20 September 2022

HENRY BOOT PLC

('Henry Boot', the 'Company' or the 'Group')
Ticker: BOOT.L: Main market premium listing: FTSE: Real Estate Investment and Services.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Strong operational performance driven by land disposals and development completions driving 10% dividend increase, with material progress made towards medium-term strategic targets

Henry Boot PLC, a Company engaged in land promotion, property investment and development, and construction, announces its unaudited interim results for the six months ended 30 June 2022.

Tim Roberts, Chief Executive Officer, commented:

"*We have had one of our best ever first half years with materially rising profits and good progress achieved against our strategic targets. Taking advantage of our three key markets we have made significant sales whilst being selective on purchases. This has allowed us to keep gearing low, despite continued investment in our high-quality committed development programme and our growing housebuilder, and at the same time increase our interim dividend by 10%. We have worked hard to do our best to adjust to supply restrictions, inflation and an increasingly complex planning system. This work, together with our committed team of people and the relatively high level of forward sales for 2023, see us well placed as we enter what seems yet another period of economic uncertainty."*

Financial highlights

- 11.9% increase in revenue to £144.4m (June 2021: £129.0m) driven by land disposals and property development completions
- Profit before tax grew 68.0% to £38.8m (June 2021: £23.1m) due to strong performance of residential land sales and industrial development activity
- Increased ROCE[1] of 10.1% (June 2021: 6.3%), up 60.3%, expect to be in top half of our medium-term target of 10%–15% by the year-end
- EPS increased significantly to 24.1p (June 2021: 14.1p), up 70.9%
- NAV[2] per share grew to 297p (December 2021: 267p), an increase of 11%, due to strong operational performance. Excluding the defined benefit pension scheme surplus an underlying increase of 9% to 291p.
- Robust balance sheet, with Net Debt[3] of £42.8m (December 2021: Net Debt £43.5m) after making the decision to limit further site acquisitions. Gearing remains prudent at 11% (December 2021: 12%)
- Declared an interim dividend of 2.66p (June 2021: 2.42p), an increase of 10%, reflecting the Group's strong operational performance and in line with our progressive dividend policy

Operational highlights

- Land promotion
    - 3,447 plots sold (June 2021: 2,288), higher due to a major disposal at Didcot of 2,170 plots
    - Land bank maintained at 92,981 plots (December 2021: 92,677)

    - 9,615 (December 2021: 12,865) plots with planning permission, all held at cost, following disposals and continued delays in the planning system, with c.30% of the 11,694 plots currently awaiting determination timetabled for a decision in H2

- Property investment & development
    - Committed developments of £262m, with 73% pre-sold or pre-let and 97% of the development costs fixed
    - Approximately 1m sq ft of industrial & logistics development underway (97% pre-sold or pre-let)
    - £1.5bn development pipeline (HB share: £1.2bn), 68% focused on industrial & logistics
    - Investment portfolio value increased to £134m (including JVs) (December 2021: £126m), delivering a total property return of 4.6% over the period
    - Stonebridge Homes has secured 96% of its annual sales target of 200 units for 2022, with a total owned and controlled land bank at 1,164 plots (December 2021: 1,119), We are on track to scale up this business

- Construction
    - The construction segment achieved turnover of growth of 21.6% to £66.5m (June 2021: £54.7m)
    - Henry Boot Construction remains focused on delivering its fully secured order book for 2022 with 52% of 2023 order book secured

- Responsible Business
    - Making good progress on the second phase of our recently launched, Responsible Business Strategy

NOTES:

[1] Return on Capital Employed is an alternative performance measure (APM) and is defined as operating profit/ average of total assets less current liabilities (excluding DB pension surplus) at the opening and closing balance sheet dates

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

[3] Net (debt)/cash is an APM and is reconciled to statutory measures in note 14

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A webcast for analysts and investors will be held at 9.30am today and presentation slides will be available to download via www.henryboot.co.uk. Details for the live dial-in facility and webcast are as follows:

Participants (UK):	Tel: +44 (0)330 336 9601
Password:	9986687
Webcast link:	https://stream.brrmedia.co.uk/broadcast/62fe59b28b876c6ccc6b66e2

About Henry Boot PLC

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

Land Promotion:
Hallam Land Management Limited

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

Construction:
Henry Boot Construction Limited, Banner Plant Limited, Road Link (A69) Limited
The Group possess 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 long-standing plant hire business, and generates strong cash flows from its PFI contract through Road Link (A69) Limited.

www.henryboot.co.uk

CEO Review

Henry Boot has had a very good first half and our expectations for the full year remain in line with market consensus*. Profit before tax has increased significantly to £38.8m (June 2021: £23.1m) up 68%, driven by land disposals and property development activity. The Group's NAV per share has materially increased by 11% to 297p (Dec 2021: 267p). Excluding the defined benefit pension scheme surplus of £8.4m, this still represents an underlying increase of 9% to 291p. ROCE solely in H1 22 was 10.1% (June 2021: 6.3%). These strong results have given us the confidence to increase the half year dividend by 10% to 2.66p.

The Group's performance is driven by a mixture of our strategic and operational actions and the ongoing strength of our three key markets, Industrial & Logistics (I&L), Residential and Urban Development, which continue to provide attractive opportunities.

Hallam Land Management (Hallam Land) and Henry Boot Developments (HBD) have completed or exchanged on contracts with gross sales of £130m (including £21m of forward funding developments) in buoyant markets, whilst being very selective on acquisitions of new opportunities. We have made total purchases of only £10m during the period (June 2021: £55m), which reflects a conscious decision by the Group to slow acquisition spend in a particularly competitive market for assets and in advance of what we anticipate being yet another period of economic uncertainty.

We are taking a balanced approach between responding to short-term market opportunities and continuing to focus on our medium-term objective of growing the business. We have continued to fuel our strategic objectives to grow our committed development programme by investing £18m during the period and to gain scale in Stonebridge Homes by buying £14m of land.

Financially, this puts us in a strong position. The recycling of capital and strong cash flow means, even though we have grown our capital employed to £399m, or by 6%, gearing has reduced, albeit marginally, to a very conservative 11% (net debt of £42.8m) (December 2021: £43.5m), which is at the bottom of our preferred range of 10%-20%. Together with banking facilities that are secured up to January 2025, we are in a good position to trade through, whilst also having the flexibility and resources to identify and act on compelling opportunities to create value, as we did successfully coming out of COVID-19 in late 2020 and early 2021.

Whilst we expect this year's results will be heavily weighted to H1 22 and that some of our markets will adjust as economic output falls, we have had a busy summer and expect to benefit from this momentum in the second half and into 2023, when much of this activity will, from a revenue and profit basis, start to be recognised.

Key highlights for the Group include:

- Hallam Land benefitted from continued demand from housebuilders, selling 3,447 plots (June 2021: 2,288 plots) and, in response to these very strong sales, we have continued to invest in our land bank, replenishing it to 92,981 potential plots (December 2021: 92,667) - all held at cost.

- HBD completed on £37m Gross Development Value (GDV) (HB share) of development properties (all of which has been pre-let or sold) and we now have a committed programme of £262m (HB share) – 73% of which is pre-let/presold. 97% of the development costs have been fixed. Our development pipeline has grown to £1.2bn (HBD share) boosted by being selected to develop the mixed use cyber-led campus at Golden Valley, Cheltenham.

- The investment portfolio, including JVs, increased in value by 2.5% on a like-for-like basis to £134m (December 2021: £126m) and has generated a total return of 4.6% over six months. Having sold the Kitwave unit, Wakefield, post H1 22 for £11.4m (3.3% net initial yield) and with other potential sales identified we are likely to reduce the size of the portfolio in the short term, but with upcoming developments completing next year there are a number of opportunities to replenish the portfolio.

