Henry Boot

23 March 2021

HENRY BOOT PLC

('Henry Boot', 'the Company' or 'the Group')

UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Henry Boot PLC, a company engaged in land promotion, property investment and development, and construction, announces its unaudited results for the period ended 31 December 2020. Ticker: BOOT.L: Main market premium listing: FTSE: Real Estate Investment and Services.

HIGHLIGHTS

- Revenue of £222.4m (2019: £379.7m) reduced as operations saw lower demand affected by CV-19
- Profit before tax of £17.1m (2019: £49.1m) ahead of expectations primarily due to land disposals and a resilient performance from our operations in H2. EPS lower at 9.0p (2019: 28.3p)
- Robust NAV per share[1] at 235p (2019: 239p) and strong net cash[2] position at £27.0m (2019: £27.0m) resulting in nil gearing. Current cash (at the end of February 2021) is £38.5m
- Proposed final dividend of 3.3p (2019: 1.3p), increasing the full year dividend to 5.5p (2019: 5.0p) reflecting our current financial position and confidence in our long-term markets. 135 Henry Boot launches our ESG strategy and celebrates our 135th anniversary
- An evolved strategy focusing on our three long-term markets: industrial & logistics, residential and urban development all of which are driven by positive long-term trends
- Land promotion business sold 2,000 plots and interest in major JV in the Midlands. Capital successfully recycled into growing the landbank to 16,607 acres (2019:14,898 acres)
- Committed development of £312m (HB share £85m) - 88% pre-sold or pre-let. Strong £1.4bn development pipeline (HB share - £1.1bn) with 78% in industrial and logistics
- Stonebridge Homes performed ahead of target after completing on 115 sales in 2020 and secured 57% of their sales target for 2021. Land bank increased to 1,119 plots including a site in Wakefield secured for 149 plots
- Construction business recovered well in H2, performing ahead of expectations with a turnover of £86.2m. Encouraging demand, led by public sector customers, leading to full order book for 2021
- Good start to year, ahead of expectations on activity, order book and forward sales in land, development and housebuilding

[1] Net Asset Value (NAV) per share is an alternative performance measure (APM) and is defined using the statutory measures net assets / ordinary share capital

[2] Net cash is an APM and is reconciled to statutory measures in note 7.

Commenting on the results, Chief Executive Officer Tim Roberts said:

“Our people have responded well to a challenging year, our balance sheet remains rock solid and, in the circumstances, we are pleased with our results.

There have been encouraging signs of recovery in our key markets, with momentum carrying over, so we have made a good start to the year. In the long term our strategy will be to tighten our focus on our three key markets which benefit from structural tail winds”.

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About Henry Boot PLC

Henry Boot PLC (BOOT.L) was established 135 years ago and is one of the UK's leading and longest standing land promotion, property investment and development, and construction groups of companies. Based in Sheffield, the Group comprises the following three segments:

Land Promotion:
Hallam Land Management Limited

Property Investment & Development:
Henry Boot Developments Limited (HBD), Stonebridge Homes Limited

Construction:
Henry Boot Construction Limited, Banner Plant Limited, Road Link (A69) Limited

The Group possesses a high-quality strategic land portfolio, an enviable reputation in the property development market backed by a substantial investment property portfolio and an expanding, jointly owned, housebuilding business. It has a construction specialism in both the public and private sectors, a plant hire business, and generates strong cash flows from its PFI contract, Road Link (A69) Limited.

www.henryboot.co.uk

CHAIRMAN'S STATEMENT

Highlights

I am pleased to announce that Henry Boot delivered a robust set of results, achieving a profit before tax of £17.1m (2019: £49.1m) against the challenging backdrop of a global pandemic, and we maintained our strong financial position throughout 2020, with Net Asset Value per share remaining resilient at 235p (2019: 239p). After making selective investments in the Group's focused three long-term key markets: industrial & logistics, residential and urban development, net cash was preserved at £27.0m (2019: £27.0m), which improved post year-end to £38.5m at 28 February 2021 as a result of land completions and deferred receipts in the land segment. Unsurprisingly, the Group's activity was impacted by COVID-19 (CV-19), which had a material effect on the Group's commercial and financial performance for 2020. However, after an initial pause at the beginning of the pandemic, we began to rebuild momentum and our businesses made good progress towards recovery in the second half of the year. We have had an encouraging start to 2021, showing strong forward sales and a high order book.

As reported in January's trading update, our land promotion business, Hallam Land Management (HLM), continued to trade well, selling 2,000 plots (2019: 3,427) and in H2 disposed of a significant interest in a joint venture site in the Midlands, which contributed towards the Group's 2020 profit. Henry Boot Developments (HBD) delivered schemes with a Gross Development Value (GDV) of £58m (HBD share £55m) during the year but, in response to the market, reduced its committed programme. Accordingly, having commenced 2020 with a pipeline having a GDV of £315m (HBD share £107m), this fell to £312m (HBD share £85m) by the end of the year. However, we have seen healthy demand for industrial accommodation and expect to grow our committed pipeline over the course of the current year. Stonebridge Homes also saw good demand for its premium houses; however, its growth was affected by slow planning decisions, partly as a result of CV-19. Despite this, the business completed the year ahead of target, having achieved 115 completions (2019: 159). Henry Boot Construction finished the year on 95% of planned site activity, and Banner Plant increased its activity to 95% of year-on-year sales. Road Link (A69) still generated encouraging returns despite seeing a decrease in traffic volumes due to CV-19 travel restrictions.

Our relatively new CEO has undertaken a strategic review, which pleasingly reported that our business model is in good shape, so it is now about evolving our strategy. However, we want to be more explicit about our ambitions to grow, and to have more focus on our three key markets, which benefit from structural tailwinds. We have also identified synergies and efficiencies, plus ways to collaborate across the Group. An important part of the strategy is to formalise and coordinate our approach to Environment Social Governance (ESG). 135 Henry Boot, whilst celebrating our 135th anniversary, is phase one of our new ESG strategy.

The Group only utilised the Government's Coronavirus Job Retention scheme (CJRS) up to August of last year, and only ever had a minority of people on furlough, with the business topping up pay to 100%. After the Board reviewed full year performance and the net cash position, we made the decision to repay all furlough grants claimed under the CJRS, making a full repayment in February 2021. In addition, the Remuneration Committee has taken the decision, in line with the results achieved for 2020, to reimburse the 20% deduction from the CEO and the Group Finance Director, to reflect the position that everyone at Henry Boot experienced in receiving 100% of their salaries whilst either at work or on furlough. This is also aligned to the treatment of Executive Directors along with employees in receiving 50% of their 2019 bonuses, a parallel that will be continued in relation to 2020 with Executive Director bonus increases being tied to those of the wider workforce.

Our People

Our people's skills, determination, and expertise in our three key markets has proved fundamental to the Group's 2020 performance and to maintaining our strong financial position in these challenging circumstances. Our teams have shown themselves to be agile and adaptable, adopting new ways of working and creating new efficiencies, which will continue to shape the Group's future working practices. I believe an effective business can be measured by its agility to respond effectively to challenging environments, market uncertainty, and structural change. On behalf of the Board, I would like to thank everyone at Henry Boot for their dedication and hard work during this unprecedented period, which has allowed us to produce a robust set of results.

Dividend

The Board regularly reviewed the Group's financial position and considered the impact of CV-19 on trading conditions when deciding whether to continue paying a dividend during the pandemic. Given the Group's confidence in our strong balance sheet and that we operate in markets that will continue to deliver returns over the longer term, the Board has proposed to continue to pay a dividend and concluded to pay a final dividend of 3.3p, which together with the 2.2p interim dividend, gives a total of 5.5p (2019: 5.0p) for the year. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting and will be paid on 28 May 2021 to shareholders on the register as at 30 April 2021.

Outlook

Whilst CV-19 had an impact on the Group's 2020 performance, there was still resilient demand within the markets we operate in, leaving us optimistic for the year ahead. These remain unprecedented times, however, we begin the year in a strong financial position, with a resilient balance sheet, a portfolio with ample opportunities, and encouraging forward sales as our key markets recover. This leaves the Group feeling confident that we will be able to build on the momentum we saw in H2 2020 and continue delivering a high-quality service to our customers.

Jamie Boot
Chairman

CEO Review

Just over a year into my new role and I find myself very proud of the way our people have responded to the pandemic, along with many other institutions, businesses and communities across the country. It gives me added confidence that we are not only well placed in the three key markets we serve, together with our strong financial position, but that we also have a team that shows it can cope with significant change and uncertainty.

