

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

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

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

|   |              | <b>31 March</b>         | <b>31 March</b>         | <b>30 September</b>     |
|---|--------------|-------------------------|-------------------------|-------------------------|
|   |              | <b>2023</b>             | <b>2022</b>             | <b>2022</b>             |
|   | <i>Notes</i> | <b>£'000</b>            | <b>£'000</b>            | <b>£'000</b>            |
| <b>Non-current assets</b>                       |              |                         |                         |                         |
| 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                   |
|   |              | <u>48,143</u>           | <u>121,706</u>          | <u>49,551</u>           |
| <b>Current assets</b>                           |              |                         |                         |                         |
| 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                 |
|   |              | <u>332,683</u>          | <u>292,887</u>          | <u>337,408</u>          |
| <b>Total assets</b>                             |              | <u><b>380,826</b></u>   | <u><b>414,593</b></u>   | <u><b>386,959</b></u>   |
| <b>Current liabilities</b>                      |              |                         |                         |                         |
| 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)                 |
|   |              | <u>(115,419)</u>        | <u>(89,178)</u>         | <u>(113,132)</u>        |
| <b>Non-current liabilities</b>                  |              |                         |                         |                         |
| 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)                   | -                       |
|   |              | <u>(100,368)</u>        | <u>(167,841)</u>        | <u>(96,874)</u>         |
| <b>Total Liabilities</b>                        |              | <u><b>(215,787)</b></u> | <u><b>(257,019)</b></u> | <u><b>(210,006)</b></u> |
| <b>Net assets</b>                               |              | <u><b>165,039</b></u>   | <u><b>157,574</b></u>   | <u><b>176,953</b></u>   |
| <b>Equity</b>                                   |              |                         |                         |                         |
| 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                 |
| <b>Total Equity</b>                             |              | <u><b>165,039</b></u>   | <u><b>157,574</b></u>   | <u><b>176,953</b></u>   |

## Consolidated Statement of Changes in Equity

for the six month period ended 31 March 2023 (unaudited)

|   | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Merger<br>Reserve<br>£'000 | Fair value<br>of financial<br>assets at<br>FVOCI<br>£'000 | Share-<br>based<br>payment<br>reserve<br>£000 | Retained<br>earnings<br>£'000 | Total<br>£'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)       |
| <b>Balance at<br/>31 March 2022</b>                                 | <b>2,562</b>              | <b>84,612</b>             | <b>(75,383)</b>            | <b>536</b>  | <b>3,171</b>                                  | <b>142,076</b>                | <b>157,574</b> |
| 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<br>equity                          | -                         | -                         | -                          | -   | -   | 141                           | 141            |
| Recycled reserve for fully<br>vested share-based payment<br>schemes | -                         | -                         | -                          | -   | (2,507)                                       | 2,507                         | -              |
| Dividend paid (note 10)   | -                         | -                         | -                          | -   | -   | (7,522)                       | (7,522)        |
| Issue of shares   | -                         | -                         | -                          | -   | -   | -                             | -              |
| <b>Balance at 30 September 2022</b>                                 | <b>2,564</b>              | <b>84,612</b>             | <b>(75,383)</b>            | <b>662</b>  | <b>526</b>                                    | <b>163,972</b>                | <b>176,953</b> |
| Loss for the period   | -                         | -                         | -                          | -   | -   | (593)                         | (593)          |
| Share-based payments  | -                         | -                         | -                          | -   | 305   | -                             | 305            |
| Other comprehensive loss  | -                         | -                         | -                          | (78)  | -   | -                             | (78)           |
| Dividend paid (note 10)   | -                         | -                         | -                          | -   | -   | (11,548)                      | (11,548)       |
| <b>Balance at<br/>31 March 2023</b>                                 | <b>2,564</b>              | <b>84,612</b>             | <b>(75,383)</b>            | <b>584</b>  | <b>831</b>                                    | <b>151,831</b>                | <b>165,039</b> |



## Consolidated Statement of Cash Flows

for the six month period ended 31 March 2023 (unaudited)

