

13 September 2021

**HENRY BOOT PLC**  
(‘Henry Boot’, the ‘Company’ or the ‘Group’)

**UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Henry Boot PLC, a Company engaged in land promotion, property investment and development, and construction, announces its unaudited results for the period ended 30 June 2021. Ticker: BOOT.L: Main market premium listing: FTSE: Real Estate Investment and Services.

**HIGHLIGHTS**

- Revenue of £129.0m (June 2020: £108.7m) increased 18.7%, as demand increased across our three key markets
- Profit before tax of £23.1m (June 2020: £7.2m) increased by 220.8%, ahead of Board expectations, driven by the industrial property market performing strongly and delivering positive capital returns through disposal of investment property, revaluation gains and returns from Joint Ventures contributing a combined £5.8m
- Increased ROCE<sup>1</sup> of 6.3% (June 2020: 2.1%) +4.2% for the six months to 30 June 2021 and EPS grew significantly to 14.1p (June 2020: 4.1p) up 243.9%
- Actively investing in our three key markets, with a total of £54.9m invested in new opportunities across the Group, including £11.5m of post period purchases
- NAV<sup>2</sup> per share grew to 256p (December 2020: 235p), an increase of 8.9%, due to retained earnings and actuarial gains on the defined benefit pension scheme
- Balance sheet remains robust, with Net Debt<sup>3</sup> of £13.0m as at 30 June 2021 (December 2020: Net Cash £27.0m) after strategic investments made in the period
- Declaring a 2.42p interim dividend (June 2020: 2.20p), an increase of 10.0%, reflecting the Group’s strong operational performance and in line with our progressive dividend policy
- Against a backdrop of strong demand within our key markets we have made excellent progress in our evolved strategy and towards our medium-term growth and return targets
- Land promotion business sold 2,288 plots (December 2020: 2,000). The land bank has now increased to 92,253 plots (December 2020: 88,070), including 13,273 (December 2020: 15,421) plots with planning permission which are held at the lower of cost or net realisable value and, therefore, do not benefit from valuation gains
- Committed programme materially stepped up to £444m (HB share: £181m) - 60% pre-sold or pre-let. Led by over 1 million sq ft of industrial and logistics (69% pre-sold or pre-let). Strong £1.4bn development pipeline (HB share - £1.1bn) with 72% in industrial and logistics
- Stonebridge Homes on track with its annual sales target, securing 85% of the annual target in H1, supported by a buoyant housing market. The total owned and controlled land bank is now 1,125 units
- Construction business performing ahead of expectations, securing over 100% of its 2021 order book (68% is public sector) in the first half and 80% also secured for 2022
- Good start to the second half, with a full order book and forward sales in land, development and housebuilding, as well as, launching our Net Zero Carbon Framework and establishing a Responsible Business Committee

<sup>1</sup>Return on Capital Employed is an alternative performance measure (APM) and is defined as operating profit/average total assets less current liabilities

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

<sup>3</sup>Net (debt)/cash is an APM and is reconciled to statutory measures in note 14

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

“The business has performed well, responding to growing demand within our key markets. Whilst we expect profit to be weighted to the first half, the cadence of our activity will remain high, so we will continue to make excellent progress on our clear strategic targets. This will position us well for sustainable growth in the future”.

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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:

[HBD \(Henry Boot Developments Limited\)](#), [Stonebridge Homes Limited](#)

Construction:

[Henry Boot Construction Limited](#), [Banner Plant Limited](#), [Road Link \(A69\) Limited](#)

The Group possesses a high-quality strategic land portfolio, a proven reputation in the property development market for creating places with purpose, 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](http://www.henryboot.co.uk)

## **CEO REVIEW**

### **Highlights**

In the first half of 2021, Henry Boot has performed strong and continued to secure attractive opportunities for future growth within our three key markets of industrial and logistics, residential and urban development. The Group has achieved a profit before tax of £23.1m (June 2020: £7.2m), which was supported by the recovery in demand across our operations and in particular, driven by strong demand from both investors and occupiers in the industrial and logistics market. We have been actively investing in our key markets, with a total of £54.9m invested (including £11.5m in Q3 21), in line with our strategic ambitions. The Company's strong financial position remains intact, with a robust balance sheet and net debt of only £13.0m, and NAV per share increasing to 256p, as a result of both retained earnings and actuarial gains on our defined benefit pension scheme.