The safety and welfare of our people, customers, supply chain, and the communities in which we operate have been the key priorities in Henry Boot's response to the CV-19 outbreak and I'm relieved to say that the safety procedures we have installed have allowed us to continue operating safely. We have monitored infection rates closely using lateral flow testing, including in our largest construction site at Barnsley, and there is no data to suggest that the people who have been working on site and in our depots have been at greater risk. Whilst I want to thank everyone at Henry Boot, I would like to give special thanks goes to those who have worked on site or in our depots so effectively, away from the relative safety of home working.

The Group utilised the Government's CJRS due to the initial reduction in construction, housebuilding and plant hire activity but only ever had a minority of people on furlough, with the business topping their pay up to 100%. We stopped using the CJRS by August 2020 and paid back all furlough grants claimed under the scheme in February 2021, as we are confident activity levels have now stabilised.

The Group also made various adjustments in response to further support the business during the pandemic. This included: reducing the Board's executive and non-executive pay by 20% for six months; paying a reduced final dividend to shareholders for 2019 and only paying 50% of bonuses to employees and directors for the full year of 2019 in 2020.We also made the difficult decision to restructure our construction division, which included making some redundancies.

In terms of operations, HLM performed well after the housing market recovered and was unexpectedly buoyant in H2. We sold 2,000 plots (2019: 3,427) on nine sites, achieving a profit per plot of £6,456, and exchanged on 1,744 plots that will provide profit for the Group in 2021. We invested £10.0m in our land bank growing it to 16,607 acres (2019:14,898 acres) and ended the year with over 15,000 plots where we have planning secured.

HBD adjusted to the uncertain environment by slowing down development but still successfully completed on a total GDV of £58m (our share £55m), with 100% of these schemes either sold or let (£41m) or retained (£17m) in our investment portfolio. Towards the end of 2020, we started to increase our developments, particularly in response to growing industrial

demand with commitments on 206,100 sq ft of industrial and logistic space. In H2 2021 we will complete on our 533-unit BTR Kampus scheme in Manchester, which has been forward-funded with us retaining a 5% equity stake. We also purchased two opportunities at a combined price of £12.6m during the year, Mabgate in Leeds, and St John's College in Manchester with existing buildings of 60,000 sq ft and 27,000 sq ft respectively. We also entered into a development agreement on Phoenix 10 in Walsall, which adds a further 620,000 sq ft to our industrial and logistic offering. Committed development currently stands at £312m (HBD share £85m) and our development pipeline has been maintained at £1.4bn (HBD share £1.1bn), 78% of which is in industrial and logistics.

Our jointly owned housebuilder, Stonebridge Homes, achieved 115-unit sales (2019: 159 sales), which was ahead of our target and, with a buoyant housing market, maintained a strong sales rate of 0.61 units per site per week during the year. 2021 has started well with sales already agreed on 69 units to date, well ahead of the business plan. However, growth in Stonebridge has been hampered by a slow process for getting planning on our land bank, partly caused by CV-19. We are addressing this by taking a more portfolio approach in planning terms to our 1,119 plot landbank (2019: 1,023 plots), helped by securing a site just before Christmas in Wakefield with planning for 149 plots. We are determined to grow this business so that it benefits from more operational scale and becomes a multi-regional premium housebuilder.

Henry Boot Construction delivered revenue of £86.2m (2019: £89.7m), which was significantly ahead of our expectation despite earlier disruptions from CV-19. During the year, we successfully secured a £40m contract to deliver a BTR scheme, and post year-end we started work on a £42.5m mixed use scheme both in the 'Heart of Sheffield'. As a result, we now have a full construction order book for 2021, and with our public sector bias, expect to play our part in the Government's plans to Build Back Better.

Our balance sheet has remained rock solid, with no stranded assets needing to be written down. With £38.5m of cash in the bank (as at 28 February 2021), as well as committed and undrawn facilities of £75m, we are in a very strong position to fund our growth plans. However, like all businesses, we need to be clear about our strategic objectives, and there are also areas where we can develop our approach and skills. In this respect, I set out a summary of our evolving strategy together with a new approach to ESG in the next two sections, followed by the normal business review. I am confident that with a greater strategic focus on our three key markets, the growth prospects driven by existing opportunities within our portfolio, our strong financial resources, plus our highly engaged people, the outlook is very encouraging.

Strategy

Our strategy is focused around three key markets: industrial & logistics, residential and urban development. These markets are driven by positive long-term structural trends which we expect to give momentum to our future operational and financial performance.

In this regard, the population of the UK continues to grow with the number of households rising accentuated by the average size of households dropping. Supply of housing generally fails to meet the Government target of 300,000 new homes a year. At the same time, and whilst CV-19 might temper the trend short-term, people are moving to large urban centres not just for work but also the lifestyle on offer. 90% of the UK population is predicted to be living in urban areas exceeding 300,000 population by 2050. This will create demand for good quality schemes for people to work and live in. BTR will be an important element of supply. Pre-CV-19 there has been a growth in demand for industrial and logistics, but with online sales up by c.40% over the last 12 months or so, take up, especially in big boxes has been at record highs. This is likely to be accelerated by more onshoring.

With focus on our three key markets, and within the framework of our existing four strategic pillars of Growth, Delivery, People and Safety; we have reworked our strategic priorities. Our values, which were developed as part of The Henry Boot Way, endure, and shape our culture.

We have extremely skilled, experienced, and highly engaged teams focused on our three key markets. The vast majority of our £365m of capital is already employed in these markets and our aim is to gain greater scale by growing our capital employed to over £500m through achieving the following key medium-term objectives:

- Land Promotion - Grow our market-leading land promotion business to sales of 3,500 plots per annum (currently 2,039 plots) with increasing emphasis on the Midlands and the South. Through a blend of freehold purchases, planning promotion agreements and options to purchase, we will leverage the significant expertise within HLM to unlock value through the planning process.

- Development - Grow our development activities to £200m per annum with a broad split of two-thirds industrial and one-third urban residential (including BTR). We continue to manage market risk through prefunding/sales/lettings and JVs. In the short term, we will be selective in committing to urban development, as markets adjust to a post CV-19 world. We remain positive that over the longer term, population growth will continue, and cities will outperform in terms of GVA output.

- Investment – Double the size of our property investment portfolio to around £150m (currently c.£80m), again with a focus on our key markets. This will be achieved through a mix of buying income-producing buildings, with redevelopment or refurbishment potential and retaining certain of our own high-quality developments. The aim will be to create a recurring, resilient income stream with the added potential for capital growth which will show a total return of 6.0% p.a.

- Housebuilding – Grow our premium housebuilding operations to an output of 600 units per annum, extending our regional presence from Yorkshire into the North East and the Midlands. To support this growth, we will build up a three to four-year landbank of sites, primarily via options to purchase, but also through selective freehold acquisitions.

- Construction – Grow a profitable, cash generative business focused primarily on public sector projects in our existing regional markets. We believe we can play a valued role in the Government's Levelling Up agenda and its Build Back Better plan for growth. Our emphasis will remain on repeat work generating above industry margins. We aim to start each financial year with a minimum of 65% of our order book secured.

There are significant opportunities to grow in each of our three key markets and we have embedded value within our conservatively valued balance sheet. With over 16,000 acres of strategic land, a development pipeline of £1.4bn (HBD share £1.1bn), and £18m of developments we have identified for our investment portfolio, plus 1,119 plots in Stonebridge's landbank, we have all the building blocks to deliver our ambitious plans for growth.

We have a long track record of managing our gearing levels well. With a strong balance sheet, net cash of £38.5m (as at 28 February 2021), committed debt facilities of £75m and material retained earnings we are in a strong position to fund our growth strategy and, if required, will look to take a conservative approach to gearing, in a range of 10% to 20% of net assets.

We are confident our strategy can generate attractive market returns (average ROCE between 10-15% p.a.), without high levels of financial gearing, and will lead to growth in our profits to beyond pre pandemic levels, enabling us to continue with a progressive dividend policy.

Each of our divisions has a clear focus and is driven by specific financial and strategic targets. We have also established an Executive Committee (Ex Co) to facilitate greater collaboration and the development of existing cross-functional expertise serving our key markets. In addition, we have identified and intend to take advantage of opportunities to create further synergies and efficiencies in how we operate as a Group.

As a modern, open, and progressive business, our aim is to attract, retain and develop a diverse range of talent. Our people strategy is at the heart of our business and together with the formation of Ex Co as a high-performing senior leadership team, will allow us to continue to build on our positive culture and our strong operational record.

Henry Boot celebrates its 135th anniversary this year and we are proud of our heritage. We have grown over the years with a clear culture of looking after our people and stakeholders, and in return, levels of team engagement within the business are very high. We understand the need for further commitment to deal with issues at the heart of ESG. Today, we announce the launch of our 135 Henry Boot project, phase one of our ESG approach, as outlined below, which will be an integral part of the Group's strategy going forward.