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

| <b>6 months to 31 March 2023<br/>(unaudited)</b> | <i>Student<br/>Accommodation</i> | <i>Build to<br/>rent</i> | <i>Residential</i> | <i>Accommodation<br/>management</i> | <i>Corporate</i> | <i>Total</i> |
|--|----------------------------------|--------------------------|--------------------|-------------------------------------|------------------|--------------|
|  | <i>£'000</i>                     | <i>£'000</i>             | <i>£'000</i>       | <i>£'000</i>                        | <i>£'000</i>     | <i>£'000</i> |
| 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          |
| <b>Profit/(loss) for the period</b>              | <b>4,760</b>                     | <b>8,272</b>             | <b>923</b>         | <b>393</b>                          | <b>(14,941)</b>  | <b>(593)</b> |
| Inventory and WIP                                | 93,850                           | 33,056                   | 29,306             | -                                   | 3,295            | 159,507      |

| <b>6 months to 31 March<br/>2022 (unaudited)</b> | <i>Student<br/>Accommodation</i> | <i>Build to<br/>rent</i> | <i>Residential</i> | <i>Accommodation<br/>management</i> | <i>Corporate</i> | <i>Total</i>    |
|--|----------------------------------|--------------------------|--------------------|-------------------------------------|------------------|-----------------|
|  | <i>£'000</i>                     | <i>£'000</i>             | <i>£'000</i>       | <i>£'000</i>                        | <i>£'000</i>     | <i>£'000</i>    |
| 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           |
| <b>Profit/(loss) for the<br/>period</b>          | <b>13,018</b>                    | <b>12,038</b>            | <b>635</b>         | <b>(447)</b>                        | <b>(38,569)</b>  | <b>(13,325)</b> |
| Inventory and WIP                                | 79,574                           | 45,443                   | 27,321             | -                                   | 2,689            | 155,027         |

| <b>Year ended<br/>30 September 2022</b>                  | <i>Student<br/>Accommodation</i><br>£'000 | <i>Build to<br/>rent</i><br>£'000 | <i>Residential</i><br>£'000 | <i>Accommodation<br/>management</i><br>£'000 | <i>Corporate</i><br>£'000 | <i>Total</i><br>£'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<br>student leasehold<br>properties | -   | -                                 | -                           | -  | 18,253                    | 18,253                |
| Exceptional costs  | -   | -                                 | -                           | -  | (30,365)                  | (30,365)              |
| Share of operating loss in<br>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)               |
| <b><i>Profit/(loss) for the<br/>period</i></b>           | <b>26,353</b>                             | <b>32,808</b>                     | <b>1,915</b>                | <b>121</b>                                   | <b>(47,783)</b>           | <b>13,414</b>         |
| Inventory and WIP  | 75,840                                    | 38,763                            | 29,785                      | -  | 2,730                     | 147,118               |

## 5. Disaggregated revenue information

| 6 months to 31 March 2023<br>(unaudited)           | Student<br>Accommodation<br>£'000 | Build to<br>rent<br>£'000 | Residential<br>£'000 | Accommodation<br>management<br>£'000 | Corporate<br>£'000 | Total<br>£'000 |
|--|-----------------------------------|---------------------------|----------------------|--------------------------------------|--------------------|----------------|
| <b>Type of goods or service</b>                    |                                   |                           |                      |                                      |                    |                |
| 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          |
| <b>Total revenue from contracts with customers</b> | <b>48,407</b>                     | <b>92,970</b>             | <b>7,779</b>         | <b>4,698</b>                         | <b>-</b>           | <b>153,854</b> |
| <b>Timing of revenue recognition</b>               |                                   |                           |                      |                                      |                    |                |
| 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        |
| <b>Total revenue from contracts with customers</b> | <b>48,047</b>                     | <b>92,970</b>             | <b>7,779</b>         | <b>4,698</b>                         | <b>-</b>           | <b>153,854</b> |

| 6 months to 31 March 2022 (unaudited)              | Student<br>Accommodation<br>£'000 | Build to<br>rent<br>£'000 | Residential<br>£'000 | Accommodation<br>management<br>£'000 | Corporate<br>£'000 | Total<br>£'000 |
|--|-----------------------------------|---------------------------|----------------------|--------------------------------------|--------------------|----------------|
| <b>Type of goods or service</b>                    |                                   |                           |                      |                                      |                    |                |
| 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          |
| <b>Total revenue from contracts with customers</b> | <b>78,284</b>                     | <b>93,753</b>             | <b>5,408</b>         | <b>4,086</b>                         | <b>11,435</b>      | <b>192,966</b> |
| <b>Timing of revenue recognition</b>               |                                   |                           |                      |                                      |                    |                |
| 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        |
| <b>Total revenue from contracts with customers</b> | <b>78,284</b>                     | <b>93,753</b>             | <b>5,408</b>         | <b>4,086</b>                         | <b>11,435</b>      | <b>192,966</b> |