In land promotion, **Hallam Land Management (HLM)** has traded well, selling 2,288 plots in the six months to June 2021 compared to 2,000 in the previous 12 months to December 2020, against the backdrop of a resilient housing market, where housebuilder demand for land remains buoyant. In H1 2021, HLM invested £6.6m, growing its land bank to 17,357 acres (December 2020: 16,607), which has the potential to deliver 92,253 residential plots in the long term. This includes 13,273 plots which already have the benefit of planning permission but, in line with our accounting policy, are held at the lower of cost or net realisable value, and, therefore, any increase in value created from securing planning permission will only be recognised on disposal.

**Henry Boot Developments (HBD)**, our property investment and development business, completed on schemes with a total Gross Development Value (GDV) of £44m (HBD share: £37m), with 100% of these either sold or let. During 2021, we have materially stepped up our development business, investing a total of £34.4m (Including £11.5m in Q3 21) in new opportunities, which includes the £110m GDV build-to-rent (BTR) project in Summerhill, Birmingham and a large industrial site in Rainham (GDV £90m) purchased in a joint venture (JV) with Barings Fund. Overall, our committed schemes grew to £444m GDV (HBD share £181m) and our development pipeline has been maintained at £1.4bn (HBD share £1.1bn), 72% of which is in industrial and logistics. Notably, on the back of strong demand and investor appetite for industrial space, we have committed to deliver over 1 million sq ft of industrial and logistics space.

Our investment portfolio (including investment property held in JV) has grown to £106m (December 2020: £92m) mainly through acquisitions but also by valuation gains of £3.4m. With total returns over six months of 6.7% and rent collection at 96%, we have outperformed our benchmarks.

Our jointly owned housebuilder, **Stonebridge Homes (SBH)**, has secured 85% of its 2021 sales target in a buoyant housing market, achieving an average of 0.90 sales per week per outlet due to high demand, which has been underpinned by low interest rates and good mortgage availability. The total owned and controlled land bank is now 1,125 plots (December 2020: 1,119). The growth of plots with either detailed or outline planning consents, which totals 700 plots (December 2020: 657) has once again experienced delays due to the slow conversion of sites through the planning system, reducing our ability to commence work on site, although we hope to progress a number of sites through planning in H2. Whilst the sites SBH has acquired have kept its total land bank topped up, we anticipate increasing this position in H2 as SBH has a number of sites progressing through the legal process.

The Group's construction segment continues to perform ahead of our expectations, supported by the recovery in the UK construction market. **Henry Boot Construction (HBC)** performed strongly and is trading ahead of budget, whilst also securing over 100% of its order book for 2021 and 80% of 2022. **Banner Plant (BP)** is also trading ahead of budget and seeing demand for plant hire increase in line with the recovery of the construction market.

### **Dividend**

The Board has declared an interim dividend of 2.42p (June 2020: 2.20p) for H1 2021, an increase of 10.0%, 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 15 October 2021 to shareholders on the register at the close of business on 24 September 2021.

## **Strategy**

At the start of 2021 we set out our medium-term strategy. The Group's main focus is to grow the business, by increasing capital employed by over 40% to £500m, in our three key markets. At the same time, we believe we can continue to generate a return on average capital employed (ROCE) of 10-15% over the medium term, whilst maintaining a progressive dividend policy. Our markets are currently strong, and they also retain their long-term attractions. Only six months into 2021 we have made excellent progress towards our medium-term targets.

Particularly, HBD has materially grown its share of the committed development programme to £181m (December 2020: £85m) and we shall continue to manage risk by ensuring that the majority of our programme is pre-let or pre-sold. It is likely that our commitments will increase in H2, as we are promoting a number of additional schemes which means we are well ahead of our plan for HBD to complete on average £200m of developments per annum.

We have seen encouraging demand for our strategic land, with sales of 2,288 plots in H1 2021 already. Whilst transactions this year are likely to be heavily weighted to H1 2021, HLM are very much on track to grow sales to 3,500 units on average per annum. HLM has also created an additional team so that the large South East region is effectively split into two to improve coverage.

Whilst demand from customers for the premium houses that SBH build has been very strong, our ambition to grow units sold to 600 has been hampered by the slow planning process, and a very competitive market for buying land. However, we still expect to see expansion of the business next year and have identified opportunities to increase our land bank in H2. We have also acquired our second site in the North East and expect to be selling from two regions next year. Our ambitions to scale up this business remain on track.