Responsible Business

As a 135-year-old business, we understand sustainability and long-term value creation. This year, we will formalise and coordinate our approach to ESG as we launch our new ESG Strategy. This will guide our business to deliver an ambitious and strategic approach to ESG and align all our current and prospective responsible business activities with a clear focus. Henry Boot would not be here today without sustainability being at our core. The new ESG Strategy will see us formalise ESG factors in our discussions of business risks and opportunities and will allow us to measure our progress against clear ESG objectives. We understand that now is a time for action and for driving and communicating clear progress on these important factors.

The implementation of our ESG Strategy will take a two-phase approach and will clearly align our responsible business ambitions with key societal issues, with particular focus in the first phase on how we will achieve Net Zero Carbon (NZC) and develop increasing equality, diversity and inclusion in our business and the sector we represent.

135 Henry Boot is phase one of our ESG Strategy. This strategic framework will guide us as we launch three long-term initiatives:

1. Our Pathway to NZC and enhancing our environmental stewardship
2. Our new Equality, Diversity, and Inclusion strategy
3. Our Community Partnership Plan to provide funds, time, resources, and expertise to support our community partners

135 Henry Boot will see our business build on our strong foundations of responsibility and create engagement with all of our stakeholders as we address and respond to crucial issues faced by our communities and environments.

Phase two of our ESG Strategy will launch in January 2022 and will be influenced by further consultation and engagement with our people and partners. This will ensure we focus on the most material issues and will have regard to the United Nations Sustainable Development Goals that we believe we can impact most positively. It will incorporate all of our existing responsible business initiatives and guide us to achieve long-term ambitious targets and create long-lasting and meaningful social value and impact.

To provide oversight and support to the Group's ESG ambitions and commitment, we have established a new sub-committee of the Board. The Responsible Business Committee will support the business to embed ESG factors into our Commercial Strategy. The Committee will be chaired by Non-Executive Director Peter Mawson. Our timeline for key initiatives is:

Responsible Business Strategy Timeline

Initiative	Launch Date
Phase One Launch of 135 Henry Boot and Community Partnership Plan	March 2021
New Equality, Diversity, and Inclusion Strategy	April 2021
Pathway to Net Zero Carbon and enhancing our environmental stewardship	June 2021
Phase Two Responsible Business Strategy	January 2022

Whilst formulating our long-term ESG Strategy, I am pleased to report that we have maintained our focus on supporting our people and communities in the unprecedented circumstances of CV-19. Amid the challenging working environment of a pandemic, we have:

- supported and maintained regular communications with our people; our Employee Net Promoter Score (eNPS) has increased to an outstanding score of 46;

- continued to provide support to, and work closely with the communities in which we operate;
- collaborated with regulatory bodies including the Construction Leadership Council, National Federation of Builders, Confederation of British Industry and UK Government Ministers, to ensure our services continue to adhere to best practice and guidance;
- directly supported the NHS Nightingale Hospital programme, as a unit at our joint venture development scheme in Sunderland, the International Advanced Manufacturing Park, was selected for conversion into a temporary hospital, and
- our charitable giving programme donated a total of nearly £68,000 to 28 organisations who needed support during the pandemic.

We recognise this approach is a unique way to deliver our ESG ambitions. However, we believe it will enable us to successfully embed ESG factors within our business decision-making and activities and to engage with our people and partners, in order to create a meaningful strategic approach to responsible business and the social value created through our operations. It is the Henry Boot Way!

Business Review

Land Promotion

HLM performed well, achieving a £14.2m operating profit (2019: £31.0m) from selling 2,000 plots (2019: 3,427 plots), at an average of £6,456 per plot (2019: £10,000 per plot). During 2020, UK greenfield land values remained relatively stable with a decline of 0.6% in the year according to Savills Research. After suspending land buying in H1, the majority of the major national and regional housebuilders re-entered the market in H2 with land values increasing by 0.3% in Q4. This followed a strong recovery in new housing sales, leading to continued demand for our land, where encouragingly we received bids at pre-CV-19 prices.

In 2020, disposals were made at various locations including, Wellingborough (600 plots), Lubbesthorpe (258 plots), Hatfield (189 plots), Ripley (200 plots) and Warton (109 plots). In addition, we also sold land in Buckingham for a Care Home and Doctors Surgery, and in Faversham for a Care Home and food store. Later in the year, we also disposed of an interest in a joint venture site in the Midlands, which made a major contribution to HLM's performance.

Significant strides forward were achieved at Didcot with Oxfordshire County Council securing an important infrastructure funding package which enabled it to re affirm its support for our 2,170-plot scheme. We are hopeful that the final planning consent will be secured in 2021. Furthermore, we continued to make good progress at Eastern Green, Coventry where in November a resolution to permit planning permission was secured for 2,400 plots, 37 acres of commercial development, plus a primary school and community centre. This scheme requires a grade separated junction on the A45 to effect access, and a loan from the Homes and Infrastructure Fund (HIF) has been secured, with delivery expected during 2021/22.

HLM secured further opportunities in its land bank during the year, increasing it to 16,607 acres (2019: 14,898) with just under 60% located in prime market areas in the Midlands and the South of England. Exciting new projects were secured including at Bicester with potential for c.2,300 plots, community centre and ancillary uses, Milton Keynes, Thirsk, Selby, Worksop, New Ash Green and Whitstable. In total, we invested £10m on acquiring positions in new sites and at the year-end held interests in land capable of delivering just over 88,000 potential residential plots.

Region	**Plots**
Scotland	8,855
North	7,260
North Midlands	20,929
South Midlands	17,646
South East	11,782
South West	21,598
Total	**88,070**

The pandemic did slow the preparation of local plans, which, in turn, slightly delayed some projects, as local authorities were unable to process plans through to publication and public consultation. Nonetheless, planning authorities transitioned to Virtual Committee meetings during the year, allowing HLM to continue to make progress on planning applications.

We secured new planning consents (or consents subject to s106 Agreements) for a total of 2,708 plots during the year, which resulted in our consented portfolio increasing to 15,421 plots at the year-end (2019: 14,713 plots) and we also had 8,312 plots the subject of planning applications (2019: 10,665 plots). By the year-end, our housebuilder customers had returned to the acquisition trail, so that we entered 2021 with 1,744 plots unconditionally exchanged for 2021/22 completion (2019: 1,268 plots).

Residential Land Plots

	With Permission				In	Future	Total
	b/f	Granted	Sold	c/f	planning		
2020	14,713	2,708	(2,000)	15,421	8,312	64,337	88,070
2019	16,489	1,651	(3,427)	14,713	10,665	51,766	77,144
2018	18,529	1,533	(3,573)	16,489	11,929	44,051	72,469
2017	16,417	4,281	(2,169)	18,529	7,982	40,844	67,355
2016	12,043	5,983	(1,609)	16,417	10,452	32,630	59,499

At Chatteris (1,000 plots), which previously had received a minded to grant permission, we signed the s106 and secured outline planning consent. Bridport, which also had previously achieved Outline Planning Consent, cleared a Judicial Review in relation to our 760 plot and 10-acre commercial scheme, this site now being the subject of sale negotiations. Planning applications covering a further 1,171 plots were also submitted during the year.

2021 has started well, in addition to the 1,744 plots exchanged, we have also unconditionally exchanged 450 plots at Worcester to Taylor Wimpey and Redrow, and completed the disposal of 115 plots at Warton, Fylde. During January 2021, the Government published its next steps on the enhancement of Building Regulations, the Future Homes Standard, and this will doubtless feature in future land negotiations. Nevertheless, as evidenced by our Worcester transaction where returns were in line with expectations, plus the high element of forward sales we are confident about our prospects for 2021.

Property Investment and Development

Property Investment and Development delivered a combined operating profit of £4.9m (2019: £17.8m). In 2020, there was an acceleration in the recent divergence in property market performance with non-food retail and leisure assets severely impacted by trading restrictions for much of the year. According to the CBRE UK Monthly Index, commercial property values declined by 7.6% in 2020. Industrial was the only sector to deliver positive capital returns with investors attracted by secure income and continued rental value growth.

In 2020, HBD completed on developments with a GDV of £58m (HBD share £55m), with £41m of these schemes having been sold and £17m having been let and retained in the Group's investment portfolio. Industrial and logistics development formed 90% of our completed schemes and despite the pandemic, the UK market experienced high demand throughout 2020 with record annual take up. We have responded to this demand by committing to speculatively develop a total of 206,100 sq ft at Luton, Preston and Enfield. Additionally, we exchanged contracts on two new projects Phoenix 10; Walsall, which has the potential to deliver industrial and logistic units ranging from 21,000 to 415,000 sq. ft, and Wakefield Hub, to jointly develop a 2,000,000m sq ft occupier led distribution depot, which is subject to planning.

