21 May 2024

Watkin Jones plc

(the 'Group')

HY Results for the six months ended 31 March 2024

Continued operational progress, positioning for market recovery

The Group announces its interim results for the half year ended 31 March 2024 ('HY24' or 'the period').

	Adjusted Results [(1), (2)]			Statutory Results		
	HY24	HY23	Change (%)	**HY24**	HY23	Change (%)
Revenue	**£175.1m**	£153.9m	13.8%	**£175.1m**	£153.9m	13.8%
Gross profit	**£18.4m**	£16.1m	14.3%	**£18.4m**	£16.1m	14.3%
Operating profit	**£4.0m**	£1.8m	122.2%	**£4.0m**	£0.7m	471.4%
Profit / (loss) before tax	**£3.4m**	£0.3m		**£2.1m**	(£0.8)m	
Basic earnings per share	**0.99p**	0.11p		**0.62p**	(0.23)p	
Dividend per share	**-**	1.4p		**-**	1.4p	
Adjusted net cash[(3)]	**£44.0m**	£45.3m				

(1) For HY24 Adjusted Profit before tax and Adjusted Earnings per share are calculated before the impact of an exceptional finance cost of £1.3 million for the unwinding of the discount rate on the Building Safety provision.

(2) 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.

(3) Adjusted net cash is stated after deducting interest bearing loans and borrowings, but before deducting IFRS 16 operating lease liabilities of £44.7 million at 31 March 2024 (31 March 2023: £47.5 million).

HY24 Highlights

- Revenue of £175.1 million delivered predominantly from our previously sold developments on site, alongside one forward sale completed in March 2024
- Adjusted operating profit improvement from £1.8 million to £4.0 million, reflecting:
  - Gross margins in line with guidance
  - Benefit of cost saving actions implemented in FY23
- Continued focus on cash generation resulted in period end gross and net cash balances of £67.1 million and £44.0 million, respectively
- Secured two new PBSA development sites, subject to planning
- Planning submitted for a further c.3,000 PBSA beds across four schemes
- Completed building safety rectification works on three buildings in the period, with cash spend in line with expectations. Group provision unchanged
- Continuing the approach adopted at the FY23 year end, the Board is prioritising the maintenance of financial flexibility during this period of market disruption and consequently is not declaring an interim dividend; the Board will keep this approach under review.

Outlook

- c.£400 million of contractually secure forward sold revenue as at 31 March 2024, of which c. £150 million is for delivery in the second half of the year. Total secured pipeline of £1.4 billion
- Current development schemes on track, supported by continuing moderation in build cost inflation
- Targeting further forward sales in FY24: one scheme in legals and other schemes being actively marketed
- Encouraging initial progress with Refresh opportunities: two smaller projects signed to date, with an active pipeline being pursued
- Investment market gradually showing signs of recovery as economic sentiment improves, albeit, a slower than expected reduction in interest rates has potential to impact pace of recovery
- We expect our FY24 Adjusted Operating Profit to be at least £15 million and within the previously guided range*.

Alex Pease, Chief Executive Officer of Watkin Jones, said: "First half trading was in line with our expectations, with a focus on execution and operational performance. Alongside progress on our schemes in build, we have continued to develop the Group's longer term pipeline, with new land secured and further planning applications submitted. There has been gradual improvement in sentiment in the property investment market, which we expect to support a continued recovery in forward fund transaction demand, as evidenced in the forward sale of our PBSA scheme in Bristol in March.

"With our established and specialist end-to-end development platform and a sector leading reputation in the BTR and PBSA markets in the UK, our focus remains on positioning the business to best capitalise on a market recovery."

Analyst meeting

There will be a pre-recorded audiocast of the HY24 Results presentation available to view on the Group's website (www.watkinjonesplc.com) from 7am (BST) today. At 11am (BST), there will be a live 30-minute Q&A webcast for sell-side analysts, hosted by Alex Pease (CEO) and Sarah Sergeant (CFO). Those analysts wishing to join and receive dial in details should register their interest via watkinjones@buchanan.uk.com.

* Previous guidance indicated a range of £15 million to £20 million for FY24 Adjusted Operating Profit.