- Stonebridge Homes has already secured 96% of its 200-unit sales target for the year, reflecting the continued strong demand for the premium houses it delivers. Furthermore, with sales prices averaging over 11% ahead of budget, the Group has been able to absorb build-cost inflation of 9%.

- With a full order book, Henry Boot Construction continues to manage cost inflation, and remains on track to hit full year targets, and is selectively winning work for 2023. Banner Plant is trading well in line with the UK construction market.

On a separate note, I am delighted to welcome Serena Lang to the business, who was appointed to the Board as a Non-executive Director with effect from 1 August 2022. Serena brings a wealth of experience and diversity of thought to the Board, having worked across multiple industries.

**Market consensus being the average of current analyst consensus of £47.8m profit before tax, comprising three forecasts from Numis, Peel Hunt and Panmure Gordon.*

Dividend

The Board has declared an interim dividend of 2.66p (June 2021: 2.42p), an increase of 10%, which reflects our progressive dividend policy, the Group's strong operational performance and the Board's confidence in the outlook for the Group. This will be paid on 14 October 2022 to shareholders on the register at the close of business on 30 September 2022.

Strategy

In the beginning of 2021, we set out a medium-term strategy focused around three key markets: I&L, Residential and Urban Development. These markets are driven by long-term structural trends and have all continued to perform well. Demand for I&L space is being driven by an increasingly diverse occupier base, while rising residential land prices reflect the continued appetite amongst housebuilders as planning restricts land availability and the country continues to suffer from a shortage of housing. Urban Development in the form of Build-to-Rent (BtR) is seeing strong rental growth and take up of office space in the key regional cities is recovering with increasing occupier focus on modern stock with the best environmental credentials.

Our ambition is to grow the business, by increasing capital employed from our starting point in 2021 by over 40% to £500m, whilst at the same time continuing to generate a ROCE of 10%-15% per annum and maintaining a progressive dividend policy.

Measure	**Medium-term target**	**Current (H1 22)**	**Future**
Capital employed	To over £500m	£399m as at 30 June 2022	On track to grow capital employed to over £500m
Return on average capital employed	10%-15% per annum	10.1% in H1 22	Expect to be in the upper half of our medium-term target by the year-end
Land promotion plot sales	c.3,500 per annum	3,447 in H1 22	On track to grow sales to 3,500 plots on average per annum
Development completions	Our share c.£200m per annum	Our share £37m in H1 22, with committed programme of £262m in 2022	With a further £112m schemes added to our £1.2bn future pipeline, we are well ahead of our plan to complete £200m per annum on average
Grow investment portfolio	To around £150m	£134m as at 30 June 2022	Value likely to reduce in the short term due to sales identified within the portfolio
Stonebridge homes sales	Up to 600 units per annum	96% secured of 2022 delivery target of 200 units	Focus on securing forward sales for 2023 annual target of 250 plots, which will see turnover approaching £85m as we look to deliver more in the NE
Construction order book secured	Minimum of 65% for the following year	52% for 2023	Continue to secure new work for 2023 order book, with public sector work remaining a key focus

Responsible Business

We recently launched Phase 2 of our Responsible Business Strategy, which aims to align ESG with our commercial strategy, and is guided by three principal objectives:

- To further embed ESG factors into commercial decision making, so that the business adapts, ensuring long-term sustainability and value creation for the Group's stakeholders.
- To empower and engage its people to deliver long-term meaningful change and impact for the communities and environments Henry Boot works in.
- To focus on issues deemed to be most significant and material to the business and hold ourselves accountable by reporting regularly on progress.

Alongside these objectives, the strategy sets out targets, which we aim to achieve by the end of 2025. I am pleased to report that even though they have only recently been set, we are making good progress against them.

Six-month performance against our medium-term targets

Our People	Performance	**Our Places**	Performance
Develop and deliver a Group-wide Health and Wellbeing Strategy	Strategy in collaboration with our people is progressing well, with a target launch later in 2022.	Contribute £1,000,000 of financial (and equivalent) value to our charitable partners	£94,132 has been contributed so far.
Increase gender representation in management positions with 25% of our team and line managers being female	Currently 24% (December 2021 22%) of our team is female.	Contribute 7,500 volunteering hours to a range of community, charity and education projects	561 volunteering hours delivered since the launch of volunteering programme in June 2022.
Our Planet	Performance	**Our Partners**	Performance
Reduce Scope 1 and 2 GHG emissions by over 20% to support reaching NZC by 2030	Total direct GHG emissions (Scopes 1 and 2) in 2021 were 2,706 tonnes, which equates to an 18% reduction from the 2019 baseline.	Pay all of our suppliers the real living wage and secure accreditation with the Living Wage Foundation	Engaged with the Living Wage Foundation, and a review is being undertaken of requirements to secure membership.
Reduce consumption of avoidable plastic by 50%	Sustainability audits were completed in June. Further actions based on the audit findings will take place in H2.	Collaborate with all our partners to reduce our environmental impact	Closely engaging with our sub-contractors and suppliers to identify opportunities to reduce environmental impact.

In conjunction with our strategy, we are also committed to ensuring that all the properties within the investment portfolio have a minimum EPC rating of ‘C’. Currently 90% of these properties have a rating of ‘C’ or higher of which 45% are rated either ‘A’ or ‘B’. Out of the properties that have a ‘C’ rating or lower, 42% of properties have redevelopment potential with a target range of ‘A’ or ‘B’.

Outlook

The Group has begun the second half of 2022 positively and, whilst performance is expected to be heavily H1 22 weighted, we anticipate achieving a year-end ROCE in the upper half of our target range of 10%-15%. We are also building up forward sales for 2023 and beyond. Hallam Land has exchanged on 1,282 residential plots, which will complete in 2023/24. This includes exchanging on a 125-plot site in Tonbridge for a significant sale price showing an ungeared internal rate of return of 27% p.a. In HBD, we have 73% of our committed programme pre-let or pre-funded and have taken advantage of strong pricing in industrial, by selling the Kitwave Unit, Wakefield at £11.4m reflecting a net initial yield of 3.3% and 23% premium to its December 21 book value. Stonebridge Homes is making the most of strong demand and has already secured 21% of pre-sales for 2023.

Whilst our markets, to varying degrees, adjust to the uncertainty in the economy, and we continue to mitigate against supply restrictions plus associated cost inflation as well as a planning system, which is becoming more complex to navigate, our strong balance sheet, low gearing and a portfolio rich with opportunity leave us in a good position. Moreover, we continue to have confidence in the long-term strength of our markets, our people's high level of commitment and skills, plus our ability to grow and realise clear strategic objectives.

Tim Roberts
Chief Executive Officer

Business Review

Land Promotion

Hallam Land has traded very well in H1 22, achieving an operating profit of £17.2m (June 2021: £14.8m) from selling 3,447 plots (June 2021: 2,288 plots) at 6 locations. Total plot sales are materially higher this year due to a major disposal at Didcot of 2,170 plots to Taylor Wimpey and Persimmon Homes.

UK greenfield land values increased by 3.6% in the six months to 30 June 2022 and are up 9.9% over the last year according to Savills Research. A strong housing market has underpinned robust demand for sites as many housebuilders are actively seeking land to supply their pipeline, to meet customer needs and their growth targets.