In total, the committed development pipeline includes nine schemes with a GDV of £312m (HBD share £85m) and 2,611,000 sq ft, of which 88% is either pre-sold or pre-let. This includes our 533-unit build-to-rent (BTR) scheme in Manchester known as Kampus, which is due for completion in Q3 2021 as well as approximately £67m (HBD share

£52m) of new industrial and logistics space. All of the schemes are either already on site or are expected to commence in Q1 2021 and are all due for completion before the end of 2021.

Committed Schemes

Scheme	GDV (£m)	Share of GDV (£m)	Commercial (000 sq ft)	Residential (units)	Status
Industrial					
Enfield	16	8	56	–	Speculative
Markham Vale, Orion	22	22	297	–	Pre-sold
Wakefield Hub, Kitwave	8	4	65	–	Pre-let
Preston	7	4	67	–	Speculative
Luton	14	14	82	–	Speculative
	67	52	567	–	
Residential					
Manchester, Kampus	216	11	44	536	Pre-sold
	216	11	44	536	
Land and other					
Wakefield Hub, Mountpark	15	8	2,000	–	Pre-sold
Skipton	14	14	–	184	Pre-sold
	29	22	2,000	184	
Total for year	**312**	**85**	**2,611**	**720**	
% pre-sold or pre-let	**88%**	**69%**			

Despite the challenges of CV-19, we have been successful in securing a number of new development opportunities. We have acquired sites at Mabgate in Leeds and St John's College in Manchester for a combined price of £12.6m with existing buildings of 60,000 sq ft and 27,000 sq ft respectively. Both sites are fully occupied and offer good short-term income returns whilst providing excellent medium-term redevelopment opportunities in strong urban regeneration settings. Adding to our industrial and logistics pipeline we have secured a position on 83 acres of land at Todwick just off J31 of the M1. The site has been secured under a Promotion Agreement with a view to creating over 1,000,000m sq ft of space, with a GDV of approximately £90m.

In addition to our committed schemes, we have a short to medium term development pipeline with a total GDV of £1.4bn (HBD share - £1.1bn). All of these opportunities sit within our three core sectors of industrial & logistics (78%), urban residential (11%) and urban commercial (11%). The immediate focus on our development pipeline will be to commence remediation works at Phoenix 10, Walsall, capable of delivering 620,000 sq ft of industrial space and starting construction of our 95-unit build for sale residential scheme in Birmingham known as Cornwall House. At Wakefield Hub, we have submitted a joint application with our development partner to develop a 2,000,000m sq ft unit that will be pre-let prior to start on site, which we anticipate commencing on site in Q3 this year. Also, on this scheme post year-end, we will deliver a 260,000 sq. ft. pre-let industrial unit on behalf of a German pharmaceutical company. Subject to securing planning in mid-2021, work is expected to start on site in the second half of 2021 with the total GDV in excess of £30m.

Having successfully sold the majority of the retail assets from our investment portfolio in 2019, we have made further progress against our revised strategy. The year-end value of the portfolio was £82.7m (2019: £70.0m), which reflected a modest 2.3% valuation decline on a like-for-like basis, outperforming the CBRE monthly index (-7.6%). The increase was principally as a result of retaining two completed assets amounting to £17.0m pre-let at Eden Farm, Luton (73,500 sq ft

industrial unit) and Huyton (19,000 sq ft foodstore). Rent collection finished the year at 88% with the portfolio weighted average unexpired lease term now 12.9 years. Occupancy was at 84% as at 31 December 2020, although this has subsequently increased to 94% following post period end lettings at Blake House, Uxbridge and MV55, Markham Vale. We are confident of being able to continue to grow the investment portfolio from both retained developments and selective acquisitions with the objective of increasing the overall value to around £100m in 2021 and to approximately £150m over the medium term with a continued focus on the industrial and logistics sector.

Our jointly owned housebuilder, Stonebridge Homes, had a successful year, performing ahead of targets after achieving 115 house completions (90 private/25 affordable) (2019: 159), at an average selling price for private units of £368k (2019: £268k). As many households re-evaluated their housing needs, there was high demand from house buyers in H2 and we maintained a strong sales rate of 0.61 units per week per site over the year. Excluding April and May, when we temporarily closed all our construction sites and sales centres, the sales rate rises to 0.71. A price uplift of 2.7% was achieved over anticipated, budget prices on the 90 private units sold in the year. We also secured a further 211 plots in the land bank including a key site in Wakefield in December, which has outline planning permission for 149 plots. The total owned and controlled land bank is now 1,119 plots, which at the current sale rates is a 10-year supply or four to five years supply, at our two year forward forecast sales rate.

We begin 2021 in good shape and, to date, have secured 69 reservations (40 private/29 affordable) out of a delivery target of 120 plots (75 private/44 affordable). With home reservations currently running ahead of the comparable period last year, we continue to see positive signs that the market remains stable, leaving Stonebridge positioned to perform well and achieve its growth aspirations.

<u>Construction</u>

Despite the challenging operating environment, the Group's construction segment, which also includes Banner Plant and Road Link (A69), achieved a combined operating profit of £6.5m (2019: £9.0m). Henry Boot Construction performed ahead of expectations, with turnover of £86.2m (86% in public sector), against a total UK construction output decrease of 12.5% in 2020. The Office for National Statistics showed a record 40.7% monthly decline in April 2020, UK construction activity recovered during the remainder of the year with December 2020 output only 3.5% below the pre-CV-19 February 2020 level. These national trends were broadly reflected in both Henry Boot Construction and Banner Plant where after a brief pause due to the first national lockdown, year-end activity levels had both recovered to 95%.

Our major £88.0m urban development scheme at The Glass Works, Barnsley, continued to progress at pace and is on schedule for handover this summer and works also continued on the £12.3m contract to transform the existing Opera North facilities in Leeds city centre, which is set for completion in 2021. Additionally, we signed a £40.0m contract to deliver the Kangaroo Works, a 364-unit residential BTR scheme and began works on a £42.5m mixed use urban development project, Heart of Sheffield, Block H. Both projects are located in the centre of Sheffield and start on site in Q2 2021. Unfortunately, our affordable housing business, Starfish Commercial, was materially impacted by CV-19 and we made the decision to place it into creditors' voluntary liquidation in H2.

Across several public sector frameworks, we completed three schemes with a total contract value of £8.2m, and throughout 2020 were active on a further six schemes at a total contract value of £35.5m. We secured our first project through the PAGABO framework and are taking another scheme through the pre-construction stage. We also secured a place on the new Crown Commercial Services framework in the North of England for projects up to £30.0m and a place on the NHS shared business services framework for projects up to £15.0m across our operational area.

We have had a good start to the year securing new opportunities and are now ahead of our expectations having already secured a full orderbook for 2021. We are still receiving good tender opportunities and are well placed as the economy recovers through our presence on nine public sector national and regional frameworks, where we expect spend on construction projects will be maintained by the Government's Build Back Better policy.

Banner Plant's performance was impacted by the pandemic, but after the initial pause to readjust our operations to CV-19, all the depots continued to trade and remained profitable. With activity levels stabilising towards the end of the year, we are optimistic trading will be in line with our expectations for 2021. Due to CV-19 travel restrictions, Road Link (A69) traffic

levels have been impacted resulting in a decrease in returns in 2020 and whilst we expect traffic levels to recover through 2021, we anticipate they will not fully return to pre-pandemic levels. With five-years remaining on the contract, the hand back process will commence shortly to return the management of the A69 to Highways England.

Looking Forward

As I write, there are reasons to be cautiously optimistic; the successful ongoing national roll out of the vaccine; infection rates falling and the Government's road map setting out some form of social and economic recovery. Importantly over the last year, we have shown that our business has adjusted and, whilst not immune, still offers a resilient, viable and relevant business model.

As for the immediate outlook I am encouraged. We start the year with strong forward sales and very healthy order books. Land plots pre-sold last year, and sold at the start of this year, total 2,039, our committed developments of £312m (HB share £85m) are already 88% presold or let (HB share 69%), sales have now been agreed on 57% of our housebuilding target for 2021, plus the year's orderbook for construction is fully secured. Just as importantly with cash on the balance sheet, together with a portfolio rich with opportunity we are ready to respond to signs of increasing demand in our key markets.

Moreover, our strategy focuses on growth in three long term markets – industrial & logistics, residential and urban development that are driven by long-term trends, which in a post pandemic world, we are confident will endure. We also have a good record of serving public sector clients in key regional construction areas, at a time when the Government is looking to invest money in the regions.

We remain committed to working with our clients and various stakeholders in building on the good start to the year and in realising our long-term strategy.