The investment portfolio has grown to £106m, (£12m being our share of investment property held in a JV) and with a range of developments that we could potentially retain, even if we are selective on new acquisitions - as the investment market proves to be ever more competitive in the areas we are focusing on, we have a clear plan to get to our target of £150m.

The construction business secured and began works on a major £42.5m urban development scheme in the city centre of Sheffield, increasing its activities in our three key markets. With our order book effectively full for this year and 80% already secured for 2022, we are well ahead of our target to secure a minimum of 65% at the start of each year. Public sector work remains our focus, accounting for 68% of the 2021 order book.

Overall, we remain very well placed for future growth. Despite committing to nearly £100m of development during the period, we have replenished our pipeline and it remains at £1.4bn GDV (HB share: £1.1bn). On land promotion, plots controlled have increased to over 92,000 (for comparison five years ago they were at c.59,000), which is now larger than many national housebuilders. SBH, despite experiencing planning delays, still has 494 plots with planning, and a total land bank based on one year forward sales of approximately 3.5 years.

On wider objectives, our Executive Committee is developing into a high performing senior leadership team, and whilst we will miss Simon Carr and Giles Boot, the new MDs Tony Shaw (HBC) and Jonathan Fisher (BP) are already contributing. I am particularly pleased with progress we have made in relation to our Net Zero Carbon (NZC) Framework and the formation of a Responsible Business Committee. I remain convinced that the private sector has to act on the challenges of climate change and being at the forefront will also create sustainability and value to our business.

## **Responsible Business**

Earlier this year we launched 135 Henry Boot, the first phase of our Responsible Business Strategy (RB Strategy) and a strategic framework centred around three long-term initiatives:

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

We have launched our policy and have made good progress across all three of our initiatives. In line with our roadmap, our CPP is progressing as planned and we have developed our EDI strategy to create a fair, accessible, diverse and inclusive working environment.

Following this, we also launched our NZC Framework. The Group recognise that the built environment contributes around 40% of greenhouse gas emissions and whilst the Group's carbon emissions have been decreasing since 2013, we acknowledge the importance of continuing to reduce our environmental impact. The first phase of the Framework (2021-2025) will guide Henry Boot to deliver short-term reduction measures for directly controlled emissions (Scopes 1 and 2). From 2026, the Group will continue to accelerate its decarbonisation programme to reach its target of NZC for all direct emissions by 2030. We have also committed to responsibly offset any residual emissions produced by commercial activity through the funding of accredited carbon-offsetting schemes.

To support our ESG commitments and ensure they are truly embedded into the Group's operations, we formed in June a Responsible Business Committee, which is chaired by Non-executive Director Peter Mawson. This Committee gives oversight and guidance to the delivery of our RB Strategy, whilst ensuring there is collaboration and input from the Board on all of our ESG activity and ambitions.

We will now turn our focus to the second phase in the 135 Henry Boot strategy, namely the development of our RB Strategy, which launches in January 2022.

## **Outlook**

Our focus during H1 has been to meet the growing demand in the industrial & logistics, and residential markets. It is these two, of our three key markets, which have driven the strength of results in the period. The outlook for these markets, both in the short and long-term is very encouraging.

That is why we continue to grow our land bank within HLM - now with a potential of 92,253 plots - and are in a good position to convert the 13,273 plots with planning into sales. HLM is now concentrating on building up sales for 2022, and with demand from housebuilders strong, and our portfolio prime, not surprisingly with 1,311 plots unconditionally secured, they have made a good start.

Similarly, HBD has materially increased industrial development so we are committed to over 1 million sq ft, 70% of which is pre-let or pre-sold with high levels of occupier interest in the rest. As we let more, we will look to draw down projects from our predominantly industrial development pipeline. We are also seeing early signs of a recovery in urban development, driven more by the major provincial cities than London. We shall remain selective on urban developments and in the short term are focused on quality BTR and build to sell schemes, but in the medium term we will continue to promote office schemes in targeted centres such as Manchester, as we believe cities will adjust to what will become a more hybrid and agile working environment. Our aim over H2, and into next year, is to expand our committed pipeline all the time managing risk by a blend of pre-lets, forward sales and JVs.

We have taken more than our fair share of the growth in the construction industry which effectively means HBC's order book for this and next year is full. We will concentrate on delivering this order book and will be selectively looking for work for 2023.