For further information:

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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 20,000 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 2024

Revenues for the period were £175.1 million (HY23: £153.9 million). Operationally the Group's businesses have continued to perform well, with our developments on site progressing in line with expectations. The increase in revenues reflects the successful forward sale of our Gas Lane PBSA scheme in Bristol in the period, with no equivalent forward sales in the comparative period.

Gross profit was £18.4 million (HY23: £16.1 million), with gross margin at 10.5% similar to 10.4% in the prior year and in line with our current guidance.

Adjusted operating profit for the period was £4.0 million (HY23: £1.8 million), reflecting the increase in revenues and the benefit of the cost efficiency exercises carried out in FY23. Statutory operating profit for the period was £4.0 million (HY23: £0.7 million).

Net finance costs for the period were £1.9 million (HY23: £1.5 million). Finance costs include £0.8 million (HY23: £0.9 million) in respect of the interest on leases, and a discount rate unwind of £1.3 million.

Profit before tax for the period was £2.1 million (HY23: loss before tax of £0.8 million). Adjusted profit before tax for the period, which excludes the exceptional finance costs of £1.3 million relating to the discount rate unwind, was £3.4 million (HY23: £0.3 million). Adjusted basic earnings per share for the period were 0.99 pence, compared to 0.11 pence for HY23.

Segmental review

Build to Rent ('BTR')

Revenues from BTR increased by 7.3% in the period to £99.8 million (HY23: £93.0 million). Revenues were derived from the build-out of our forward sold developments, which are progressing well and on track for their respective completions. Two schemes reached practical completion in the period.

Gross profit for the period was £9.3 million (HY23: £8.3 million), an increase of 12.0%. The gross margin for the period was slightly up on the prior period at 9.3% (HY23: 8.9%).

Student accommodation ('PBSA')

Revenues from PBSA were 26.0% higher than last year at £61.0 million (HY23: £48.4 million) reflecting the successful forward sale of our Gas Lane scheme in Bristol and continued strong build progress from our other live schemes. Two schemes reached practical completion in the period.

PBSA gross profit for the period was £7.1 million (HY23: £4.8 million) with gross margin for the period increasing to 11.6% (HY23: 9.9%), with the comparative margin impacted by additional build costs incurred at our scheme in Exeter where the main contractor went into liquidation in January 2023.

Accommodation management (Fresh)

Fresh achieved revenues of £4.1 million (HY23: £4.7 million), reflecting a reduced number of units under management and lower number of mobilisations in the period.

The reduction in Fresh's revenue for the period led to a reduction in gross profit to £2.3 million (HY23: £3.2 million), at a margin of 56.1% (HY23: 68.1%). This has been driven by a reduced number of units under management, the delay in new sites mobilising and the impact of inflationary increases across operating expenses including utilities.

Affordable-led Homes

The affordable-led residential development business achieved 19 sales completions in the period (HY23: 20 sales) and continued to make progress at its Crewe site, resulting in an increase in revenue to £8.9 million (HY23: £7.8 million).

The gross profit achieved by the division however reduced, as a result of increased build costs per plot, to £0.4 million (HY23: £0.9 million), at a margin of 4.5% (HY23: 11.5%).

Balance sheet and liquidity

Our financial position and liquidity remain strong. We had a gross cash balance at 31 March 2024 of £67.1 million (31 March 2023: £83.3 million), whilst net cash stood at £44.0 million (31 March 2023: £45.3 million), before deducting IFRS 16 lease liabilities.

The Group had undrawn headroom of £26.6 million on its revolving credit facility ('RCF') with HSBC at 31 March 2024 and an unutilised overdraft facility of £10.0 million, giving total cash and available facilities of £103.7 million.

Our strong liquidity position has been delivered through the disposal of our Gas Lane scheme in Bristol, the receipt of bullet payments due following practical completions on a number of schemes, offset by the impact of our normal annual cash profile, which sees a higher utilisation of cash in the first half of the year. This resulted in our net cash balance remaining flat since the start of the year (£43.9 million at 30 September 2023). Our inventory and work in progress balance has decreased by a net £4.6 million, to £118.9 million as a result of the forward sale of our Bristol PBSA scheme offset by enabling works we have carried out on sites we have in the market.