Tim Roberts
CEO

FINANCIAL REVIEW

Summary financial performance

	2020 £'m	2019 £'m	Change %
Total revenue			
Property investment and development	**85.5**	192.2	-56
Land promotion	**21.0**	73.2	-71
Construction	**115.9**	114.3	+1
	222.4	379.7	-41
Operating profit/(loss)			
Property investment and development	**4.9**	17.8	-72
Land promotion	**14.2**	31.0	-54
Construction	**6.5**	9.0	-28
Group overheads	**(8.1)**	(7.5)	+8
	17.5	50.3	-65
Net finance cost	**(0.4)**	(1.2)	-67
Profit for the year	**17.1**	49.1	-65

The Group has delivered a commendable result against the challenging backdrop of 2020 and, having secured several investments in our key strategic markets, maintained its net cash position at the same level at which it commenced the year. UK housebuilders recovered from the initial UK lockdown well and whilst several transactions were secured in H2, they were all contracted to conclude in 2021, resulting in a 54% decrease in operating profit within our land promotion segment, although providing a strong start for the new year. The completion of The Event Complex Aberdeen (TECA) during 2019

gave our property investment and development segment a tough comparative, even without the pause on new work in the year, resulting in a 72% decrease in operating profit for the year.

Having disposed of £64.1m of completed Investment Property in 2019, mainly comprised of mixed-use retail-focused properties, reinvestment in property has started well with the portfolio now standing at £82.7m. This has been achieved through retention of self-constructed properties and, with a £1.4bn (HBD share £1.1bn) pipeline of opportunities, we can continue to retain choice assets and rebuild the portfolio, especially those in the industrial & logistics market.

Land promotion remains a long-term investment with disposals in the year being derived from sites with an average length of ownership of 11 years. With over 15,000 residential plots with planning permission, we estimate that we have around five years of sales in stock working towards disposal and with a total portfolio covering 16,607 acres we estimate that this could deliver around 88,000 units, assuming they were all successful.

Whilst the impact of CV-19 has continued into 2021, we started the year with land sales for 1,744 plots which have either already completed or are exchanged, awaiting completion. We also have committed property development work of £85m, 69% of which is pre-let, and our construction business has a full order book, now focusing on opportunities for 2022 and beyond.

Consolidated Statement of Comprehensive Income

Revenue decreased 41% to £222.4m (2019: £379.7m) as both the property investment and development and land promotion segments saw delays in transactional activity caused by the pandemic. In addition to this there was lower activity in the property investment and development segment resulting from the completion in August 2019 of the £333m TECA project. The land promotion segment disposed of 2,000 plots (2019: 3,427), although this excludes land disposed of via the sale of our interest in a joint venture, which made a significant contribution to profit in H2. Construction segment revenue remained consistent as productivity on sites quickly recovered from the initial national lockdown and the business continued delivery of The Glass Works Phase 2, an £88m urban regeneration scheme for Barnsley Metropolitan Borough Council. Gross profit decreased 50% to £40.5m (2019: £81.0m) and reflects a gross profit margin of 18% (2019: 21%). Administrative expenses decreased by £0.9m (2019: £5.6m increase) despite including a £2.0m impairment of goodwill, as the business took measures to control expenditure levels in the year which included a 50% reduction in staff bonus payments, a 20% cut in salary and fees for main board Directors and participating in the Government CJRS. Following the year end, and having reviewed the Group's result, the Board took the decision to repay the CJRS monies received and to reimburse the 20% deduction from the CEO and the Group Finance Director salaries to reflect the position that everyone at Henry Boot experienced in receiving 100% of their salaries whilst at work and on furlough.

Pension expenses of £4.6m (2019: £4.5m) are in line with the prior year charge. Since the year-end, the Group has commenced consultation with active members of the defined benefit pension scheme with a view to closing the scheme to future accrual.

Property revaluation gains of £1.3m (2019: gains of £2.4m) were the net effect of uplifts of £5.7m (2019: £5.6m) generated largely from increases in the fair value of industrial assets, arising from the re-gearing of existing leases and completion of assets under construction, offset by the recognition of valuation deficits of £4.4m (2019: £3.2m) on a number of other properties, most notably retail-focused mixed-use assets.

Profit on disposal of joint ventures and subsidiaries of £7.4m (2019: £nil) includes the disposal of our 50% interest in a joint venture entity in our land promotion segment, which gave rise to a profit of £6.2m. In addition to this, Starfish Commercial Limited, a subsidiary in the construction segment, was placed into creditor voluntary liquidation giving rise to a book profit on disposal of £1.2m.

Overall, operating profits decreased by 65% to £17.5m (2019: £50.4m) and, after adjusting for net finance costs, we delivered a profit before tax of £17.1m (2019: £49.1m).

The segmental result analysis shows that property investment and development produced a reduced operating profit of £4.9m (2019: £17.8m) arising from industrial developments at Markham Vale, Luton, Southend and Sunderland, offset by rent concessions (rent collection standing at 88% for the year) and a £2.4m loss of rent on investment property sales made

in the prior year. Land promotion operating profit decreased 54% to £14.2m (2019: £31.0m) as we disposed of 2,000 residential plots during the year (2019: 3,427). Construction segment operating profits decreased to £6.5m (2019: £9.0m) as productivity levels were affected by the pandemic and reduced road traffic volumes impacted the Road Link (A69) PFI concession. The nature of deal-driven property and land promotion businesses, dependent upon demand from the major UK housebuilders, reliant on the UK planning regime and dependent upon market confidence are demonstrated in the movements within our mix of business streams. However, we continue to show how the benefits of a broad-based operating model allows us to dampen the impact in these cyclical markets during challenging times. While we maintain a significant pipeline of property development and consented residential plots, the variable timing of the completion of deals in these areas does give rise to financial results, which can vary depending upon when contracts are ultimately concluded. We mitigate this through the mix of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £3.4m (effective rate of tax: 20%) (2019: £9.6m and effective tax rate: 20%) and is higher than the standard rate due to impairment of ineligible goodwill and a dry tax charge on transfer of an asset from inventory to investment property offset by joint venture profits presented net of tax (2019: capital gains on the disposal of investment property). We currently have a £1.6m unrecognised deferred tax asset (2019: £2.1m), which can be utilised to offset future capital gains if they arise. Current taxation on profit for the year was £3.1m (2019: £9.3m), broadly in line with the standard rate of corporation tax. Deferred tax was £0.3m (2019: £0.3m).

Earnings per share and dividends

Basic earnings per share reduced 68% to 9.0p (2019: 28.3p) in line with the reduction in profit for the year. Following a rebasing in 2019, total dividend for the year increased 10% to 5.50p (2019: 5.00p), with the proposed final dividend increasing to 3.30p (2019: 1.30p), payable on 28 May 2021 to shareholders on the register as at 30 April 2021. The ex-dividend date is 29 April 2021.

Return on capital employed

Lower operating profit in the year saw a reduced return on capital employed ROCE(1) of 4.9% in 2020 (2019: 14.8%). While the current return is impacted by the global pandemic, we continue to believe that a target return of 10–15% is appropriate for our current operating model and the markets in which we operate. We will continue to monitor this important performance measure over the business cycle, given the potential for market conditions to change quickly.

(1) ROCE is calculated as operating profit divided by average total assets less average current liabilities.

Finance and gearing

Net finance costs reduced to £0.4m (2019: £1.2m), helped by the Group's net cash surplus. We saw a significant shift from having net debt of £18.4m to net cash of £27.0m in 2019 and have maintained this cash reserve throughout 2020 ending the year as we started with £27.0m. We anticipate that interest costs will remain low through 2021 as we look to redeploy our current net funds during the year in line with our revised strategy.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties, disposal and joint venture profits) to net interest (excluding interest received on other loans and receivables), was 13 times (2019: 33 times). No interest incurred in either year has been capitalised into the cost of assets.

Our agreed banking facilities were renewed on 23 January 2020 increasing to £75m from £72m. The facility includes an additional accordion facility of £30m, which can be called upon at the Group's request. The new facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions, allowing the Group to extend the facility to 23 January 2025, on the same terms, subject to agreement by the banks. On 19 January 2021 the banks agreed to the Group request to exercise the first of these extensions extending the facility to 23 January 2024. These facilities remain undrawn at 31 December 2020 and 31 December 2019.

2020 year-end net cash was £27.0m (2019: net cash £27.0m) resulting in the Group having no gearing (2019: no gearing). Total year-end net cash includes £2.9m (2019: £2.9m) of Homes and Communities Agency (HCA) funding, which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year, we operated comfortably within the facility covenants and continue to do so.