The Group's operations have seen an increase in build cost and a shortage of materials in the UK construction industry, which has resulted in longer lead times. To mitigate our exposure to this situation, we have implemented measures such as securing supplies at an early stage and adding protective clauses in construction contracts. With the added

advantage of sale prices increasing, we have currently been able to deal with the situation effectively but are alert to the challenges we could face in the future.

Finally, our balance sheet remains rock solid and net debt at £13.0m is low so we have capacity to fund our strategic growth ambitions, and whilst we are not immune to the heightened competition for talented people in our industry, our team have shown high levels of engagement during this challenging period. I want to thank them all for their remarkable efforts, but also, I am confident that they are up for the next stage of our journey. We have made a good start to the second half and are well placed to build on the progress made so far this year and on our strategic priorities for the longer term.

**Tim Roberts**

Chief Executive Officer

13 September 2021

**BUSINESS REVIEW**

**Land Promotion**

HLM has delivered a strong performance in H1, achieving an operating profit of £14.8m (June 2020: £11.1m) from selling 2,288 plots (H1 2020: 2,000) at an average profit per plot of £7,679 (December 2020: £6,456). UK greenfield land values increased by 2.6% in H1 2021 according to Savills Research, with growth of 1.7% in Q2 2021, the strongest quarterly increase in land values since 2014. A strong housing market has underpinned robust demand for land with increased competition for sites as housebuilders have invested to match ongoing demand for new homes.

In the first half of the year, HLM sold plots at various locations including, Cranbrook (315 plots), Burton upon Trent (950 plots), Market Harborough (118 plots), Stratford upon Avon (200 plots), Burdieuhouse (92 plots) and Bathgate (88 plots). The land bank has also been replenished after securing a further 821 acres of land in locations such as: Tamworth, Ashford, Milton Keynes, Crossways, Harrogate and Dullatur, with the potential for around 5,710 plots, subject to planning.

In relation to other major schemes, three years on from the original consent at Didcot, the 2,170 plot scheme, received a fresh resolution for outline planning consent and are now working up technical design details before disposal. At Eastern Green, Coventry, having secured planning in November 2020, the 2,400 plot and 37 acres of commercial development site is progressing but, at the moment it is subject to Judicial Review. The aim is to respond to this challenge, work to clear it, and dispose of a first phase next year. Furthermore, at Swindon (1,000 plots) planning consent has just been secured following signing of the S106. Additionally, the final land parcels were secured at HLM's Tamworth project where we have a live planning application for 1,540 plots.

At the end of June, HLM benefited from 13,273 plots (December 2020: 15,421) with extant planning consent (or Resolution to Grant subject to S106). As our strategic land portfolio is held as inventory, our accounting policy requires these assets to be held at the lower of cost or net realisable value. In accordance with this policy, no uplift in value can be recognised within our accounts relating to any of the 13,273 plots over which planning permission has been secured. Any increase in value created from securing planning permission over these assets will, therefore, only be recognised on disposal.

Additionally, there are a further 8,263 plots (December 2020: 8,312) the subject of planning applications, with a further c. 3,000 plots expected to be submitted in H2, and it has 70,717 plots (December 2020: 64,337) in its future potential portfolio, with the total portfolio growing to 92,253 (December 2020: 88,070). Of the total portfolio 8,805 plots are owned freehold with the balance of 83,448 secured through Planning Promotion Agreements and Options to purchase.

| <b>Residential Land Plots</b> |                 |         |         |        |             |        |        |
|-------------------------------|-----------------|---------|---------|--------|-------------|--------|--------|
|                               | With Permission |         |         |        | In planning | Future | Total  |
|                               | b/f             | Granted | Sold    | c/f    |             |        |        |
| <b>2021</b>                   | 15,421          | 140     | (2,288) | 13,273 | 8,263       | 70,717 | 92,253 |
| <b>2020</b>                   | 14,713          | 2,708   | (2,000) | 15,421 | 8,312       | 64,337 | 88,070 |
| <b>2019</b>                   | 16,489          | 1,651   | (3,427) | 14,713 | 10,665      | 51,766 | 77,144 |
| <b>2018</b>                   | 18,529          | 1,533   | (3,573) | 16,489 | 11,929      | 44,051 | 72,469 |
| <b>2017</b>                   | 16,417          | 4,281   | (2,169) | 18,529 | 7,982       | 40,844 | 67,355 |