Contract assets and receivables at 31 March 2024 stood at £52.7 million and £34.0 million and had decreased £13.6 million and £1.1 million respectively from the position at 30 September 2023. The contract assets relate primarily to the final payments to be received on completion of the forward sold developments in build, which increase as developments progress. Contract and trade liabilities amounted to £88.2 million at 31 March 2024 and had decreased by £14.0 million since FY23 year-end position due to a high level of construction activity at year end linked to the stage of completion of developments.

Building Safety

We continue to focus on the delivery of our building safety rectification obligations and have completed works on three buildings in the period with cash spend in line with expectations. As previously reported, there remains significant uncertainty in this area across the sector and, as for many other participants in our industry, assets in scope and the scope and cost of works continue to evolve.

Based on developments in the period to date, our provision remains unchanged and we will continue to monitor this as discussions with building owners and building investigations continue. We have utilised £10.0 million from our Building Safety provision in HY24, with the discount on the provision also being unwound by £1.3 million, resulting in a gross provision at 31 March 2024 of £55.7 million offset by reimbursement assets of £9.7 million.

ESG

Our ESG initiatives continue to progress well. We continue to build strong relationships with suppliers who demonstrate strong ESG credentials, and support them where necessary in gaining ISO 14001 accreditation. We held a supplier conference earlier in the year to outline the start of our social value framework and detail the next stage of our supplier partnership strategy.

We averaged 99% diversion of waste from landfill across our construction sites in the first part of the year, driven by higher levels of modern methods of construction, supplier partnerships and circular economy agreements.

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 in line with that target.

Dividend

Continuing the approach adopted at the year end, the Board is prioritising the maintenance of financial flexibility during this period of market disruption and consequently is not declaring an interim dividend; the Board will keep this approach under review.

Outlook

We expect our FY24 Adjusted Operating Profit to be at least £15 million and within the previously guided range.

Alex Pease
Chief Executive Officer
21 May 2024

Consolidated Statement of Comprehensive Income
for the six month period ended 31 March 2024 (unaudited)

	Notes	**6 months to 31 March 2024** Before exceptional items £'000	Exceptional items £'000	Total £'000	6 months to 31 March 2023 Before exceptional items £'000	Exceptional items £'000	Total £'000
Continuing operations							
Revenue	5	**175,100**	**—**	**175,100**	153,854	—	153,854
Cost of sales		**(156,686)**	**—**	**(156,686)**	(137,801)	—	(137,801)
Gross profit		**18,414**	**—**	**18,414**	16,053	—	16,053
Administrative expenses	6	**(14,411)**	**—**	**(14,411)**	(14,274)	(1,063)	(15,337)
Operating profit/(loss)		**4,003**	**—**	**4,003**	1,779	(1,063)	716
Finance income		**580**	**—**	**580**	190	—	190
Finance costs		**(1,207)**	**(1,259)**	**(2,466)**	(1,672)	—	(1,672)
(Loss)/profit before tax		**3,376**	**(1,259)**	**2,117**	297	(1,063)	(766)
Income tax credit/(expense)	8	**(844)**	**315**	**(529)**	(67)	240	173
(Loss)/profit for the year attributable to ordinary equity holders of the parent		**2,532**	**(944)**	**1,588**	230	(823)	(593)
Other comprehensive income							
That will not be reclassified to profit or loss in subsequent periods:							
Net (loss)/gain on equity instruments designated at fair value through other comprehensive income, net of tax		**(244)**	**—**	**(244)**	(78)	—	(78)
Total comprehensive (loss)/income for the year attributable to ordinary equity holders of the parent		**2,288**	**(944)**	**1,344**	152	(823)	(671)
		Pence	**Pence**	**Pence**	Pence	Pence	Pence
Earnings per share for the year attributable to ordinary equity holders of the parent							
Basic (loss)/earnings per share	9	**0.987**	**(0.368)**	**0.619**	0.105	(0.336)	(0.231)
Diluted (loss)/earnings per share	9	**0.970**	**(0.362)**	**0.608**	0.104	(0.336)	(0.230)