Cash flow summary

	2020 £'m	As restated 2019 £'m
Operating profit	17.5	50.4
Depreciation and other non-cash items	(5.1)	1.1
Net movement on equipment held for hire	(1.0)	(2.3)
Movement in working capital	9.7	(27.7)
Cash generated from operations	21.1	21.5
Acquisition of subsidiary	_	(0.2)
Net capital (investment)/disposals	(9.5)	52.9
Net interest and tax	(6.8)	(9.3)
Net dividends	(3.6)	(15.1)
Other	(1.2)	(4.4)
Change in net cash	_	45.4
Net cash/(debt) brought forward	27.0	(18.4)
Net cash carried forward	27.0	27.0

During 2020, cash generated from operations amounted to £21.1m (2019: £21.5m) after net investment in equipment held for hire of £1.0m (2019: £2.3m), and cash generated by a net reduction in working capital of £9.7m (2019: £27.7m increase). Our decrease in working capital arises from collection of deferred land receipts relating to strategic land sales offset by continued investment in our house building land portfolio, property developments in progress and strategic land interests.

Net capital investment of £9.5m (2019: net disposals of £52.9m) arose from additions to investment property and property, plant and equipment of £12.9m (2019: £16.1m), which were offset by disposals of investment in property development, property, plant and equipment and joint ventures of £3.4m (2019: £69.0m).

Net dividends paid, totalled £3.6m (2019: £15.1m), with those paid to equity shareholders of £4.6m (2019: £12.6m) decreasing by 63% and, dividends to non-controlling interests of £1.2m, being off set by dividends received from joint ventures during the year of £2.2m (2019: £nil).

After net interest and tax of £6.8m (2019: £9.3m), there was no overall movement in net cash (2019: reduction £45.4m), resulting in net cash of £27.0m (2019: £27.0m).

Statement of financial position summary

	2020	2019
	£'m	£'m
Investment properties and assets classified as held for sale	**82.7**	70.0
Intangible assets	**4.3**	6.8
Property, plant and equipment, including right-of-use assets	**25.9**	28.1
Investment in joint ventures and associates	**5.8**	6.6
	118.7	111.5
Inventories	**200.8**	169.7
Receivables	**85.6**	127.1
Payables	**(89.6)**	(98.5)
Other	**7.4**	4.7
Net operating assets	**322.9**	314.5
Net cash	**27.0**	27.0
Retirement benefit obligations	**(36.4)**	(23.0)
Net assets	**313.5**	318.5
Less: Non-current liabilities	**51.4**	34.1
Capital employed	**364.9**	352.4

Investment properties increased in value to £82.7m (2019: £70.0m), following the construction of industrial assets at Luton and Wakefield and a retail asset at Huyton.

Intangible assets reflect the Group's investment in Road Link (A69) of £2.7m (2019: £3.0m) and goodwill of £1.6m (2019: £3.9m). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12, and arises because the underlying road asset reverts to Highways England at the end of the concession period in 2026. Goodwill decreased in the year, following the Board's decision to place Starfish Commercial Limited, a company in the construction segment, into creditors voluntary liquidation resulting in an impairment of £2.0m.

Property, plant and equipment comprises Group occupied buildings valued at £6.9m (2019: £7.5m) and plant equipment and vehicles with a net book value of £19.0m (2019: £20.6m), including £2.1m (2019: £6.1m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have decreased slightly as new additions of £3.6m (2019: £6.7m) are offset by disposals and the depreciation charge for the year. Right-of-use assets have decreased in the year as the Group used excess cash to settle outstanding finance lease obligations.

Investments in joint ventures and associates reduced to £5.8m (2019: £6.6m) following a dividend distribution of £2.2m. We continue to undertake property development projects with other parties where we feel there is a mutual benefit. We anticipate that these opportunities will continue to increase as we finalise several schemes with interested parties partnering with us to utilise our development expertise.

Inventories were £200.8m (2019: £169.7m) and saw an increase in our house-builder land and work in progress to £39.2m (2019: £36.3m) as we continue to invest in land, and having carried 49 reservations (24 private/25 Social) into 2021. Property inventory increased to £44.4m (2019: £31.7m) having invested in short-term income generating assets in Leeds and Manchester with medium-term development opportunities and strategic land inventory increased to £117.2m (2019: £101.7m) as we continue to invest in owned land and land interests held under agency agreements at a lower capital cost. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal.

Receivables decreased to £85.6m (2019: £127.1m) due to a decrease in transactional activity. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables decreased to £89.6m (2019: £98.5m) with trade and other payables broadly in line with the prior year, provisions decreasing to £5.9m (2019: £7.0m) as strategic land provisions are utilised, contract liabilities decreasing to £7.4m (2019: £9.9m), arising from payments received for work not yet undertaken, and current tax liabilities decreasing to £1.1m (2019: £4.7m) due to changes in the HMRC payment regime.

Net cash included cash and cash equivalents of £42.1m (2019: £42.3m), borrowings of £12.9m (2019: £10.7m) and lease liabilities of £2.2m (2019: £4.6m). In total, net cash remained at £27.0m (2019: 27.0m).

At 31 December 2020, the IAS 19 pension deficit relating to retirement benefit obligations was £36.4m, compared with £23.0m at 31 December 2019, adversely affected by a reduction in the discount rate applied to future liabilities to 1.4% (2019: 2.0%). The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks. They then make changes, as the Trustee considers appropriate, in conjunction with investment advice from ISIO.

Overall, the net assets of the Group decreased by 2% to £313.5m (2019: £318.5m) from retained profits offset by the increase in retirement benefit obligations and distributions to shareholders. Net asset value per share decreased 2% to 235p (2019: 239p).

Darren Littlewood
Group Finance Director

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020 £'000	As restated 2019 £'000
Revenue	**222,411**	379,693
Cost of sales	**(181,944)**	(298,711)
Gross profit	**40,467**	80,982
Administrative expenses	**(28,791)**	(29,681)
Pension expenses	**(4,552)**	(4,475)
	7,124	46,826
Increase in fair value of investment properties	**1,266**	2,370
Loss on sale of investment properties	**(97)**	(238)
Loss on sale of assets held for sale	**-**	(56)
Share of profit of joint ventures and associates	**1,756**	1,448
Profit on disposal of joint ventures and subsidiaries	**7,426**	-
Operating profit	**17,475**	50,350
Finance income	**721**	494
Finance costs	**(1,117)**	(1,740)
Profit before tax	**17,079**	49,104
Tax	**(3,354)**	(9,649)
Profit for the year from continuing operations	**13,725**	39,455
Other comprehensive expense not being reclassified to profit or loss in subsequent years:		
Revaluation of Group occupied property	**(651)**	(404)
Actuarial loss on defined benefit pension scheme	**(15,713)**	(7,937)
Deferred tax on actuarial loss	**3,089**	1,350
Total other comprehensive expense not being reclassified to profit or loss in subsequent years	**(13,275)**	(6,991)
Total comprehensive income for the year	**450**	32,464
Profit for the year attributable to:		
Owners of the Parent Company	**11,921**	37,596
Non-controlling interests	**1,804**	1,859
	13,725	39,455
Total comprehensive income attributable to:		
Owners of the Parent Company	**(1,354)**	30,605
Non-controlling interests	**1,804**	1,859
	450	32,464
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**9.0p**	28.3p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**8.9p**	28.1p

UNAUDITED STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	2020 £'000	2019 £'000
ASSETS		
Non-current assets		
Intangible assets	**4,318**	6,823
Property, plant and equipment	**23,818**	22,015
Right-of-use assets	**2,110**	6,085
Investment properties	**82,723**	70,002
Investment in joint ventures and associates	**5,840**	6,634
Trade and other receivables	**7,194**	17,238
Deferred tax assets	**7,342**	4,538
	133,345	133,335
Current assets		
Inventories	**200,789**	169,749
Contract assets	**13,328**	19,085
Trade and other receivables	**65,032**	90,777
Cash and cash equivalents	**42,125**	42,303
	321,274	321,914
LIABILITIES		
Current liabilities		
Trade and other payables	**72,727**	70,763
Contract liabilities	**7,430**	9,876
Current tax liabilities	**1,129**	4,680
Borrowings	**2,941**	9,981
Lease liabilities	**603**	2,052
Provisions	**4,852**	5,315
	89,682	102,667
NET CURRENT ASSETS	**231,592**	219,247
Non-current liabilities		
Trade and other payables	**2,346**	6,148
Borrowings	**9,969**	717
Lease liabilities	**1,613**	2,585
Retirement benefit obligations	**36,445**	22,965
Provisions	**1,076**	1,681
	51,449	34,096
NET ASSETS	**313,488**	318,486
EQUITY		
Share capital	**13,718**	13,717
Property revaluation reserve	**2,342**	2,993
Retained earnings	**288,514**	293,593
Other reserves	**6,404**	6,390
Cost of shares held by ESOP trust	**(1,176)**	(1,248)
Equity attributable to owners of the Parent Company	**309,802**	315,445
Non-controlling interests	**3,686**	3,041
TOTAL EQUITY	**313,488**	318,486