HLM enters H2 having achieved this year's sales target and will now focus on securing sales for 2022 and the medium term. In this regard, HLM already has a total of 1,311 plots unconditionally exchanged for completion in 2022/23 at Bridport to BDW and Vistry (760 plots), Worcester to Taylor Wimpey and Redrow (450 plots) and Bathgate to Taylor Wimpey (101 plots). Finally, with the ambition to invest more in the South HLM has split the region in two and created another team in the southern part of the country.

| <b>Residential Land Plots – Regional Split</b> |               |
|--|---------------|
| <b>Region</b>                                  | <b>Plots</b>  |
| Scotland                                       | 9,845         |
| North  | 8,116         |
| North Midlands                                 | 20,739        |
| South Midlands                                 | 19,605        |
| South  | 7,089         |
| South East                                     | 4,853         |
| South West                                     | 22,006        |
| <b>Totals</b>                                  | <b>92,253</b> |

### Property Investment and Development

Property Investment and Development delivered a combined operating profit of £8.2m (June 2020: £nil). According to the CBRE UK Monthly Index, commercial property values increased by 2.5% in H1 2021. Industrial continued to be the only sector to deliver positive capital returns over the six-month period. During Q2 2021, there was record industrial take-up of more than 15 million sq ft, over 12% higher than the previous record quarter in Q3 2020 (units above 100,000 sq ft). Ready to occupy space has fallen to a new low of 9.4 million sq ft, with the UK vacancy rate now standing at just 2.1%.

HBD completed on developments with a GDV of £44m (HBD share: £37m), which includes £30m of committed industrial and logistics (Aver and Mountpark) and £7m of Urban Residential schemes (Skipton phase 1 of 2) during 2021. The committed programme has materially grown to £444m GDV (HBD share: £181m), 60% of which is pre-let or pre-sold and if excluding the new Urban Residential development Setl (a premium 101 apartment scheme at the edge of Birmingham's Jewellery Quarter) it further increases to 73% pre-let or presold. Further additions to the programme starting in Q3 21 include two new industrial and logistic schemes at - Southend, a speculative 75,000 sq ft development and the forward funded New Horizon, Nottingham, for a further 426,000 sq ft of industrial space. Kampus, the 536-unit build-to-rent (BTR) scheme in Manchester, has begun completing in sections, with overall completion of the building set for the end of the year. The scheme has already started to receive encouraging letting interest.

Included within the committed programme is £122m GDV and over 1 million sq ft of industrial and logistics assets, where 70% is either pre-let or pre-sold. This includes four multi-unit schemes which are being developed speculatively: Preston East, Luton, Southend and Enfield. Interest in these units is very encouraging, with the anticipation that the Group will be able to report on a number of lettings by the year end.

### Committed Programme

| Scheme                               | GDV<br>(£m) | Share<br>of<br>GDV<br>(£m) | Commercial<br>(000 sq ft) | Residential<br>(units) | Status         |
|--------------------------------------|-------------|----------------------------|---------------------------|------------------------|----------------|
| <i>Industrial</i>                    |             |                            |                           |                        |                |
| Wakefield Hub, Plot 6                | 42          | 21                         | 260                       | –                      | Pre-let        |
| Preston East                         | 8           | 4                          | 67                        | –                      | Speculative    |
| Enfield, Montagu 406                 | 22          | 11                         | 56                        | –                      | Speculative    |
| Wakefield Hub, Kitwave               | 7           | 4                          | 65                        | –                      | Pre-let        |
| Luton                                | 14          | 14                         | 82                        | –                      | Speculative    |
| Pool, MKM                            | 4           | 4                          | 15                        | –                      | Pre-let        |
| Southend                             | 11          | 11                         | 75                        | –                      | Speculative    |
| Nottingham, New Horizon              | 53          | 53                         | 426                       | –                      | Forward funded |
|                                      | 161         | 122                        | 1,046                     | –                      |                |
| <i>Residential</i>                   |             |                            |                           |                        |                |
| Manchester, Kampus                   | 216         | 11                         | 44                        | 536                    | Pre-sold       |
| Birmingham, Setl                     | 32          | 32                         | –                         | 101                    | Speculative    |
|                                      | 248         | 43                         | 44                        | 637                    |                |
| <i>Land and other</i>                |             |                            |                           |                        |                |
| Skipton                              | 7           | 7                          | –                         | 184                    | Pre-sold       |
| Aberdeen, Bridge of Don              | 12          | 1                          | –                         | 420                    | PPIP secured   |
| Aberdeen, Cloverhill                 | 16          | 8                          | –                         | 536                    | PPIP secured   |
|                                      | 35          | 16                         | –                         | 1,140                  |                |
| <b>Total for year</b>                | <b>444</b>  | <b>181</b>                 | <b>1,090</b>              | <b>1,777</b>           |                |
| <b>% sold or pre-let (incl Setl)</b> | <b>80%</b>  | <b>60%</b>                 |                           |                        |                |
| <b>% sold or pre-let (excl Setl)</b> | <b>87%</b>  | <b>73%</b>                 |                           |                        |                |