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2023

		Year ended 30 September 2023		
	Notes	Before exceptional items £'000	Exceptional items £'000	Total £'000
Continuing operations				
Revenue	5	**413,236**	**—**	**413,236**
Cost of sales		**(378,377)**	**—**	**(378,377)**
Gross profit		**34,859**	**—**	**34,859**
Administrative expenses	6	**(34,689)**	**(38,140)**	**(72,829)**
Operating profit/(loss)		**170**	**(38,140)**	**(37,970)**
Share of loss in joint ventures		**(13)**	**—**	**(13)**
Finance income		**496**	**—**	**496**
Finance costs		**(3,514)**	**(1,458)**	**(4,972)**
(Loss)/profit before tax		**(2,861)**	**(39,598)**	**(42,459)**
Income tax credit		**1,196**	**8,716**	**9,912**
(Loss)/profit for the year attributable to ordinary equity holders of the parent		**(1,665)**	**(30,882)**	**(32,547)**
Other comprehensive income				
That will not be reclassified to profit or loss in subsequent periods:				
Net (loss)/gain on equity instruments designated at fair value through other comprehensive income, net of tax		**(188)**	**—**	**(188)**
Total comprehensive (loss)/income for the year attributable to ordinary equity holders of the parent		**(1,853)**	**(30,882)**	**(32,735)**

	Pence	Pence	Pence
Earnings per share for the year attributable to ordinary equity holders of the parent			
Basic (loss)/earnings per share	**(0.649)**	**(12.043)**	**(12.692)**
Diluted (loss)/earnings per share	**(0.649)**	**(12.043)**	**(12.692)**

Consolidated Statement of Financial Position
as at 31 March 2024 (unaudited)

	Notes	***31 March 2024 £'000***	*31 March 2023 £'000*	*30 September 2023 £'000*
Non-current assets				
Intangible assets		**11,326**	11,885	11,606
Investment property (leased)		**22,062**	25,700	24,240
Right of use assets		**6,433**	5,475	5,276
Property, plant and equipment		**1,450**	1,811	1,796
Investment in joint ventures		**1**	1	1
Reimbursement assets	7	**4,010**	-	4,007
Deferred tax asset		**11,510**	1,983	12,096
Other financial assets		**871**	1,288	1,129
		57,663	48,143	60,151
Current assets				
Inventory and work in progress		**118,885**	159,507	123,516
Contract assets		**52,735**	53,287	66,368
Trade and other receivables		**34,043**	32,967	35,104
Reimbursement assets	7	**5,680**	-	6,858
Current tax receivables		**7,544**	3,586	7,088
Cash and cash equivalents	12	**67,088**	83,336	72,431
		285,975	332,683	311,365
Total assets		**343,638**	380,826	371,516
Current liabilities				
Trade and other payables		**(88,151)**	(100,544)	(100,732)
Contract liabilities		**-**	(373)	(1,469)
Interest-bearing loans and borrowings		**-**	(312)	-
Lease liabilities		**(6,291)**	(6,788)	(7,567)
Provisions	7	**(22,545)**	(7,402)	(24,457)
		(116,987)	(115,419)	(134,216)
Non-current liabilities				
Interest-bearing loans and borrowings		**(23,131)**	(37,688)	(28,530)
Lease liabilities		**(38,368)**	(40,685)	(37,628)
Provisions	7	**(33,140)**	(21,995)	(41,137)
		(94,639)	(100,368)	(107,295)
Total Liabilities		**(211,626)**	(215,787)	(241,511)
Net assets		**132,012**	165,039	130,005
Equity				
Share capital		**2,567**	2,564	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		**181**	584	425
Share-based payment reserve		**2,067**	831	1,407
Retained earnings		**117,968**	151,831	116,380
Total Equity		**132,012**	165,039	130,005

