
Utilised	(4,051)
Transferred from non-current	3,740
At 31 March 2023	**7,402**

	£'000
Non-current	
At 1 October 2022	25,735
Arising during the year	-
Utilised	-
Transferred from non-current	(3,740)
At 31 March 2023	**21,995**

The provision is classified as follows:

	£'000
Current	7,402
Non-current	21,995
At 31 March 2023	**29,397**

As at 30 September 2022, the Group held a provision in response to the introduction of the Building Safety Act 2022 (the 'BSA'), which increased the scope of requirements for remediating cladding and firestopping measures on high-rise residential buildings.

The Group continues to work with the owners of certain of its previously developed properties to remediate items now in scope of the BSA and to share the costs. During the period £4,051,000 of the provision has been utilised.

This remains a highly complex area with judgements and estimates in respect of the cost of these remedial works, the quantum of any legal expenditure associated with the defence of the Group's position in this regard, and the extent of those properties within the scope of the applicable government guidance and legislation, which continue to evolve. The judgements surrounding this provision at 31 March 2023 are consistent with those made at the prior year end. Should the costs associated with these remedial works increase by 5%, the provision required would increase by £1,677,000. Should the discount rate applied to the calculation reduce by 1% , the provision would increase by £635,000.

Of the total provision of £29,397,000 at 31 March 2023, costs of £7,402,000 are expected to be incurred in the twelve months ending 31 March 2024, and costs of £21,995,000 are expected to be incurred between 1 April 2024 and 30 September 2027.

8. ***Income taxes***

The tax expense for the period has been calculated by applying the estimated effective tax rate for the financial year ending 30 September 2023 of 22.58 % to the profit for the period.

9. *Earnings per share*

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 ordinary shares in issue during the year.

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

	6 months to 31 March 2023	*6 months to 31 March 2022*	*12 months to 30 September 2022*
	£'000	*£'000*	*£'000*
(Loss)/profit for the period attributable to ordinary equity holders of the parent	**(593)**	(13,325)	13,414
Add back exceptional items for the period	**1,063**	28,000	30,365
Less corporation tax benefit from exceptional items for the period	**(202)**	(5,320)	(5,769)
Adjusted profit for the period attributable to ordinary equity holders of the parent	**268**	9,355	38,010
	Number of shares	*Number of shares*	*Number of shares*
Number of ordinary shares for basic earnings per share	**256,430,367**	256,163,459	256,385,882
Adjustments for the effects of dilutive potential ordinary shares	**1,472,669**	839,998	1,338,930
Weighted average number for diluted earnings per share	**257,903,036**	257,003,457	257,724,812
	Pence	Pence	Pence
Basic earnings per share			
Basic profit for the period attributable to ordinary equity holders of the parent	**(0.231)**	(5.202)	5.232
Adjusted basic earnings per share (excluding exceptional items after tax)			
Adjusted profit for the period attributable to ordinary equity holders of the parent	**0.105**	3.652	14.825
Diluted earnings per share			
Basic profit for the period attributable to diluted equity holders of the parent	**(0.230)**	(5.185)	5.205
Adjusted diluted earnings per share (excluding exceptional items after tax)			
Adjusted profit for the period attributable to diluted equity holders of the parent	**0.104**	3.640	14.748

10. *Dividends*

	6 months to 31 March 2023 £'000	*6 months to 31 March 2022 £'000*	*12 months to 30 September 2022 £'000*
Final dividend paid in February 2022 of 5.6 pence	**-**	14,345	14,345
Interim dividend paid in June 2022 of 2.9 pence	**-**	-	7,436
Final dividend paid in February 2023 of 4.5 pence	**11,548**	-	-
	11,548	14,259	21,781

An interim dividend of 1.4 pence per ordinary share will be paid on 30 June 2023. This dividend was declared after 31 March 2023 and as such the liability of £3,590,000 has not been recognised at that date. At 31 March 2023 the Company had distributable reserves available of £44,600,000

11. *Leases*

	Investment property (leased)	*Office Leases*	*Motor Vehicle Leases*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Cost				
At 30 September 2021	161,629	10,132	974	172,735
Additions/adjustment	-	119	562	681
Disposals	-	-	-	-
At 31 March 2022	161,629	10,251	1,536	173,416
Additions	-	-	611	611
Disposals	(78,038)	-	(591)	(78,629)
At 30 September 2022	83,591	10,251	1,556	95,398
Additions	55	843	763	1,661
Disposals	-	-	(287)	(287)
At 31 March 2023	**83,646**	**11,094**	**2,032**	**96,772**
Depreciation				
At 30 September 2021	57,364	5,785	853	64,002
Charge for the period	3,170	354	113	3,637
Disposals	-	-	-	-
At 31 March 2022	60,534	6,139	966	67,639
Charge for the period	2,986	337	145	3,468
Disposals	(12,958)	-	(518)	(13,476)
At 30 September 2022	50,562	6,476	593	57,631
Charge for the period	1,686	436	262	2,384
Disposals	-	-	(116)	(116)
At 31 March 2023	**52,248**	**6,912**	**739**	**59,899**
Impairment				
At 30 September 2021	5,698	-	-	5,698
Charge for the period	-	-	-	-
At 31 March 2022	5,698	-	-	5,698
Charge for the period				
At 30 September 2022	5,698	-	-	5,698
Charge for the period	-	-	-	-
At 31 March 2023	**5,698**	**-**	**-**	**5,698**
Net Book Value				
At 31 March 2023	**25,700**	**4,182**	**1,293**	**31,175**
At 30 September 2022	27,331	3,775	963	32,069
At 31 March 2022	95,397	4,125	570	100,092
At 30 September 2021	98,567	4,347	121	103,035