During 2021, HBD has acquired new development opportunities with a total GDV of £180m. This included the BTR scheme at Summerhill, Birmingham (£110m GDV), as well as, extending the Group's flagship industrial and logistics development at Markham Vale by a further 750,000 sq ft (£32m GDV). Since the half year, acquisitions have also been made at Welwyn Garden City (£20m GDV), which is set to deliver 70,000 sq ft of industrial warehouse space, as well as, a 20-acre industrial site in Rainham, London (£18m GDV HBD Share), which has the potential for around 370,000 sq ft of employment use. Rainham has been acquired in a 20:80 JV with Barings Fund.

After making key acquisitions, HBD's short to medium-term development pipeline has a total GDV of £1.4bn (HBD share - £1.1bn). All of these opportunities sit within the Company's three key markets of industrial & logistics (72%), urban residential (17%) and urban commercial (11%). The immediate focus on the pipeline will be to:



- Obtain planning consents for up to 662,000 sq ft of industrial and logistics at Wakefield Hub, 260,000 sq ft of which is already pre-let, where works are set to commence on site in H2;
- Submit a detailed planning application at New Horizon, Nottingham for 426,000 sq ft following the exchange of a forward funding agreement last month;
- Submit outline planning for 750,000 sq ft of new industrial and logistics space at Markham Vale; and
- Obtain planning for a specialist healthcare residential facility at The Chocolate Works in York.

The value of the investment portfolio (including share of investment properties held in JV) has increased from £92m to £106m. This £14m increase includes the acquisition of two industrial investments at Skelmersdale (£4.8m) and City Court, Manchester (£5.7m), valuation gains of £3.4m and the sale of a food store in Huyton for £6.1m which generated a profit on disposal of £1.3m. Rent collection for H1 2021 stands at 96% against an industry average of 80% (source: Remit Consulting), with the total investment property return of 6.7%, outperforming the CBRE monthly index (5.4%). Occupancy has increased to 88% (December 2020: 84%) and the weighted average unexpired lease term is now 11.1 years.

In H1 2021, SBH have sold 58 units (36 private / 22 social) (June 2020: 24), at an average selling price for private units of £487k (December 2020: £368k) and have secured a further 44 units for completion in the second half of the year, achieving an average of 0.90 sales per week per outlet. The housing market once again saw strong demand, with house price growth of 6.7% in H1 2021, according to HM Land Registry. We have seen pricing levels around 5% above budget, although most of this will be offset by cost price inflation we are currently experiencing. All parts of the UK have seen an acceleration in house price growth in 2021, especially Yorkshire and Humberside and the North West, which were the strongest performing English regions.

The total SBH owned and controlled land bank is now 1,125 units (December 2020: 1,119 units). The land bank has continued to experience delays in the planning system, which has been seen nationally with a 11% decrease in the number of residential planning applications granted in England in the 12 months to March 2021 (Source: ONS). Out of the total land bank, 700 plots (December 2020: 657 plots) have either detailed or outline planning consents. This equates to a land bank of approximately 3.5 years, based on a one-year rolling forward forecast sales target. A further 197 plots are under control with some form of planning consent, which increases the land bank to around 4.5 years.

The focus for SBH will now turn to securing its 2021 remaining sales target, progressing sites in the land bank through the planning system, as well as building sales for 2022, which is 20% secured and after acquiring a second site a (c.100-unit) in the North East of England in August, with the aim of selling houses in two regions next year. Despite planning delays, SBH remains on track with the business's growth aspirations.