Consolidated Statement of Changes in Equity
for the six month period ended 31 March 2024 (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 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**
Profit for the period	-	-	-	-	-	(31,954)	(31,954)
Share-based payments	-	-	-	-	762	-	762
Other comprehensive income	-	-	-	(159)	-	49	(110)
Deferred tax debited directly to equity	-	-	-	-	-	(151)	(151)
Recycled reserve for fully vested share-based payment schemes	-	-	-	-	(186)	186	-
Dividend paid (note 10)	-	-	-	-	-	(3,581)	(3,581)
Issue of shares	-	-	-	-	-	-	-
Balance at 30 September 2023	**2,564**	**84,612**	**(75,383)**	**425**	**1,407**	**116,380**	**130,005**
Profit for the period	-	-	-	-	-	1,588	1,588
Share-based payments	-	-	-	-	660	-	660
Issue of shares	3	-	-	-	-	-	3
Other comprehensive loss	-	-	-	(244)	-	-	(244)
Dividend paid (note 10)	-	-	-	-	-	-	-
Balance at 31 March 2024	**2,567**	**84,612**	**(75,383)**	**181**	**2,067**	**117,968**	**132,012**

Consolidated Statement of Cash Flows
for the six month period ended 31 March 2024 (unaudited)

	Notes	***6 months to 31 March 2024 £'000***	*6 months to 31 March 2023 £'000*	*12 months to 30 September 2023 £'000*
Cash flows from operating activities				
Cash inflow/(outflow) from operations	11	**2,676**	(14,646)	(17,215)
Interest received		**580**	190	496
Interest paid		**(1,206)**	(1,572)	(3,315)
Tax paid		**(348)**	(7,830)	(11,466)
Net cash inflow/(outflow) from operating activities		**1,702**	(23,858)	(31,500)
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(36)**	(189)	(550)
Proceeds on disposal of property, plant and equipment		**100**	4	210
Proceeds on disposal of PRS assets		**-**	-	15,323
Net cash inflow/(outflow) from investing activities		**64**	(185)	14,983
Cash flows from financing activities				
Dividend paid	10	**-**	(11,548)	(15,129)
Payment of principal portion of lease liabilities		**(1,670)**	(1,626)	(6,806)
Drawdown of RCF		**-**	10,301	27,579
Repayment of bank loans and RCF		**(5,439)**	(589)	(27,537)
Net cash outflow from financing activities		**(7,109)**	(3,462)	(21,893)
Net decrease in cash		**(5,343)**	(27,505)	(38,410)
Cash and cash equivalents at beginning of the period		**72,431**	110,841	110,841
Cash and cash equivalents at end of the period	12	**67,088**	83,336	72,431

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 12 Soho Square, London, W1D 3QF.

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 2024 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 2024 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 23 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 20 May 2024.

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 2024. To the extent that IFRS at 30 September 2024 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 2023. 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 2024, the Group had a robust liquidity position, with cash and available headroom in its banking facilities totalling £103.7 million made up of cash balances of £67.1 million, RCF Headroom of £26.6 million and an overdraft facility of £10.0 million.

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 2025 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 the possibility of continued disruption to the forward sale market given the market turbulence seen in the UK over the last 18 months. This is our most significant risk as it would greatly limit our ability to achieve any further forward sales. We have run various model scenarios to assess the possible impact of the above risks, including an extreme downside scenario assuming no further forward sales are achieved. The cash forecast prepared under this scenario illustrates that adequate liquidity is maintained through the forecast period and the financial covenants under the RCF would still be met.

The minimum gross cash balance under this scenario was £19.0 million (excluding the £10.0 million overdraft). In addition, we have reviewed the potential impact on the Group's Tangible Net Worth Covenant of any additional increase in the provision for Building Safety. The headroom on this covenant under the extreme downside scenario would allow for a further circa 3 properties to be provided for, assuming an average provision per property of £2.1 million.

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

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

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 30 June 2025 and has therefore adopted the going concern basis in preparing the financial statements.

Building Safety Provision

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

This is a highly complex area with significant estimates in respect of the cost of remedial works, the quantum of any legal expenditure associated with the defence of the Group's position in this regard, and the extent of those properties within the scope of the applicable government guidance and legislation, which continue to evolve. All our buildings were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of completion.

The amount provided for these works has been estimated by reference to recent industry experience and external quotes for similar work identified. The investigation of the works required at many of the buildings is at an early stage and therefore it is possible that these estimates may change over time or if government legislation and regulation further evolves.