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Attributable to owners of the Parent Company							
Group	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 31 December 2018	13,715	3,397	276,999	6,347	(1,260)	299,198	3,114	302,312
Change in accounting policy[1]	—	—	(154)	—	—	(154)	—	(154)
Restated at 1 January 2019	13,715	3,397	276,845	6,347	(1,260)	299,044	3,114	302,158
Profit for the year	—	—	37,596	—	—	37,596	1,859	39,455
Other comprehensive expense	—	(404)	(6,587)	—	—	(6,991)	—	(6,991)
Total comprehensive (expense)/income	—	(404)	31,009	—	—	30,605	1,859	32,464
Equity dividends	—	—	(12,621)	—	—	(12,621)	(2,445)	(15,066)
Proceeds from shares issued	2	—	—	43	—	45	—	45
Purchase of treasury shares	—	—	—	—	(598)	(598)	—	(598)
Acquisition of subsidiary	—	—	—	—	—	—	(1,343)	(1,343)
Purchase of non-controlling interest	—	—	(1,856)	—	—	(1,856)	1,856	—
Share-based payments	—	—	216	—	610	826	—	826
	2	—	(14,261)	43	12	(14,204)	(1,932)	(16,136)
At 31 December 2019	13,717	2,993	293,593	6,390	(1,248)	315,445	3,041	318,486
Profit for the year	—	—	**11,921**	—	—	**11,921**	**1,804**	**13,725**
Other comprehensive expense	—	**(651)**	**(12,624)**	—	—	**(13,275)**	—	**(13,275)**
Total comprehensive (expense)/income	—	**(651)**	**(703)**	—	—	**(1,354)**	**1,804**	**450**
Equity dividends	—	—	**(4,664)**	—	—	**(4,664)**	**(1,159)**	**(5,823)**
Proceeds from shares issued	**1**	—	—	**14**	—	**15**	—	**15**
Purchase of treasury shares	—	—	—	—	**(615)**	**(615)**	—	**(615)**
Share-based payments	—	—	**288**	—	**687**	**975**	—	**975**
	1	—	**(4,376)**	**14**	**72**	**(4,289)**	**(1,159)**	**(5,448)**
At 31 December 2020	**13,718**	**2,342**	**288,514**	**6,404**	**(1,176)**	**309,802**	**3,686**	**313,488**

[1] The Group adopted IFRS 16 retrospectively from 1 January 2019 but did not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

UNAUDITED STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

		2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations		**21,136**	21,525
Interest paid		**(728)**	(1,341)
Tax paid		**(6,597)**	(8,459)
Net cash flows from operating activities		**13,811**	11,725
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		—	(152)
Purchase of intangible assets		**(283)**	(491)
Purchase of property, plant and equipment		**(924)**	(1,471)
Purchase of investment property		**(11,962)**	(14,060)
Capital expenditure of investment in associate		**350**	1,500
Proceeds on disposal of property, plant and equipment		**279**	365
Proceeds on disposal of investment properties		**627**	22,542
Proceeds on disposal of assets held for sale		—	44,550
Proceeds on disposal of joint ventures		**2,448**	—
Interest received		**512**	494
Dividends received from joint ventures		**2,200**	—
Net cash flows from investing activities		**(6,753)**	53,277
Cash flows from financing activities			
Proceeds from shares issued		**15**	46
Purchase of treasury shares		**(615)**	(598)
Repayment of borrowings		**(1,942)**	(59,368)
Proceeds from borrowings		**4,153**	43,777
Principal elements of lease payments		**(3,024)**	(2,346)
Dividends paid	– ordinary shares	**(4,643)**	(12,600)
	– non-controlling interests	**(1,159)**	(2,445)
	– preference shares	**(21)**	(21)
Net cash flows from financing activities		**(7,236)**	(33,555)
Net (decrease)/increase in cash and cash equivalents		**(178)**	31,447
Net cash and cash equivalents at beginning of year		**42,303**	10,856
Net cash and cash equivalents at end of year		**42,125**	42,303

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020

1. Basis of preparation

These results for the year ended 31 December 2020 are unaudited. The financial information set out in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2020 or 31 December 2019 as defined by Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2019 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The previous auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2020 will be finalised on the basis of the financial information presented by the Directors in these results and will be delivered to the Registrar of Companies following the AGM of Henry Boot PLC.

Change in accounting policies

The same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2019, which are available on the Group's website at www.henryboot.co.uk with the exception of the following. In the current year, we have reclassified share of profit of joint ventures and associates into operating profit. This is to reflect that our use of joint ventures and associates has gradually moved such that they are now integral to our business model and underpin our core operational business activities. The Directors therefore believe that classifying these lines into operating profit provides more reliable and relevant

information to the users of the financial statements. For comparability purposes, the prior year amounts have been restated, leading to an operating profit increasing from £48.9m to £50.4m. There is no overall impact on profit before tax or the balance sheet.

The following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2020:

		Effective from
Amendments to IFRS (issued 2018)	'Reference to the Conceptual Framework'	1 January 2020
IFRS 3 (amended 2018)	'Business Combinations'	1 January 2020
IAS 1 and IAS 8 (amended 2018)	'Definition of material'	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (amended 2019)	'Interest rate benchmark reform'	1 January 2020

These standards did not have a material impact on the Group's results.

The Group did not early adopt any standard or interpretation not yet mandatory.

Going concern

In January 2020, the Group concluded negotiations with three banking partners to put in place a £75m facility to replace the £72m facility we had in place at 31 December 2019. The renewed facilities commenced on 23 January 2020, with a renewal date of 23 January 2023 and an option to extend the facilities by one year, each year, for the next two years occurring on the anniversary of the facility. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities. On 19 January 2021 the banks agreed to the Group's request to extend the facility to 23 January 2024. The facility was undrawn at 31 December 2020 and 31 December 2019.

Following the third national lockdown and ongoing impact of CV-19, the Directors have further considered its potential impact on the Group in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario to include a curtailment of activity where no sales from the Construction or Developments businesses, are made unless already committed. For Hallam Land, no sales are assumed in 2021 unless already contracted, with a c20% reduction in sales from the base case for 2022. For Stonebridge Homes a 5% decline in house prices is assumed throughout the assessment period and Banner Plant is assumed to mirror depressed activity levels in 2020. This downside model assumes that acquisition and development spend is restricted other than that already committed. Having started 2021 in a £27m net cash position, a position which has been improved upon over the first part of 2021 with c£38.5m net cash held by the Group and facilities of £75m, at 28 February 2021, the Directors have concluded that the Group is able to control the level of uncommitted expenditure, allowing it to retain cash and position itself well in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

At the time of approving the Financial Statements the Directors expect that the Company and the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

2. Segment information

For the purpose of the Board making strategic decisions, the Group is currently organised into three operating segments: Property Investment and Development; Land Promotion; and Construction. Group overheads are not a reportable segment; however, information about them is considered by the Board in conjunction with the reportable segments.

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

During the year, the Construction segment made sales to a single external customer amounting to 22.0% (2019: 10.8%) of the Group's total revenue. This related to two high-value contracts which commenced in 2018 and continue through to 2021. The segment has a number of other contracts in progress and is not reliant on any major customer individually. In the prior year, the Property Investment and Development segment made sales to a single external customer amounting to 15.3% of the Group's total revenue. This related to a single high value contract which commenced in 2016 and continued through to 2019.

The accounting policies of the reportable segments are the same as the Group's Accounting Policies.

Segment profit represents the profit earned by each segment before tax and is consistent with the measure reported to the Group's Board for the purpose of resource allocation and assessment of segment performance.