Despite a high level of plot sales, Hallam Land's land bank grew to 92,981 plots (December 2021: 92,667 plots), of which 9,615 plots (December 2021: 12,865 plots) have planning permission (or Resolution to Grant subject to S106). The decrease in plots with planning permissions reflect disposals in the period and continued delays in the planning system. In H1 22, there were 669 plots submitted for planning, taking the total plots awaiting determination to 11,694 (December 2021: 11,259 plots).

Whilst the planning system has seen delays caused by COVID-19, we continue to encounter other complexities including biodiversity net gain, nutrient neutrality and water neutrality, all of which add additional time to the planning process. However, c.30% of the 11,694 plots awaiting determination are timetabled for a decision this year, plus on top of this, there will be another 625 plots submitted for planning by the end of the year.

Residential Land Plots

	With permission				In planning	Future	Total
	b/f	granted	sold	c/f			
H1 22	12,865	227	(3,477)	9,615	11,694	71,672	92,981
2021	15,421	452	(3,008)	12,865	11,259	68,543	92,667
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

There is significant latent value in the Group's strategic land portfolio which is held as inventory at the lower of cost or net realisable value. As such, no uplift in value is recognised within our accounts relating to any of the 9,615 plots and any increase in value created from securing planning permission will only be recognised on disposal. The average gross profit per plot has reduced to £5,962 (December 2021: £7,820) during H1 22 due to the large-scale sale at Didcot.

In relation to other significant schemes, at Eastern Green, Coventry, which comprises 2,400 plots and 37 acres of commercial development, we are negotiating towards the sale of the first phase of 250 plots which we expect to complete later this year. Furthermore, at Swindon, the 2,000 plot site with outline consent that we control jointly with Taylor Wimpey, we have settled terms with the landowners and hope to complete the acquisition in the Autumn.

Hallam Land's immediate trading outlook is positive and remains firmly on track to achieve its annual target, however, activity over H2 will be more aimed at sales for 2023 and beyond. In this regard, Hallam Land already has a total of

1,282 plots unconditionally exchanged for completion in 2023 and 2024, including the significant transaction at Tonbridge, where we recently exchanged on the sale of 125 plots to Cala Homes.

Residential Land Plots – Regional Split		
Region	**Plots**	**Percentage**
Scotland	10,156	11%
North	9,631	10%
North Midlands	19,745	21%
South Midlands	20,705	22%
South	6,760	7%
South East	5,030	5%
South West	20,954	23%
Totals	**92,981**	**100%**

Property Investment and Development

Property Investment and Development, which includes HBD and Stonebridge Homes, delivered a combined operating profit of £19.6m (June 2021: £8.2m).

According to the CBRE Monthly Index, commercial property values increased by 7.1% in the six months to 30 June 2022. Industrial property continued to outperform the retail and office sectors driven by rental value growth of 5.6% reflecting strong occupier take-up, which totalled 22.6m sq ft in H1 22 as the vacancy rate reached a new low of 1.2% (units above 100,000 sq ft). Whilst property yields are expected to soften in H2 2022, due to increased pressure from rising interest rates, the rental growth outlook for I&L space remains positive given the level of active demand and lack of available space.

HBD completed four developments with a total GDV of £51m (HBD share: £37m), with 100% of these either sold or let:

- Two industrial units with a combined 147,000 sq ft of space completed in H1 22. At Luton, HBD completed an 82,000 unit, while at our flagship Wakefield Hub, Kitwave took occupation of a 65,000 sq ft warehouse unit, which has subsequently been acquired by ABRDN for £11.4m, with the sale price reflecting a Net Initial Yield of 3.3%, a 23% premium to December 21 book valuation.
- Two land sales have also completed, comprising a 184-unit housing scheme in Skipton, which was pre-sold to Bellway, as well as a land sale in Aberdeen to the City Council for the construction of 536 council houses.

In total, HBD has a committed development pipeline with a total GDV of £343m (HBD share: £262m), with 73% currently pre-let or pre-sold and 97% of the development costs fixed.

2022 Committed Programme

Scheme	GDV (£m)	Share of GDV (£m)	Commercial ('000 sq ft)	Residential (units)	Status	Completion
Industrial						
Pool, MKM	4	4	15	–	Pre-let	Q3 22
Southend	12	12	75	–	47% now let	Q3 22
Nottingham, New Horizon	54	54	426	–	Forward funded	Q2 23
Wakefield Hub, Plot 6	44	22	260	–	Forward funded	Q1 23
Walsall, Phoenix 10	37	37	–	–	Forward funded	Q2 24
Luton, Diploma	20	20	85	–	Pre-let	Q2 23

Preston East, DPD & DHL	30	15	122	–	Pre-sold	Q3 23
	201	164	983	–		
Urban Residential						
Birmingham, Setl	32	32	–	101	BtS, speculative	Q3 23
York, Clocktower	8	8	–	21	BtS, forward funded	Q4 22
York, TDT	22	22	–	N/A	Pre-sold care home	Q1 23
Aberdeen, Bridge of Don	12	1	–	420	To be pre-sold	Q2 23
Aberdeen, Cloverhill	2	2	–	–	DM fee	Q2 24
	76	65	–	542		
Urban Commercial						
Manchester, Island	66	33	91	–	Speculative offices	Q2 24
Total for year	**343**	**262**	**1,074**	**542**		
% sold or pre-let (inc. Island)	**83%**	**73%**				

Within the committed programme, there is currently c.1m sq ft of I&L space (HBD Share: £164m GDV), a total of 542 urban residential units (HBD Share £65m GDV) and 91,000 sq ft of commercial space (HBD Share: £33m GDV). In this regard:

- In H1 22, work commenced on a 260,000 sq ft unit at Wakefield Hub, which has been pre-let to a German pharmaceutical company and forward-funded to an institution. Completion is due H1 2023.
- Remediation works on site at Phoenix 10, Walsall are progressing well, in readiness for the first phase (620,000 sq ft) of development to commence in Q4 2023.
- 85,000 sq ft pre-let to Diploma (part of The Shoal Group), was granted planning permission in H1 22 and is expected to start on site in Oct 2022.
- At Preston East, following pre lets to DPD & DHL, an extra 122,000 sq ft of industrial development has been added to the committed programme.
- Following completion of the land sale at Cloverhill, Aberdeen in January 2022, HBD has been retained as development manager for the duration of the construction.

HBD's total development pipeline has grown to a GDV of £1.5bn (HBD share: £1.2bn). All of these opportunities sit within the Company's three key markets of I&L (68%), Urban Residential (21%) and Urban Commercial (11%). In the first half, HBD was appointed as development partner on the first phase (HBD share: £50m GDV) of Cheltenham Borough Council's £1 billion Golden Valley development which comprises the delivery of a mixed-use campus clustered around a 150,000 sq ft innovation space that will serve as the new National Cyber Innovation Centre.

In the near-term development pipeline, there are two significant I&L schemes totalling £150m GDV (HBD share: £46m), located at Rainham (in JV with Barings) and Welwyn. Both projects are looking to commit to developing subject to a final review of occupier demand and looking to manage risk through appropriate levels of pre-let or forward-funding.

Within the total development pipeline there are several developments that showcase the Group's ESG ambitions and credentials by targeting both EPC 'A' rating and BREEAM Excellent. These include, Island, Manchester, which will see the sustainable development of a 10-storey building providing c.100,000 sq ft of net zero carbon, smart-enabled office accommodation; and at Rainham, the industrial developments which will be built using low carbon and/or recycled materials and be 100% electric buildings using no fossil fuels by design.

The total value of the Group's investment portfolio (including share of properties held in JVs) has increased to £134m (December 2021: £126m). The underlying valuation of 2.5% was principally as a result of the growth in rental values for

I&L assets, with the portfolio also increasing through the retention of the completed development at Butterfield Business Park, Luton (£5.4m). During the period occupancy increased to 92% (December 2021: 85%) primarily reflecting lettings at Montagu 406, Enfield and City Court, Manchester Estates.