As a number of other housebuilders and developers have done over the last 12 months, we have included an additional amount of contingency within our provision to reflect further buildings being identified as within the scope of the RAS and for unforeseen remediation costs beyond management's current knowledge. We have also implemented a consistent contingency policy across the properties where work is yet to start.

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

We have made progress with negotiating contributions from clients to mitigate our liability in relation to these remedial works and at the balance sheet date have recognised reimbursement assets of £9.7 million (31 March 2023: £nil). These will be recovered over one to five years.

We will continue to keep abreast of any changes to legislation and guidance, recognising that the approach to building safety continues to evolve.

Should the costs associated with these remedial works increase by 10%, the provision required would increase by £4.0 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 7.

Should an additional property be identified which requires remedial works for which the Group is liable, it would be reasonable to estimate the additional cost at £2.1 million, based on the average expected cost of works for properties included within the provision for which the Group will perform remediation works.

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 2023.

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 2024 (unaudited)	*Student Accommodation*	*Build to rent*	*Residential*	*Accommodation management*	*Corporate*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Segmental revenue	61,027	99,755	8,920	4,067	1,331	175,100
Segmental gross profit	7,107	9,266	403	2,347	111	19,234
Impairment of inventory for aborted pipeline assets	-	-	-	-	(820)	(820)
Gross profit	7,107	9,266	403	2,347	(709)	18,414
Administration expenses	-	-	-	(2,512)	(11,899)	(14,411)
Finance income	-	-	-	-	580	580
Finance costs	-	-	-	-	(1,207)	(1,207)
Exceptional finance costs	-	-	-	-	(1,259)	(1,259)
Profit/(loss) before tax	7,107	9,266	403	(165)	(14,494)	2,117
Taxation	-	-	-	-	(529)	(529)
Profit/(loss) for the period	**7,107**	**9,266**	**403**	**(165)**	**(15,023)**	**1,588**
Inventory and WIP	74,729	18,200	23,986	-	1,970	118,885

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 expenses	-	-	-	(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

Year ended 30 September 2023	*Student Accommodation £'000*	*Build to rent £'000*	*Residential £'000*	*Accommodation management £'000*	*Corporate £'000*	*Total £'000*
Segmental revenue	175,739	207,711	19,607	9,481	698	413,236
Segmental gross profit	11,409	19,836	1,920	5,988	1,202	40,355
Impairment of land assets	-	-	-	-	(5,496)	(5,496)
Gross profit	11,409	19,836	1,920	5,988	(4,294)	34,859
Administration expenses	-	-	-	(5,441)	(24,664)	(30,105)
Profit on disposal of PRS assets	-	-	-	-	(4,584)	(4,584)
Exceptional administrative expenses	-	-	-	-	(38,140)	(38,140)
Operating profit	11,409	19,836	1,920	547	(71,682)	(37,970)
Share of operating 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
Profit/(loss) for the period	11,409	19,836	1,920	547	(66,259)	(32,547)
Inventory and WIP	83,430	10,970	27,314	-	1,802	123,516

5. *Disaggregated revenue information*

6 months to 31 March 2024 (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	46,851	99,755	-	-	-	146,606
Sale of land	9,850	-	-	-	-	9,850
Sale of completed property	-	-	8,909	-	1,276	10,185
Rental income	4,326	-	11	-	55	4,392
Accommodation management	-	-	-	4,067	-	4,067
Total revenue from contracts with customers	61,027	99,755	8,920	4,067	1,331	175,100
Timing of revenue recognition						
Goods transferred at a point in time	14,176	-	8,909	-	1,276	24,361
Services transferred over time	46,851	99,755	11	4,067	55	150,739
Total revenue from contracts with customers	61,027	99,755	8,920	4,067	1,331	175,100

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

Year ended 30 September 2023	*Student Accommodation*	*Build to rent*	*Residential*	*Accommodation management*	*Corporate*	*Total*
	£'000	£'000	£'000	£'000	£'000	£'000
Type of goods or service						
Construction contracts or development agreements	145,067	196,199	-	-	-	341,266
Sale of land	21,700	10,450	-	-	-	32,150
Sale of completed property	-	-	19,607	-	-	19,607
Rental income	8,972	1,062	-	-	698	10,732
Accommodation management	-	-	-	9,481	-	9,481
Total revenue from contracts with customers	175,739	207,711	19,607	9,481	698	413,236
Timing of revenue recognition						
Goods transferred at a point in time	21,700	10,450	19,607	-	-	51,757
Services transferred over time	154,039	197,261	-	9,481	698	361,479
Total revenue from contracts with customers	175,739	207,711	19,607	9,481	698	413,236