### Construction

The Group's construction segment is trading ahead of Board expectations after achieving an operating profit of £4.3m (June 2020: £0.8m), as UK construction activity continued to recover, with output increasing by 5.9% in H1 2021, largely driven by infrastructure. Monthly output in June 2021 was only 0.3% below the February 2020 pre-COVID-19 level with new work 2.1% below this level, while repair and maintenance were 3.1% above.

HBC have performed strongly in the first half of 2021, securing over 100% of this year's order book (68% in public sector). The Glass Works in Barnsley, a £90m urban development was successfully completed in June 2021, with client fit out works progressing in advance of a staggered centre opening later in the year. In H1, HBC has also won and commenced work on a £42.5m urban development scheme, Heart of the City, for Sheffield City Council and Queensberry Development Management to create a mixed-use leisure facility and a seven-storey NZC office building. Additionally, works on the £40m BTR residential scheme, Kangaroo Works commenced on site in April 2021 and are set to complete in Spring 2023.

HBC sit on ten public sector frameworks and are currently working on six schemes with a total contract value of £37m. The Group will continue to actively renew and bid for frameworks across the public sector.

Lastly, the Group has secured an £8m residential housing scheme of 30 units in Clipstone, Mansfield, which will commence on site H2. After having a strong first half, HBC remains committed to delivering this year's order book and 2022 order book, which is currently already 80% secured.

BP is performing ahead of budget, having also benefited from the recovery in construction activity. Live contract count increased by 37% to 3,843 (June 2020: 2,413), after the drive to increase customer density around the depots and a big focus on business development. Road Link (A69) is marginally ahead of Board expectations, as lockdown eases and traffic levels recover, however, the business is not yet back up to the levels of 2019.

## **FINANCIAL REVIEW**

### **Consolidated statement of comprehensive income**

Revenue for the period increased to £129.0m (30 June 2020: £108.7m). H1 2020 was impacted by the Group's initial response to the COVID-19 pandemic, including significant disruption to activity in Q2 of 2020. As concerns over the pandemic have subsided, activity and transaction levels have begun to normalise across all of our operations.

Gross profit was 52.8% higher at £35.3m (30 June 2020: £23.1m). This was supported by strong land promotion sales, growth in property transaction levels and the recovery in construction activities.

Administrative expenses increased by £0.4m (30 June 2020: decreased £0.3m). H1 2020 included a one-off goodwill impairment of £1.8m relating to the Group's social housing business, and while discretionary spend continues to be carefully considered this is offset by the repayment of all furlough monies in the period. The Group also reimbursed the 20% reduction in the CEO and Group Finance Director's salaries in 2021 to reflect the position that everyone at Henry Boot experienced in receiving 100% of their salaries whilst at work or on furlough.

Pension costs increased to £4.1m (30 June 2020: £2.2m) and include 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 £2.1m (30 June 2020: decrease £2.1m) while profits on sale of investment properties were £1.2m (30 June 2020: £nil), both a result of favourable market conditions in our chosen markets. The Group's share of profit of joint ventures and associates of £2.5m (30 June 2020: £2.1m) reflects the increasing amount of property development activities undertaken with our partners. This resulted in profit from operations of £23.1m (30 June 2020: £7.4m).

The resultant profit before tax was £23.1m (30 June 2020: £7.2m), reflecting a strong recovery given the ongoing challenges of the pandemic, with earnings per share of 14.1p (30 June 2020: 4.1p).

### **Return on capital employed**

Higher operating profit in the period saw an increased return on capital employed (ROCE) of 6.3% over a six-month period (30 June 2020: 2.1%). Over a 12-month period we continue to believe a target return of 10-15% is appropriate for our current operating model.

### **Finance and gearing**

Net financing costs were £0.1m (30 June 2020: £0.2m) reflecting continued low interest rates and the Group's prudent debt levels.

At 30 June 2021, net debt was £13.0m (31 December 2020: net cash of £17.0m). The Group established a positive cash position by disposing of non-core retail assets in 2019 and has since continued to redeploy capital back into our three key markets, including during H1 2021.

Gearing levels have increased to 3.8% (30 June 2020: £nil) and remain below our optimal operating range of between 10% and 20% as we cautiously manage our risk levels in a recovering market.

## Cash flows

Operating cash inflows before movements in working capital were £16.8m (30 June 2020: £9.8m).