Rent collection for H1 22 stands at 98% with the weighted average unexpired lease term now 15.0 years (13.5 years to first break). The total property return of 4.6% for the six months to 30 June 2022, was below the return from the CBRE UK Monthly Index (9.4%) largely as a result of a modest increase in the portfolio equivalent yield over the period, whilst the wider market continued to see overall yield compression. It is believed the yield movement was largely a timing issue with some valuers reflecting outward yield shift before others in light of rising interest rates.

Stonebridge Homes has now secured 96% of its 2022 delivery target of 200 units. The average selling price for private units to date has increased 7% over the past year £512k (June 2021: £487k) alongside an average sales rate of 0.6 units per week per outlet in line with our target (June 2021: 0.9), which was adjusted due to stock reducing as a result of a strong performing market in 2021.

As a result of sales prices being 11.3% ahead of budget, a 9% building cost inflation has been effectively managed. However, material supply difficulties have impacted the current rate of build, but this is starting to ease, so there is anticipation that the build programme will catch up during the year.

Stonebridge Homes' total owned and controlled land bank has grown marginally to 1,164 units (June 2021: 1,125). 919 units have either detailed or outline planning, with 245 units without planning. In H1 22, planning permission was secured for 145 new homes across two sites, at Barnard Castle and Masham, following which we finalised their purchase for £7.3m in total. Post half year, a further site located at Great Ouseburn, has achieved planning and been acquired for £3.1m, with the potential of delivering 46 units.

As a result of these activities, there is now 3.6 years' supply in Stonebridge Homes' land bank, based on a one-year rolling forward sales forecast for land with planning, or 4.6 years for its full land bank.

Looking ahead, Stonebridge Homes will focus on securing forward sales for 2023 target, which is to deliver 250 units. Currently, despite the increase seen in the cost of living, there has not been a reduction in customer demand. Finally, marketing has recently begun at Barnard Castle, making it Stonebridge Homes' first site in the North-East to do so.

Construction

Trading in the Group's construction segment has been strong, achieving an operating profit of £6.3m (June 2021: £4.3m).

Henry Boot Construction is trading in line with expectations and remains focused on delivering its fully secured order book for 2022 and securing contracts for 2023's order book, which is currently 52% secured. 96% of this year's order book has fixed price orders placed or contractual inflation clauses.

Work on the £38.9m BtR residential scheme Kangaroo Works in Sheffield is on track to be completed in Spring 2023. Good progress has also been made on the £47m urban residential development, Cocoa Works, in York, with the seven-storey 279 apartment scheme due for completion at the end of 2023.

Work on Block H at the Cambridge Street Collective, a £42m urban development contract in Sheffield, has experienced archaeology and supply issues and, unfortunately, this has resulted in the target completion date being pushed back by 3 months to Q2 2023.

Public sector work remains a key focus for the order book, with the business currently sitting on 11 frameworks. As previously reported earlier this year, Henry Boot Construction secured a place on both the P23 NHS Framework, for projects up to £20m and the new regional YORbuild3 medium value framework for projects between £4m and £10m. Following this, a place on the STHFT Framework has been secured for projects between £1m and £5m.

Banner Plant is performing well, achieving an asset utilisation rate of 75% on its plant hire equipment. Road Link (A69) is also performing well with traffic levels remaining stable and are anticipating a slight uplift in revenues during H2 as current inflation feeds into its pricing formula.

FINANCIAL REVIEW

Consolidated statement of comprehensive income

Group revenue for the period increased by 11.9% to £144.4m (30 June 2021: £129.0m) following an increase in the number of live development contracts, along with land and property sales and the ongoing delivery of construction contracts. Revenue from Land Promotion decreased despite increasing profits, as the business delivered returns through agency agreements rather than from owned land sales, generating less revenue but with much higher margins.

Gross profit was 24.4% higher at £43.9m (30 June 2021: £35.3m) and was supported by increasing profit levels in all three operating segments. Administrative expenses increased by £2.5m (30 June 2021: increased £0.4m). This reflects the current and future growth ambitions of the business, and includes investment in our people, systems, automation and ESG.

Pension costs decreased to £2.2m (30 June 2021: £4.1m) as the prior year included one-off closure costs of the Group's defined benefit pension scheme to future accrual of £2.1m, reducing the Group's risk exposure to future fluctuations.

Fair value of investment properties increased by £3.4m (30 June 2021: increase £2.1m) largely from development profits on self-built retained assets with marginal net uplifts on existing assets. Profits on sale of investment properties were £nil (30 June 2021: £1.2m). The Group's share of profit from joint ventures and associates grew significantly to £10.4m (30 June 2021: £2.5m) reflecting the increasing amount of property development activities undertaken with our partners and, in particular, the disposal of a residential site in Aberdeen.

This helped drive a 69% increase in operating profit to £39.1m (30 June 2021: £23.1m) which flowed through to a profit before tax of £38.8m (30 June 2021: £23.1m), reflecting the growth in activity and transactions across all three operating segments. Earnings per share followed, growing 70.9% to 24.1p (30 June 2021: 14.1p).

Return on capital employed

Higher operating profit in the period saw an increased return on capital employed (ROCE) of 10.1% over a six-month period (30 June 2021: 6.3%). Over a 12-month period we continue to believe a target return of 10-15% is appropriate for our current operating model although at current activity levels, we expect to be in the upper half of our medium-term target by the year-end.

Finance and gearing

Net financing costs were £0.3m (30 June 2021: £0.1m income) reflecting continued low interest rates and the Group's prudent debt levels.

At 30 June 2022, net debt was £42.8m (31 December 2021: net debt of £43.5m). The Group continues to recycle profits back into existing schemes and opportunities, growing investments in joint ventures, inventory and investment property (including assets held for sale).

Gearing levels have slightly decreased to 11.0% (31 December 2021: 12.2%) at the bottom end of our preferred operating range of 10%-20% as we remain selective on new investments in an uncertain market but ready to react to compelling opportunities which might arise.

Cash flows

Operating cash inflows before movements in working capital were £23.4m (30 June 2021: £16.8m).

Working capital requirements have increased in line with trading activity levels, including transactions on deferred payment terms and from investment in inventory, resulting in working capital outflows of £22.9m (30 June 2021: £41.4m outflow) which, in turn, meant that operations generated funds of £0.5m (30 June 2021: utilised £24.6m). After interest paid of £0.5m (30 June 2021: £0.3m) and tax paid of £1.0m (30 June 2021: £1.7m) net cash outflows from operating activities were £1.1m (30 June 2021: £26.6m).

Including distributions received from joint ventures and associates of £7.0m (30 June 2021: £0.2m), net cash inflows from investing activities were £7.8m (30 June 2021: £8.7m outflow).

The final dividend on ordinary shares for 2021 increased by 10% to £4.8m (30 June 2021: £4.4m).