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

**6. Exceptional costs**

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

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        |
|------------------------------|--------------|
| <b>Current</b>               |              |
| At 1 October 2022            | 7,713        |
| Arising during the year      | -            |
| Utilised                     | (4,051)      |
| Transferred from non-current | 3,740        |
| <b>At 31 March 2023</b>      | <b>7,402</b> |

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

The provision is classified as follows:

|                         | £'000         |
|-------------------------|---------------|
| Current                 | 7,402         |
| Non-current             | 21,995        |
| <b>At 31 March 2023</b> | <b>29,397</b> |

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:

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

**10. Dividends**

|   | <b>6 months to<br/>31 March<br/>2023<br/>£'000</b> | <b>6 months to<br/>31 March<br/>2022<br/>£'000</b> | <b>12 months to<br/>30 September<br/>2022<br/>£'000</b> |
|---|--|--|---|
| 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 | <b>11,548</b>                                      | -  | -   |
|   | <b>11,548</b>                                      | <b>14,259</b>                                      | <b>21,781</b>   |

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

|                         | <i>Investment property<br/>(leased)<br/>£'000</i> | <i>Office Leases<br/>£'000</i> | <i>Motor Vehicle<br/>Leases<br/>£'000</i> | <i>Total<br/>£'000</i> |
|-------------------------|---|--------------------------------|---|------------------------|
| <b>Cost</b>             |   |                                |   |                        |
| 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)                  |
| <b>At 31 March 2023</b> | <b>83,646</b>                                     | <b>11,094</b>                  | <b>2,032</b>                              | <b>96,772</b>          |
| <b>Depreciation</b>     |   |                                |   |                        |
| 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)                  |
| <b>At 31 March 2023</b> | <b>52,248</b>                                     | <b>6,912</b>                   | <b>739</b>                                | <b>59,899</b>          |
| <b>Impairment</b>       |   |                                |   |                        |
| 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   | -   | -                              | -   | -                      |
| <b>At 31 March 2023</b> | <b>5,698</b>                                      | <b>-</b>                       | <b>-</b>                                  | <b>5,698</b>           |
| <b>Net Book Value</b>   |   |                                |   |                        |
| <b>At 31 March 2023</b> | <b>25,700</b>                                     | <b>4,182</b>                   | <b>1,293</b>                              | <b>31,175</b>          |
| 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**

|  | <b>6 months to<br/>31 March<br/>2023<br/>£'000</b> | <b>6 months to<br/>31 March<br/>2022<br/>£'000</b> | <b>12 months to<br/>30 September<br/>2021<br/>£'000</b> |
|--|--|--|---|
| (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   |
| <b>Net cash outflow from operating activities</b>                    | <b>(14,646)</b>                                    | <b>(78,274)</b>                                    | <b>(19,592)</b>   |

**13. Analysis of net debt**

|  | <b>31 March<br/>2023<br/>£'000</b> | <b>31 March<br/>2022<br/>£'000</b> | <b>30 September<br/>2022<br/>£'000</b> |
|--|------------------------------------|------------------------------------|--|
| 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)                               |
| <b>Net cash before deducting lease liabilities</b> | <b>45,336</b>                      | <b>26,808</b>                      | <b>82,553</b>                          |
| Lease liabilities                                  | (47,473)                           | (126,032)                          | (49,099)                               |
| <b>Net (debt)/cash</b>                             | <b>(2,137)</b>                     | <b>(99,224)</b>                    | <b>33,454</b>                          |

#### 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.

| <b>Relative TSR (50% of award, rising to 100% if no EPS condition set)</b> | <b>% of TSR award vesting<sup>1</sup></b> |
|--|---|
| Less than median ranking   | 0%  |
| Equal to median ranking  | 20%                                       |
| Upper quartile or greater ranking  | 100%                                      |

<sup>1</sup>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 -