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

	6 months to 31 March 2023 £'000	*6 months to 31 March 2022 £'000*	*12 months to 30 September 2021 £'000*
(Loss)/profit before tax	**(766)**	(16,647)	18,393
Depreciation of leased investment properties and right-of-use assets	**2,384**	3,637	7,105
Depreciation of plant and equipment	**382**	244	747
Amortisation of intangible assets	**280**	280	559
Profit of disposal of right-of-use assets	**-**	-	(18,137)
Profit on sale of plant and equipment	**(1)**	(1,308)	(2,783)
Finance income	**(190)**	(22)	(72)
Finance costs	**1,672**	3,238	5,982
Share of profit in joint ventures	**-**	-	16
Increase in inventory and work in progress	**(12,389)**	(27,394)	(19,525)
Increase in contract assets	**(2,466)**	(23,557)	(37,011)
Increase in trade and other receivables	**(4,339)**	(27,610)	(430)
(Decrease)/increase in contract liabilities	**(4,679)**	(1,717)	2,207
Increase/(decrease) in trade and other payables	**9,213**	(11,862)	(901)
(Decrease)/increase in provisions	**(4,052)**	24,098	24,049
Increase in share-based payment reserve	**305**	346	209
Net cash outflow from operating activities	**(14,646)**	(78,274)	(19,592)

13. *Analysis of net debt*

	31 March 2023 £'000	*31 March 2022 £'000*	*30 September 2022 £'000*
Cash at bank and in hand	**83,336**	44,685	110,841
Other interest-bearing loans	**-**	(87)	-
Bank loans	**(38,000)**	(17,790)	(28,288)
Net cash before deducting lease liabilities	**45,336**	26,808	82,553
Lease liabilities	**(47,473)**	(126,032)	(49,099)
Net (debt)/cash	**(2,137)**	(99,224)	33,454

14. *Employee benefits – long-term incentive plans*

Long Term Incentive Plan ('LTIP') – 2023 Awards

In February 2023 1,736,790 LTIP share awards were made under the Watkin Jones plc Long-Term Incentive Plan (the Plan). 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 adjusted Earnings per Share (EPS) and relative total shareholder return (relative TSR).

To model the impact of the relative TSR performance condition, the volatility for each company in the comparator group has been calculated using historical data (where available) which matches the length of the performance period remaining at the grant date (3.00 years). In addition, the valuation model included the correlation between the peer group and the Company as well as the inter-correlations between the peers.

The fair value of the share awards subject to the relative TSR performance condition has been estimated at the grant date using a Monte Carlo valuation model using the following assumptions:

Share price	112.0 pence
Exercise price	1 penny
Expected term	3 years
Risk-free interest rate	2.85%
Are dividend equivalents receivable for the award holder?	Yes
Expected volatility	40.98%

This resulted in an estimated fair value for an award with relative TSR performance conditions of 71.52 pence.

Relative TSR (50% of award, rising to 100% if no EPS condition set)	***% of TSR award vesting[1]***
Less than median ranking	0%
Equal to median ranking	20%
Upper quartile or greater ranking	100%

[1]Vesting on a straight-line basis between target levels

The EPS performance condition, representing 50% of the awarded shares, has not yet been set by the Remuneration Committee due to ongoing market volatility. Under the terms of the award, this condition must be set within six months of the award date (3 February 2023). Should the Remuneration Committee determine at that time that an EPS performance condition remains inappropriate, the full award (100%) will be subject to the above Relative TSR condition.

The fair value of share awards granted subject to EPS conditions is 111.08 pence and has been estimated as the market price of an ordinary share of the Company at the date the award was granted less the one penny exercise price for the award.

Restricted Share Awards ('RSA') – 2023 Awards

In February 2023 536,163 RSAs were made under the Watkin Jones plc Long-Term Incentive Plan (the Plan). 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 satisfactory performance by the participant.

The fair value of RSAs granted subject to the above conditions is 111.08 pence and has been estimated as the market price of an ordinary share of the Company at the date the award was granted less the one penny exercise price for the award.

Charge for the period

For the six months ended 31 March 2023, the amount charged to the statement of comprehensive income and credited to share based payment reserve in relation to all the active awards granted to that date was £305,000 (31 March 2022: £346,000).

- Ends -