Statement of financial position

Total non-current assets were £169.6m (31 December 2021: £164.7m). Significant movements arose as follows:

- a £3.4m decrease (30 June 2021: increase £11.8m) in the value of investment properties, being acquisitions of £nil (30 June 2021: £6.2m), subsequent capital expenditure of £nil (30 June 2021: £8.7m), transfers from inventory £4.5m (30 June 2021: £nil) a revaluation gain of £3.4m (30 June 2021: gain of £2.1m), disposals of £nil (30 June 2021: £5.2m), and transfers to assets held for sale of £11.1m (30 June 2021: £nil);
- Investments in joint ventures and associates increased by £3.4m to £15.6m (31 December 2021: £12.2m), being profits generated of £10.4m less distributions of £7.0m;
- the increase of the liabilities discount rate applied to the defined benefit pension scheme valuation under IAS 19 to 3.9% (31 December 2021: 2.0%), has eliminated scheme net liabilities and resulted in a scheme surplus of £8.4m (31 December 2021: £12.2m liability). The pension scheme asset is recognised on balance sheet as scheme rules require any excess surplus after settlement of all scheme liabilities be returned to the sponsoring employer; and
- a decrease in deferred tax assets of £3.1m (30 June 2021: £1.5m increase) arising from the decrease in retirement benefit obligations relating to the Group's defined benefit pension.

Current assets were £51.2m higher at £398.4m (31 December 2021: £347.2m) resulting from:

- an uplift in inventories to £252.9m (31 December 2021: £235.3m) mainly resulting from growth in the Groups housebuilder inventory while replenishing property development and strategic land WIP;
- higher trade and other receivables of £100.1m (31 December 2021: £91.4m) as transactional activity increases in property development and construction;
- cash and cash equivalents which were £10.4m higher at £21.5m (31 December 2021: £11.1m) due to current cash requirements and timing on loan repayments; and
- assets held for sale of £11.1m (31 December 2021: £nil) which relates to a single property asset in Wakefield that was well progressed through the sales process at the half year and completed in August.

Total liabilities rose to £171.7m (31 December 2021: £156.6m) with the most significant changes arising from:

- trade and other payables, including contract liabilities, increased £13.7m to £92.6m (31 December 2021: £78.9m);
- borrowings, including lease liabilities, increased to £64.3m (31 December 2021: £54.6m) as the Group continues to invest in operational assets; and
- the elimination of the defined benefit pension scheme liability (31 December 2021: £12.2m) noted in the asset section above.

Retained earnings, along with the pension surplus, saw net assets increase to £396.3m (31 December 2021: £355.3m) with the net asset value per share increasing by 11.2% to 297p (31 December 2021: 267p), an underlying increase of 9.4% to 292p (Dec 2021: 267p) when excluding the defined benefit pension scheme surplus net of tax liability.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the half year ended 30 June 2022

	Half year ended 30 June	Half year ended 30 June	Year ended 31 December

	2022	2021	2021
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Revenue	**144,414**	128,959	230,598
Cost of sales	**(100,528)**	(93,691)	(175,052)
Gross profit	**43,886**	35,268	55,546
Administrative expenses	**(16,361)**	(13,888)	(32,174)
Pensions expense	**(2,235)**	(4,132)	(6,039)
	25,290	17,248	17,333
Increase in fair value of investment properties	**3,443**	2,081	7,972
Profit on sale of investment properties	**16**	1,248	1,340
Share of profit of joint ventures and associates	**10,376**	2,496	8,928
Operating profit	**39,125**	23,073	35,573
Finance income	**535**	599	724
Finance costs	**(883)**	(531)	(1,155)
Profit before tax	**38,777**	23,141	35,142
Tax	**(6,071)**	(3,151)	(4,482)
Profit for the period from continuing operations	**32,706**	19,990	30,660
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Revaluation of Group occupied property	—	(144)	—
Deferred tax on property revaluations	—	—	(282)
Actuarial gain on defined benefit pension scheme	**18,842**	12,820	23,297
Deferred tax on actuarial gain	**(4,710)**	(1,436)	(4,840)
Total other comprehensive income not being reclassified to profit or loss in subsequent periods	**14,132**	11,240	18,175
Total comprehensive income for the period	**46,838**	31,230	48,835
Profit for the period attributable to:			
Owners of the Parent Company	**32,065**	18,678	28,160
Non-controlling interests	**641**	1,312	2,500
	32,706	19,990	30,660
Total comprehensive income attributable to:			
Owners of the Parent Company	**46,197**	29,918	46,335
Non-controlling interests	**641**	1,312	2,500
	46,838	31,230	48,835
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the period	**24.1p**	14.1p	21.2p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the period	**23.7p**	13.9p	20.9p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30 June 2022

	30 June	30 June	31 December
	2022	2021	2021

	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Assets			
Non-current assets			
Intangible assets	**3,321**	4,116	3,716
Property, plant and equipment	**27,975**	25,546	26,349
Right of use assets	**1,290**	1,878	1,581
Investment properties	**100,740**	94,518	104,177
Investment in joint ventures and associates	**15,581**	8,139	12,165
Retirement benefit asset	**8,361**	—	—
Trade and other receivables	**12,003**	20,879	13,304
Deferred tax assets	**332**	5,871	3,389
	169,603	160,947	164,681
Current assets			
Inventories	**252,894**	209,415	235,296
Contract assets	**12,761**	8,519	7,556
Trade and other receivables	**100,061**	88,648	91,359
Current tax receivables	—	—	1,828
Cash and cash equivalents	**21,526**	16,904	11,116
Assets classified as held for sale	**11,137**	—	—
	398,379	323,486	347,155
Liabilities			
Current liabilities			
Trade and other payables	**82,250**	73,052	72,155
Contract liabilities	**7,730**	4,237	5,033
Current tax liabilities	**2,876**	2,596	—
Borrowings	**62,941**	27,927	52,941
Lease liabilities	**559**	631	639
Provisions	**4,511**	4,339	5,427
	160,867	112,782	136,195
Net current assets	**237,512**	210,704	210,960
Non-current liabilities			
Trade and other payables	**2,571**	4,959	1,669
Lease liabilities	**791**	1,343	1,021
Retirement benefit obligations	—	23,389	12,228
Deferred tax liability	**6,573**	—	4,582
Provisions	**855**	1,355	855
	10,790	31,046	20,355
Net assets	**396,325**	340,605	355,286
Equity			
Share capital	**13,747**	13,729	13,732
Property revaluation reserve	**2,060**	2,198	2,060
Retained earnings	**370,229**	314,509	328,348

Other reserves	**7,139**	6,685	6,744
Cost of shares held by ESOP trust	**(966)**	(1,044)	(1,044)
Equity attributable to owners of the Parent Company	**392,209**	336,077	349,840
Non-controlling interests	**4,116**	4,528	5,446
Total equity	**396,325**	340,605	355,286

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the half year ended 30 June 2022

	Attributable to owners of the Parent Company							
	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 1 January 2021	13,718	2,342	288,514	6,404	(1,176)	309,802	3,686	313,488
Profit for the period	—	—	18,678	—	—	18,678	1,312	19,990
Other comprehensive income	—	(144)	11,384	—	—	11,240	—	11,240
Total comprehensive income	—	(144)	30,062	—	—	29,918	1,312	31,230
Equity dividends	—	—	(4,394)	—	—	(4,394)	(470)	(4,864)
Proceeds from shares issued	11	—	—	281	—	292	—	292
Share-based payments	—	—	327	—	132	459	—	459
	11	—	(4,067)	281	132	(3,643)	(470)	(4,113)
At 30 June 2021 (unaudited)	**13,729**	**2,198**	**314,509**	**6,685**	**(1,044)**	**336,077**	**4,528**	**340,605**