6. *Exceptional costs*

	6 months to 31 March 2024	*6 months to 31 March 2023*	*12 months to 30 September 2023*
	£'000	*£'000*	*£'000*
Recognised in administrative expenses			
Building Safety provision	-	-	(35,000)
Restructuring costs	-	(1,063)	(3,140)
Total exceptional items recognised in administrative expenses	-	(1,063)	(38,140)
Recognised in finance costs			
Unwind of discount rate on Building Safety provision	**(1,259)**	-	(1,458)
Total exceptional items recognised in finance costs	**(1,259)**	-	(1,458)
Total exceptional costs	**(1,259)**	(1,063)	(39,598)

No further exceptional administrative expenses related to the Building Safety provision have been incurred in the period ended 31 March 2024. The provision made in the prior year has been unwound to its present value, resulting in finance costs of £1,259,000 in this period.

7. *Provisions*

Building Safety provision

	Provision	**Reimbursement asset**	**Total**
	£'000	**£'000**	**£'000**
At 1 October 2023	**65,594**	**(10,865)**	**54,729**
Arising during year	**—**	**—**	**—**
Utilised	**(11,418)**	**1,425**	**(9,993)**
Unwind of discount rate	**1,509**	**(250)**	**1,259**
At 31 March 2024	**55,685**	**(9,690)**	**45,995**

The provision is classified as follows:

	Provision	**Reimbursement asset**	**Total**
At 31 March 2024	**£'000**	**£'000**	**£'000**
Current	**22,545**	**(5,680)**	**16,865**
Non-current	**33,140**	**(4,010)**	**29,130**
Total	**55,685**	**(9,690)**	**45,995**

	Provision	Reimbursement asset	Total
At 31 March 2023	£'000	£'000	£'000
Current	7,402	—	7,402
Non-current	21,995	—	21,995
Total	29,397	—	29,397

A provision of £33,448,000 was held at 30 September 2022 for the Group's anticipated contribution towards the cost of building safety remedial works.

A further net increase in provision of £35,000,000 has been made during the year ended 30 September 2023 for building safety remediation costs, comprising an increase in cost provision of £45,865,000 offset by a corresponding reimbursement asset of £10,865,000, reflecting customer contributions to these remedial works which have been contractually agreed during the year. Of this reimbursement asset, £6,973,000 was included in the net provision disclosed at 31 March 2023 which represented the best estimate of the Group's net contribution to remediation costs.

No new provision or reimbursement asset has been recognised during the period ended 31 March 2024.

The net provision at 31 March 2024 amounts to £45,995,000, of which £16,865,000 is expected to be incurred in the next twelve months to 31 March 2025, with £29,130,000 expected to be incurred between 1 April 2025 and 30 September 2027. The provision has been discounted to its present value accordingly, at a risk-free rate of 4.10% based on UK five-year gilt yields (2023: 4.60%).

The judgements and estimates surrounding this provision and corresponding reimbursement assets are set out in note 2.