	2020					
Revenue	**Property Investment and Development £'000**	**Land Promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	**85,487**	**21,012**	**115,912**	**—**	**—**	**222,411**
Inter-segment sales	**296**	**—**	**500**	**647**	**(1,443)**	**—**
Total revenue	**85,783**	**21,012**	**116,412**	**647**	**(1,443)**	**222,411**
Operating profit/(loss)	**4,882**	**14,164**	**6,503**	**(8,074)**	**—**	**17,475**
Finance income	**4,377**	**212**	**812**	**11,532**	**(16,212)**	**721**
Finance costs	**(3,638)**	**(390)**	**(638)**	**(2,171)**	**5,720**	**(1,117)**
Profit/(loss) before tax	**5,621**	**13,986**	**6,677**	**1,287**	**(10,492)**	**17,079**
Tax	**1,864**	**(2,898)**	**(1,898)**	**(422)**	**—**	**(3,354)**
Profit/(loss) for the year	**7,485**	**11,088**	**4,779**	**865**	**(10,492)**	**13,725**

	2019 (as restated)					
Revenue	Property Investment and Development £'000	Land Promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	192,225	73,213	114,255	—	—	379,693
Inter-segment sales	297	—	10,886	612	(11,795)	—
Total revenue	192,522	73,213	125,141	612	(11,795)	379,693
Operating profit/(loss)	17,803	31,037	9,045	(7,535)	—	50,350
Finance income	1,326	2,074	965	22,700	(26,571)	494
Finance costs	(5,701)	(1,304)	(631)	(2,884)	8,780	(1,740)
Profit/(loss) before tax	13,428	31,807	9,379	12,281	(17,791)	49,104
Tax	(1,205)	(5,947)	(2,145)	(352)	—	(9,649)
Profit/(loss) for the year	12,223	25,860	7,234	11,929	(17,791)	39,455

	2020 £'000	2019 £'000
Segment assets		
Property Investment and Development	**217,863**	198,024
Land Promotion	**151,988**	164,300
Construction	**32,447**	42,667
Group overheads	**2,854**	3,417
	405,152	408,408
Unallocated assets		
Deferred tax assets	**7,342**	4,538
Cash and cash equivalents	**42,125**	42,303
Total assets	**454,619**	455,249
Segment liabilities		
Property Investment and Development	**35,292**	32,321
Land Promotion	**11,934**	19,663
Construction	**37,554**	39,583
Group overheads	**3,651**	2,216
	88,431	93,783
Unallocated liabilities		
Current tax liabilities	**1,129**	4,680
Current lease liabilities	**603**	2,052
Current borrowings	**2,941**	9,981
Non-current lease liabilities	**1,613**	2,585
Non-current borrowings	**9,969**	717
Retirement benefit obligations	**36,445**	22,965

	2020	2019
Total liabilities	**141,131**	136,763
Total net assets	**313,488**	318,486

3. Tax

	2020 **£'000**	2019 £'000
Current tax:		
UK corporation tax on profits for the year	**2,824**	9,057
Adjustments in respect of earlier years	**245**	184
Total current tax	**3,069**	9,241
Deferred tax:		
Origination and reversal of temporary differences	**285**	408
Total deferred tax	**285**	408
Total tax	**3,354**	9,649

4. Dividends

	2020 **£'000**	2019 £'000
Amounts recognised as distributions to equity holders in the year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2019 of 1.30p per share (2018: 5.80p)	**1,724**	7,691
Interim dividend for the year ended 31 December 2020 of 2.20p per share (2019: 3.70p)	**2,919**	4,909
	4,664	12,621

The proposed final dividend for the year ended 31 December 2020 of 3.30p per share (2019: 1.30p) makes a total dividend for the year of 5.50p (2019: 5.00p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £4,400,000.

Notice has been received from Moore Street Securities Limited waiving its right as corporate trustee for the Employee Share Ownership Plan ('ESOP') to receive all dividends in respect of this and the previous financial year.

5. Investment properties

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the fair values of investment properties recognised in the Statement of Financial Position by the degree to which the fair value is observable:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2020** **£'000**	2019 £'000	Increase/ (decrease) in year
Completed investment property						
Industrial	—	—	31,550	**31,550**	15,900	15,650
Leisure	—	—	9,427	**9,427**	11,044	(1,617)
Mixed-use	—	—	7,260	**7,260**	8,823	(1,563)
Residential	—	—	4,106	**4,106**	3,704	402
Office	—	—	11,450	**11,450**	12,000	(550)
Retail	—	—	14,937	**14,937**	10,293	4,644
	—	—	78,730	**78,730**	61,764	16,966
Investment property under construction						
Industrial	—	—	1,629	**1,629**	3,634	(2,005)
Land	—	—	—	—	714	(714)
Retail	—	—	2,364	**2,364**	3,890	(1,526)
	—	—	3,993	**3,993**	8,238	(4,245)
Total carrying value	—	—	82,723	**82,723**	70,002	12,721

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that causes the transfer. The Directors determine the applicable hierarchy that a property falls into by assessing the level of comparable

evidence in the market which that asset falls into and the inherent level of activity. As at the reporting date and throughout the year, all property was determined to fall into Level 3 and so there were no transfers between hierarchies.

Explanation of the fair value hierarchy:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 – fair value measurements are those derived from the use of a model with inputs (other than quoted prices included in Level 1) that are observable from directly or indirectly observable market data; and
Level 3 – fair value measurements are those derived from use of a model with inputs that are not based on observable market data.

Investment properties have been split into different classes to show the composition of the investment property portfolio of the Group as at the reporting date. Management has determined that aggregation of the results would be most appropriate based on the type of use that each property falls into, which is described below:

Class	
Industrial	Includes manufacturing and warehousing, which are usually similar in dimensions and construction method.
Leisure	Includes restaurants and gymnasiums or properties in which the main activity is the provision of entertainment and leisure facilities to the public.
Mixed-use	Includes schemes where there are different types of uses contained within one physical asset, the most usual combination being office and leisure.
Residential	Includes dwellings under assured tenancies.
Retail	Includes any property involved in the sale of goods.
Land	Includes land held for future capital appreciation as an investment.
Office	Includes buildings occupied for business activities not involving storage or processing of physical goods.

Investment properties under construction are categorised based on the future anticipated highest and best use of the property.

6. Share capital

	Authorised, allotted, issued and fully paid	
	2020	2019
	£'000	£'000
400,000 5.25% cumulative preference shares of £1 each (2019: 400,000)	**400**	400
133,181,537 ordinary shares of 10p each (2019: 133,172,602)	**13,318**	13,317
	13,718	13,717

7. Cash generated from operations

	2020	2019
	£'000	£'000
Profit before tax	**17,079**	49,104
Adjustments for:		
Amortisation of PFI asset	**570**	555
Goodwill impairment	**2,218**	205
Depreciation of property, plant and equipment	**3,585**	4,661
Depreciation of right-of-use assets	**987**	1,250
Revaluation decrease in investment properties	**(1,266)**	(2,370)
Amortisation of capitalised letting fees	**30**	18
Share-based payment expense	**975**	826
Pension scheme credit	**(2,233)**	(1,684)
Loss on disposal of assets held for sale	**—**	56
Gain on disposal of property, plant and equipment	**(939)**	(1,140)
Loss on disposal of right-of-use assets	**89**	34
Loss on disposal of investment properties	**95**	238
Gains on disposal of joint ventures and subsidiaries	**(7,426)**	—
Finance income	**(721)**	(494)
Finance costs	**1,117**	1,740
Share of profit of joint ventures and associates	**(1,756)**	(1,448)
Operating cash flows before movements in equipment held for hire	**12,404**	51,551
Purchase of equipment held for hire	**(2,201)**	(3,700)
Proceeds on disposal of equipment held for hire	**1,159**	1,363
Operating cash flows before movements in working capital	**11,362**	49,214

Increase in inventories	**(31,285)**	(14,769)
Decrease/(increase) in receivables	**39,800**	(33,649)
Decrease in contract assets	**5,757**	23,687
Decrease in payables	**(2,052)**	(10,040)
(Decrease)/increase in contract liabilities	**(2,446)**	7,082
Cash generated from operations	**21,136**	21,525

Analysis of net cash:

Cash and cash equivalents	**42,125**	42,303
Bank overdrafts	—	—
Net cash and cash equivalents	**42,125**	42,303
Bank loans	**(9,969)**	(7,757)
Lease liabilities	**(2,216)**	(4,637)
Government loans	**(2,941)**	(2,941)
Net cash	**26,999**	26,968

8. Post balance sheet events

In January 2021 the nation entered a third lock down as a result of the CV-19 pandemic, while clearly this has impacted the Group's operations there has been no materially negative impact on the Group's results to date.

On 26 February 2021 the Group repaid all furlough grants claimed under the Government's Coronavirus Job Retention Scheme. The total amount claimed and repaid was £0.8m, all of which related to the 2020 financial year. As the decision to repay was taken after the year end this event has been classified as a non-adjusting post balance sheet event.

The Group has commenced in 2021, a consultation with active members of the defined benefit pension scheme, with a view to closing the scheme to future accrual.

9. These results were approved by the Board of Directors and authorised for issue on 22 March 2021.

10. The 2020 Annual Report and Financial Statements is to be published on the Company's website at www.henryboot.co.uk and sent out to those shareholders who have elected to continue to receive paper communications by no later than 16 April 2021. Copies will be available from The Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD.

11. The AGM of the Company is to be held at Banner Cross Hall, Ecclesall Road South, Sheffield, S11 9PD on Thursday 20 May 2021, commencing at 12.30pm. In view of the UK Government placing restrictions on gatherings due to the CV-19 pandemic, a very limited number of shareholders will be permitted to attend the AGM in person via pre-arrangement, and so shareholders are kindly requested not to attend in person. Details will be given in the Notice of AGM regarding shareholder participation in and notifications regarding the AGM.