At 1 January 2021	13,718	2,342	288,514	6,404	(1,176)	309,802	3,686	313,488
Profit for the year	—	—	28,160	—	—	28,160	2,500	30,660
Other comprehensive income	—	(282)	18,457	—	—	18,175	—	18,175
Total comprehensive income	—	(282)	46,617	—	—	46,335	2,500	48,835
Equity dividends	—	—	(7,620)	—	—	(7,620)	(740)	(8,360)
Proceeds from shares issued	14	—	—	340	—	354	—	354
Share-based payments	—	—	837	—	132	969	—	969
	14	—	(6,783)	340	132	(6,297)	(740)	(7,037)
At 31 December 2021 (audited)	**13,732**	**2,060**	**328,348**	**6,744**	**(1,044)**	**349,840**	**5,446**	**355,286**
Profit for the period	—	—	32,065	—	—	32,065	641	32,706
Other comprehensive income	—	—	14,132	—	—	14,132	—	14,132
Total comprehensive income	—	—	46,197	—	—	46,197	641	46,838
Equity dividends	—	—	(4,833)	—	—	(4,833)	(1,971)	(6,804)
Proceeds from shares issued	15	—	—	395	—	410	—	410
Share-based payments	—	—	517	—	78	595	—	595
	15	—	(4,316)	395	78	(3,828)	(1,971)	(5,799)
At 30 June 2022 (unaudited)	**13,747**	**2,060**	**370,229**	**7,139**	**(966)**	**392,209**	**4,116**	**396,325**

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the half year ended 30 June 2022

	Half year ended 30 June 2022 Unaudited £'000	Half year ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Cash flows from operating activities			
Cash generated from operations	**518**	(24,576)	(38,665)
Interest paid	**(549)**	(345)	(792)
Tax paid	**(1,030)**	(1,670)	(4,299)
Net cash flows from operating activities	**(1,061)**	(26,591)	(43,756)
Cash flows from investing activities			
Purchase of intangible assets	—	(203)	(203)
Purchase of property, plant and equipment	**(335)**	(680)	(861)
Purchase of investment property	**283**	(14,893)	(17,317)
Purchase of investment in associate	—	(3)	(2)
Proceeds on disposal of property, plant and equipment	**184**	139	301
Proceeds on disposal of investment properties	—	6,427	6,651
Movement in receivables from joint ventures and associates	**382**	—	(12,999)
Proceeds on disposal of investment in joint ventures	—	—	4,252
Distributions received from joint ventures and associates	**6,960**	200	2,155
Interest received	**372**	280	129
Net cash flows from investing activities	**7,846**	(8,733)	(17,894)
Cash flows from financing activities			
Proceeds from shares issued	**410**	292	354
Movement in payables from joint ventures and associates	**358**	—	(701)
Decrease in borrowings	**(30,000)**	—	(14,969)
Increase in borrowings	**40,000**	15,017	55,000
Principal element of lease payments	**(339)**	(342)	(683)
Dividends paid – ordinary shares	**(4,822)**	(4,383)	(7,599)
– non-controlling interests	**(1,971)**	(470)	(740)
– preference shares	**(11)**	(11)	(21)
Net cash flows from financing activities	**3,625**	10,103	30,641
Net increase/(decrease) in cash and cash equivalents	**10,410**	(25,221)	(31,009)
Net cash and cash equivalents at beginning of period	**11,116**	42,125	42,125
Net cash and cash equivalents at end of period	**21,526**	16,904	11,116

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the half year ended 30 June 2022

1. GENERAL INFORMATION

The Company is a public limited company, listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office is Banner Cross Hall, Ecclesall Road South, Sheffield, United Kingdom, S11 9PD.

The financial information set out above does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and is neither audited nor reviewed. The Financial Statements for the year ended 31 December 2021, which were prepared in accordance with UK-adopted International Accounting Standards, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The Independent Auditors' Report was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half-yearly financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with UK adopted International Accounting Standard IAS 34 'Interim Financial Reporting'.

The half-yearly financial information has been prepared using the same accounting policies and methods of computation as compared with the annual Financial Statements for the year ended 31 December 2021.

A number of other standards, amendments and interpretations became effective from 1 January 2022, which do not have a material impact on the Group's financial statements or accounting policies.

Going Concern

The Group meets its day-to-day working capital requirements through a secured loan facility. The facility was renewed on the 23 January 2020, at a level of £75m, for a period of three years and extended in January 2021 and January 2022 by a further two years to 23 January 2025 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by a further £30m.

The Directors have considered the Group's principal risk areas, including the impact of price inflation and interest rate rises, that they consider material to the assessment of going concern.

The Directors have prepared forecasts to 31 December 2023 covering base case and a severe downside scenario.

Having conducted significant stress testing at the year-end they have further considered the outcome of our half year position and their latest forecasts, whilst taking into account the current trading conditions, the markets in which the Group's businesses operate and associated credit risks together with the available committed banking facilities and the potential mitigations that can be taken, to protect operating profits and cash flows.

The severe downside scenario considered includes short-term curtailment in transactional activity and percentage reductions in other activities mirroring recent downturn experiences. This is followed by a short to medium-term recovery, coupled with the ability to manage future expenditure as described in the 2021 Annual Report.

As reported in the 2021 Annual Report, the most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 16% reduction in revenue and near 70% reduction in PBT from our base case for 2022, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2023.

Their review supports the view that 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 half-yearly financial information

Estimates and Judgements

The preparation of half-yearly financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-yearly financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2021.

Goodwill
Goodwill is subjected to an impairment test at the reporting date or when there has been an indication that the goodwill should be impaired, any loss is recognised immediately through the Consolidated Statement of Comprehensive Income and is not subsequently reversed.

3. 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.

The accounting policies of the reportable segments are the same as the Group's accounting policies as detailed above.

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.

	Half year ended 30 June 2022 Unaudited					
	Property investment and development £'000	**Land promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
Revenue						
External sales	**56,837**	**24,741**	**62,836**	**—**	**—**	**144,414**
Inter-segment sales	**145**	**—**	**3,685**	**214**	**(4,044)**	**—**
Total revenue	**56,982**	**24,741**	**66,521**	**214**	**(4,044)**	**144,414**
Gross profit/(loss)	**13,042**	**20,409**	**10,368**	**85**	**(18)**	**43,886**
Administrative expenses and pension	**(7,233)**	**(3,250)**	**(4,040)**	**(4,091)**	**18**	**(18,596)**
Other operating income	**13,835**	**—**	**—**	**—**	**—**	**13,835**
Operating profit/(loss)	**19,644**	**17,159**	**6,328**	**(4,006)**	**—**	**39,125**
Finance income	**724**	**310**	**482**	**5**	**(986)**	**535**
Finance costs	**(740)**	**(77)**	**(190)**	**(1,074)**	**1,198**	**883**
Profit/(loss) before tax	**19,628**	**17,392**	**6,620**	**(5,075)**	**212**	**38,777**
Tax	**(1,904)**	**(3,304)**	**(1,717)**	**854**	**—**	**(6,071)**
Profit/(loss) for the period	**17,724**	**14,088**	**4,903**	**(4,221)**	**212**	**32,706**

	Half year ended 30 June 2021 Unaudited					
	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000

Revenue						
External sales	37,396	39,536	52,027	—	—	128,959
Inter-segment sales	148	—	2,646	283	(3,077)	—
Total revenue	37,544	39,536	54,673	283	(3,077)	128,959
Gross profit/(loss)	8,989	17,684	8,615	7	(27)	35,268
Administrative expenses and pension	(6,573)	(2,866)	(4,337)	(4,271)	27	(18,020)
Other operating income/(expense)	5,828	(3)	—	—	—	5,825
Operating profit/(loss)	8,244	14,815	4,278	(4,264)	—	23,073
Finance income	1,326	385	382	1,920	(3,414)	599
Finance costs	(1,899)	(126)	(229)	(1,059)	2,782	(531)
Profit/(loss) before tax	7,671	15,074	4,431	(3,403)	(632)	23,141
Tax	(187)	(2,865)	(815)	716	—	(3,151)
Profit/(loss) for the period	7,484	12,209	3,616	(2,687)	(632)	19,990