8. *Income taxes*

The tax expense for the period has been calculated by applying the expected effective tax rate for the financial year ending 30 September 2024 of 25.00% 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 2024	*6 months to 31 March 2023*	*12 months to 30 September 2023*
	£'000	*£'000*	*£'000*
Profit/(loss) for the period attributable to ordinary equity holders of the parent	**1,588**	(593)	(32,547)
Add back exceptional items for the period	**1,259**	1,063	39,598
Less corporation tax benefit from exceptional items for the period	**(315)**	(202)	(8,716)
Adjusted profit/(loss) for the period attributable to ordinary equity holders of the parent	**2,532**	268	(1,665)
	Number of shares	*Number of shares*	*Number of shares*
Number of ordinary shares for basic earnings per share	**256,476,560**	256,430,367	256,434,903
Adjustments for the effects of dilutive potential ordinary shares	**4,562,022**	1,472,669	-
Weighted average number for diluted earnings per share	**261,038,582**	257,903,036	256,434,903
	Pence	Pence	Pence
Basic earnings/(loss) per share			
Basic profit/(loss) for the period attributable to ordinary equity holders of the parent	**0.619**	(0.231)	(12.692)
Adjusted basic earnings/(loss) per share (excluding exceptional items after tax)			
Adjusted profit/(loss) for the period attributable to ordinary equity holders of the parent	**0.987**	0.105	(0.649)
Diluted earnings/(loss) per share			
Basic profit/(loss) for the period attributable to diluted equity holders of the parent	**0.608**	(0.230)	(12.692)
Adjusted diluted earnings/(loss) per share (excluding exceptional items after tax)			
Adjusted profit/(loss) for the period attributable to diluted equity holders of the parent	**0.970**	0.104	(0.649)

10. *Dividends*

	6 months to 31 March 2024 £'000	*6 months to 31 March 2023 £'000*	*12 months to 30 September 2023 £'000*
Final dividend paid in February 2023 of 4.5 pence	**-**	11,548	11,548
Interim dividend paid in June 2023 of 1.4 pence	**-**	-	3,581
	-	11,548	15,129

No interim dividend is proposed for the period ended 31 March 2024 (31 March 2023: 1.40 pence per ordinary share). As such, no liability (31 March 2023: liability of £3,581,000) has been recognised at that date. At 31 March 2024, the Company had distributable reserves available of £41,115,000 (31 March 2023: £44,600,000).

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

	6 months to 31 March 2024 £'000	*6 months to 31 March 2023 £'000*	*12 months to 30 September 2023 £'000*
Profit/(loss) before tax	**2,117**	(766)	(42,459)
Depreciation of leased investment properties and right-of-use assets	**2,933**	2,384	5,691
Depreciation of plant and equipment	**225**	382	697
Amortisation of intangible assets	**280**	280	559
Profit of disposal of operational PRS assets	**-**	-	4,584
Loss/(profit) on sale of plant and equipment	**21**	(1)	(294)
Finance income	**(580)**	(190)	(496)
Finance costs	**2,466**	1,672	4,972
Share of profit in joint ventures	**-**	-	13
Decrease/(increase) in inventory and work in progress	**4,631**	(12,389)	4,634
Decrease/(increase) in contract assets	**13,633**	(2,466)	(15,547)
Decrease/(increase) in trade and other receivables	**1,061**	(4,339)	(6,476)
Decrease in contract liabilities	**(1,469)**	(4,679)	(3,583)
Decrease/(increase) in reimbursement assets	**1,425**	-	(10,865)
(Decrease)/increase in trade and other payables	**(13,309)**	9,213	9,600
(Decrease)/increase in provisions	**(11,418)**	(4,052)	30,688
Increase in share-based payment reserve	**660**	305	1,067
Net cash inflow/(outflow) from operating activities	**2,676**	(14,646)	(17,215)

12. *Analysis of net debt*

	31 March 2024 £'000	*31 March 2023 £'000*	*30 September 2023 £'000*
Cash at bank and in hand	**67,088**	83,336	72,431
Bank loans	**(23,131)**	(38,000)	(28,530)
Net cash before deducting lease liabilities	**43,957**	45,336	43,901
Lease liabilities	**(44,659)**	(47,473)	(45,195)
Net debt	**(702)**	(2,137)	(1,294)

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

Long Term Incentive Plan ('LTIP') – 2024 Awards

In January 2024 5,293,495 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 absolute total shareholder return as derived by share price on vesting date (TSR).

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

Share price	46.20 pence
Exercise price	1 penny
Expected term	3 years
Risk-free interest rate	3.95%
Are dividend equivalents receivable for the award holder?	Yes
Expected volatility	38.29%

This resulted in an estimated fair value for an award with TSR performance conditions of 15.78 pence.

	***% of TSR award vesting*[1]**
Share price on vesting date less than 45.7 pence	0%
Share price on vesting date of 135.0 pence or greater	100%

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

Charge for the period

For the six months ended 31 March 2024, 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 £660,000 (31 March 2023: £305,000).

- Ends -