	Year ended 31 December 2021 Audited					
	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
Revenue						
External sales	69,360	58,563	102,675	—	—	230,598
Inter-segment sales	290	—	7,606	526	(8,422)	—
Total revenue	69,650	58,563	110,281	526	(8,422)	230,598
Gross profit/(loss)	14,924	23,257	17,363	52	(50)	55,546
Administrative expenses and pension	(14,959)	(5,726)	(8,401)	(9,177)	50	(38,213)
Other operating income/(expense)	18,296	(56)	—	—	—	18,240
Operating profit/(loss)	18,261	17,475	8,962	(9,125)	—	35,573
Finance income	4,538	698	765	19,060	(24,337)	724
Finance costs	(7,002)	(139)	(467)	(2,303)	8,756	(1,155)
Profit/(loss) before tax	15,797	18,034	9,260	7,632	(15,581)	35,142
Tax	(2,927)	(2,244)	(1,798)	2,487	—	(4,482)
Profit/(loss) for the year	12,870	15,790	7,462	10,119	(15,581)	30,660

	30 June 2022 Unaudited £'000	30 June 2021 Unaudited £'000	31 December 2021 Audited £'000
Segment assets			
Property investment and development	**336,185**	263,820	310,421
Land promotion	**142,619**	156,621	145,596
Construction	**55,395**	37,585	43,205
Group overheads	**3,564**	3,632	2,323
	537,763	461,658	501,545

Unallocated assets			
Retirement benefit assets	**8,361**	—	—
Deferred tax assets	**332**	5,871	3,389
Current tax receivables	—	—	1,828
Cash and cash equivalents	**21,526**	16,904	11,116
Total assets	**567,982**	484,433	517,878
Segment liabilities			
Property investment and development	**35,104**	32,999	36,169
Land promotion	**10,753**	11,016	11,523
Construction	**48,035**	40,916	40,418
Group overheads	**4,025**	3,012	3,071
	97,917	87,943	91,181
Unallocated liabilities			
Current tax liabilities	**2,876**	2,596	—
Deferred tax liabilities	**6,573**	—	4,582
Current lease liabilities	**559**	631	639
Current borrowings	**62,941**	27,927	52,941
Non-current lease liabilities	**791**	1,342	1,021
Retirement benefit obligations	—	23,389	12,228
Total liabilities	**171,657**	143,828	162,592
Total net assets	**396,325**	340,605	355,286

4. REVENUE

The Group's revenue is derived from contracts with customers. In the following table, revenue is disaggregated by primary activity, being the Group's operating segments and timing of revenue recognition:

		Timing of revenue recognition			**Timing of revenue recognition**	
Activity in the United Kingdom	**30 June 2022 Unaudited £'000**	**At a point in time**	**Over time**	**30 June 2021 Unaudited £'000**	**At a point in time**	**Over time**
Construction contracts:						
- Construction	48,004	—	48,004	38,796	—	38,796
- Property investment and development	12,356	—	12,356	4,095	—	4,095
Sale of land and properties:						
- Property investment and development	26,509	26,509	—	6,980	6,980	—
- House builder unit sales	15,007	15,007	—	23,504	23,504	—
- Land promotion	24,645	24,645	—	39,455	39,455	—
PFI concession	6,162	6,162	—	4,886	4,886	—
Revenue from contracts with customers	**132,683**	**72,323**	**60,360**	**117,716**	**74,825**	**42,891**
Plant and equipment hire	8,670			8,345		
Investment property rental income	2,914			2,620		
Other rental income – property development	51			197		
Other rental income – land promotion	96			81		

	144,414	**128,959**

5. EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is calculated on the weighted average number of shares in issue. Diluted earnings per ordinary share is calculated on the weighted average number of shares in issue adjusted for the effects of any dilutive potential ordinary shares.

6. DIVIDENDS

	Half year ended 30 June 2022 Unaudited £'000	Half year ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Amounts recognised as distributions to equity holders in period:			
Preference dividend on cumulative preference shares	**11**	11	21
Interim dividend for the year ended 31 December 2021 of 2.42p per share (2020: 2.20p)	**—**	—	3,216
Final dividend for the year ended 31 December 2021 of 3.63p per share (2020: 3.30p)	**4,822**	4,383	4,383
	4,833	4,394	7,620

An interim dividend amounting to £3,550,000 (2021: £3,216,000) will be paid on 14 October 2022 to shareholders whose names are on the register at the close of business on 30 September 2022. The proposed interim dividend has not been approved at the date of the Consolidated Statement of Financial Position and so has not been included as a liability in these Financial Statements.

7. TAX

	Half year ended 30 June 2022 Unaudited £'000	Half year ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Current tax:			
UK corporation tax on profits for the period	**5,733**	3,136	2,752
Adjustment in respect of earlier periods	**—**	(21)	(1,683)
Total current tax	**5,733**	3,115	1,069
Deferred tax:			
Origination and reversal of temporary differences	**338**	36	3,457
Adjustments in respect of prior years	**—**	—	105
Impact of rate changes	**—**	—	(149)
Total deferred tax	**338**	36	3,413
Total tax	**6,071**	3,151	4,482

Corporation tax is calculated at 19% (31 December 2021: 19%) of the estimated assessable profit for the period being management's estimate of the weighted average corporation tax rate for the period. The Group's effective rate of tax of 15.7% is lower than the standard rate of corporation tax due to relief for pension contribution being on a cash basis and non-taxable property valuation increases.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of UK corporation tax would increase to 25%. This new law was substantively enacted on 24 May 2021; deferred tax balances at the period end have been measured at 25% (2021: 25%), being the rate at which timing differences are expected to reverse.

8. INVESTMENT PROPERTIES

	Completed investment property £'000	Investment property under construction £'000	Total £'000
Fair value			
At 1 January 2021	78,730	3,993	82,723
Direct acquisitions of investment property	6,178	—	6,178
Subsequent expenditure on investment property	5,638	2,950	8,588
Capitalised letting fees	126	—	126
Disposals	(5,178)	—	(5,178)
Increase in fair value in period	2,081	—	2,081
At 30 June 2021 (unaudited)	**87,575**	**6,943**	**94,518**
Adjustment in respect of tenant incentives	893	—	893
Market value at 30 June 2021	**88,468**	**6,943**	**95,411**
Fair value			
At 1 January 2021	78,730	3,993	82,723
Initial acquisition	11,268	—	11,268
Subsequent expenditure on investment property	502	5,419	5,921
Capitalised letting fees	129	—	129
Amortisation of capitalised letting fees	(41)	—	(41)
Disposals	(5,312)	—	(5,312)
Transfer from inventory	1,517	—	1,517
Transfer to/(from) investment property under construction	3,741	(3,741)	—
Increase in fair value in period	4,643	3,329	7,972
At 31 December 2021 (audited)	95,177	9,000	104,177
Subsequent expenditure on investment property	(48)	—	(48)
Disposals	(3)	—	(3)
Transfer from inventory	4,542	—	4,542
Transfer to assets held for sale	—	(11,371)	(11,371)
Increase in fair value in period	1,072	2,371	3,443
At 30 June 2022 (unaudited)	**100,740**	—	**100,740**
Adjustment in respect of tenant incentives	(2,132)	—	(2,132)
Market value at 30 June 2022	**98,608**	—	**98,608**

At 30 June 2022, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £nil (31 December 2021: £nil).

9. BORROWINGS

	Half year ended 30 June	Half year ended 30 June	Year ended 31 December

	2022 Unaudited £'000	2021 Unaudited £'000	2021 Audited £'000
Bank loans	**60,000**	24,986	50,000
Government loans	**2,941**	2,941	2,941
	62,941	27,927	52,941
Lease liabilities	**1,350**	1,974	1,660
	64,291	29,901	54,601

Movements in borrowings are analysed as follows:

	£'000
At 1 January 2022	54,601
Secured bank loans	40,000
Repayment of secured bank loans	(30,000)
New leases	6
Repayment of lease liabilities	(316)
At 30 June 2022	**64,291**

Bank loans include the Group's revolving loan facility which runs to January 2025 and is drawn for durations of up to six months.

10. PROVISIONS FOR LIABILITIES AND CHARGES

Since 31 December 2021, the following movements on provisions for liabilities and charges have occurred:

- The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. During the period £265,000 has been utilised and additional provisions of £495,000 have been made, all of which were due to normal operating procedures.
- The Land promotion provision represents management's best estimate of the Group's liability to provide infrastructure and service obligations, which remain with the Group following the disposal of land. During the period, £1,170,000 has been utilised and provisions released of £1,000.

11. DEFINED BENEFIT PENSION SCHEME

The main financial assumptions used in the valuation of the liabilities of the scheme under IAS 19 are:

	30 June 2022 %	30 June 2021 %	31 December 2021 %
Retail Prices Index (RPI)	**3.90**	3.10	3.30
Consumer Prices Index (CPI)	**2.75**	2.50	2.70
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.75**	2.50	2.70
Revaluation of deferred pensions	**2.75**	2.50	2.70
Liabilities discount rate	**3.90**	1.90	2.00

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of the scheme are as follows:

	Half year ended	Half year ended	Year ended

	30 June 2022 Unaudited £'000	30 June 2021 Unaudited £'000	31 December 2021 Audited £'000
Service cost:			
Current service cost	**—**	180	180
Ongoing scheme expenses	**266**	241	502
Past service cost	**—**	2,074	2,074
Net interest expense	**112**	252	505
Pension Protection Fund	**98**	96	146
Pension expenses recognised in profit or loss	**476**	2,843	3,407
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	**32,573**	(1,243)	(13,239)
Actuarial losses arising from changes in demographic assumptions	**—**	—	(277)
Actuarial (gains)/losses arising from experience adjustments	**(721)**	—	—
Actuarial (gains)/losses arising from changes in financial assumptions	**(50,694)**	(11,577)	(9,781)
Actuarial (gains)/losses recognised in other comprehensive income	**(18,842)**	(12,820)	(23,297)
Total	**(18,366)**	(9,977)	(19,890)

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of the scheme is as follows:

	Half year Ended 30 June 2022 Unaudited £'000	Half year ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Present value of scheme obligations	**168,369**	222,726	221,660
Fair value of scheme assets	**(176,730)**	(199,337)	(209,432)
	(8,361)	23,389	12,228

12. RELATED PARTY TRANSACTIONS

There have been no material transactions with related parties during the period.

There have been no material changes to the related party arrangements as reported in note 28 to the Annual Report and Financial Statements for the year ended 31 December 2021.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

13. SHARE CAPITAL

	Half year ended 30 June 2022 Unaudited £'000	Half year ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
400,000 5.25% cumulative preference shares of £1 each (31 December 2021: 400,000)	**400**	400	400

133,468,161 ordinary shares of 10p each (31 December 2021: 133,293,449)	**13,347**	13,329	13,332
	13,747	13,729	13,732

14. CASH GENERATED FROM OPERATIONS

	Half year ended 30 June 2022 Unaudited £'000	Half year ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Profit before tax	**38,777**	23,141	35,142
Adjustments for:			
Amortisation of PFI asset	**293**	303	602
Goodwill impairment	**102**	102	203
Depreciation of property, plant and equipment	**1,926**	1,756	3,819
Depreciation of right-of-use assets	**298**	300	598
Impairment loss on land and buildings	—	100	—
Revaluation increase in investment properties	**(3,443)**	(2,081)	(7,972)
Amortisation of capitalised letting fees	—	—	41
Share-based payment expense	**595**	459	968
Pension scheme credit	**(1,747)**	(236)	(920)
Profit on disposal of property, plant and equipment (excluding equipment held for hire)	**(113)**	(528)	(16)
Profit on disposal of equipment held for hire	**(389)**	—	(981)
Loss on disposal of right-of-use assets	**1**	—	—
Profit on disposal of investment properties	—	(1,248)	(1,340)
Finance income	**(535)**	(599)	(724)
Finance costs	**883**	531	1,155
Share of profit of joint ventures and associates	**(10,376)**	(2,496)	(8,928)
Operating cash flows before movements in equipment held for hire	**26,272**	19,504	21,647
Purchase of equipment held for hire	**(3,450)**	(3,276)	(5,952)
Proceeds on disposal of equipment held for hire	**550**	617	1,159
Operating cash flows before movements in working capital	**23,372**	16,845	16,854
Increase in inventories	**(22,140)**	(8,626)	(36,025)
Increase in receivables	**(7,619)**	(36,982)	(22,643)
(Increase)/decrease in contract assets	**(5,205)**	4,809	5,772
Increase/(decrease) in payables	**9,413**	2,571	(226)
Increase/(decrease) in contract liabilities	**2,697**	(3,193)	(2,397)
Cash generated from operations	**518**	(24,576)	(38,665)

Net (debt)/cash is an alternative performance measure used by the Group and comprises the following:

Analysis of net debt:			
Cash and cash equivalents	**21,526**	16,904	11,116
Bank overdrafts	—	—	—
Net cash and cash equivalents	**21,526**	16,904	11,116
Bank loans	**(60,000)**	(24,986)	(50,000)

Lease liabilities	**(1,350)**	(1,974)	(1,660)
Government loans	**(2,941)**	(2,941)	(2,941)
Net debt	**(42,765)**	(12,997)	(43,485)

15. GROUP RISKS AND UNCERTAINTIES

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the 2022 financial year remain consistent with those set out in the Strategic Report on pages 42 to 49 of the Group's Annual Report and Financial Statements. These risks and uncertainties include:

- Safety
- Environmental and climate change
- Economic
- People and culture
- Funding
- Cyber
- Pensions
- Construction contracts
- Property assets
- Property development
- Land sourcing
- Land demand
- Political

The Group is closely monitoring the impacts of price and salary inflation, interest rate rises and political uncertainty leading to a slow down in economic output. We continue to take measures to mitigate our levels of exposure by maintaining a robust balance sheet with a prudent level of gearing, being selective of the opportunities we progress and obtaining forward funding where possible. The Group also recognises recruitment and retention as an ongoing challenge in the market place and we continue to progress initiatives to attract and retain our high quality people.

The Group operates a system of internal control and risk management in order to provide assurance that it is managing risk while achieving our business objectives. No system can fully eliminate risk and therefore the understanding of operational risk is central to the management process within Henry Boot. The long-term success of the Group depends on the continual review, assessment and control of the key business risks it faces.

16. APPROVAL

The issue of these statements was formally approved by a duly appointed committee of the Board on 16 September 2022.

RESPONSIBILITY STATEMENTS OF THE DIRECTORS

The Directors confirm that these condensed interim Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

The Directors of Henry Boot PLC are listed in the Henry Boot PLC Annual Report for the year ended 31 December 2021. A list of current Directors is maintained on the Henry Boot PLC Group website: www.henryboot.co.uk.

On behalf of the Board

T A ROBERTS	**D L LITTLEWOOD**
Director	Director
20 September 2022	20 September 2022