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 £41.4m (30 June 2020: £12.2m inflow) which, in turn, meant that operations utilised funds of £24.6m (30 June 2020: generated £22.0m). After interest paid of £0.3m (30 June 2020: £0.4m) and tax paid of £1.7m (30 June 2020: £4.4m) net cash outflows from operating activities were £26.6m (30 June 2020: £17.2m).

Including net property investment of £8.4m (30 June 2020: £0.1m), net cash outflows from investing activities were £8.7m (30 June 2020: £0.6m).

The final dividend for 2020 increased by 254% to £4.4m (30 June 2020: £1.7m paid July 2020) while dividends paid to non-controlling interests reduced by 29% to £0.5m (30 June 2020: £1.2m).

## Statement of financial position

Total non-current assets were £160.9m (31 December 2020: £133.3m). Significant movements arose as follows:

- an increase in property, plant and equipment and movements in right-of-use assets of £1.5m (30 June 2020: increase £1.7m) largely relates to investment in our plant hire fleet and is supported by plant hire activity levels and pre-hire agreements;
- an £11.8m increase (30 June 2020: decrease £0.2m) in the value of investment properties, being acquisitions of £6.2m (30 June 2020: £nil), subsequent capital expenditure of £8.7m (30 June 2020: £2.3m) a revaluation gain of £2.1m (30 June 2020: loss of £2.1m), and disposals of £5.2m (30 June 2020: £nil);
- an increase in trade and other receivables of £13.7m to £20.9m (31 December 2020: £7.2m) relating to deferred land sale debtors due beyond 12 months, arising from disposals in the current period offset by those from prior years becoming due within 12 months and, therefore, moving to current assets; and
- a decrease in deferred tax assets of £1.5m (30 June 2020: £3.0m increase) arising from the decrease in retirement benefit obligations relating to the Group's defined benefit pension.

Current assets were £2.2m higher at £323.5m (31 December 2020: £321.3m) resulting from:

- an uplift in inventories to £209.4m (31 December 2020: £200.8m) mainly resulting from the acquisition of a 'build-to-rent' opportunity in Birmingham, as well as, replenishment of strategic land investments;
- a decrease in contract assets to £8.5m (31 December 2020: £13.3m) as we concluded existing property developments contracts;
- higher trade and other receivables of £88.6m (31 December 2020: £65.0m) as transactional activity increases often with deferred payment terms; and
- cash and cash equivalents which were £25.2m lower at £16.9m (31 December 2020: £42.1m) as the Group began to redeploy cash and facilities back into operational assets.

Total liabilities rose to £143.8m (31 December 2020: £141.1m) with the most significant changes arising from:

- trade and other payables, including contract liabilities, decreased £2.9m to £77.3m (31 December 2020: £80.2m);
- borrowings, including lease liabilities, increased to £29.9m (31 December 2020: £15.1m) as the Group looks to reinvest debt into cash generating assets; and
- the increase of the liabilities discount rate applied to the defined benefit pension scheme valuation under IAS 19 to 1.9% (31 December 2020: 1.4%), reducing the value of scheme liabilities and resulting in a decreased deficit of £23.4m (31 December 2020: £36.4m).

Retained earnings, along with the decreased pension deficit, saw net assets increase to £340.6m (31 December 2020: £313.5m) with the net asset value per share increasing by 8.9% to 256p (31 December 2020: 235p).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the half year ended 30 June 2021

|   | Half year<br>ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020 <sup>1</sup><br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'000 |
|---|---|--|--|
| Revenue   | 128,959   | 108,714  | 222,411  |
| Cost of sales   | (93,691)  | (85,580)   | (181,944)  |
| <b>Gross profit</b>   | <b>35,268</b>   | 23,134   | 40,467   |
| Administrative expenses   | (13,888)  | (13,478)   | (28,791)   |
| Pensions expense  | (4,132)   | (2,200)  | (4,552)  |
|   | <b>17,248</b>   | 7,456  | 7,124  |
| Increase/(decrease) in fair value of investment properties  | 2,081   | (2,131)  | 1,266  |
| Profit/(loss) on sale of investment properties  | 1,248   | 8  | (97)   |
| Share of profit of joint ventures and associates  | 2,496   | 2,057  | 1,756  |
| Profit on disposal of joint ventures and subsidiaries   | —   | —  | 7,426  |
| <b>Operating profit</b>   | <b>23,073</b>   | 7,390  | 17,475   |
| Finance income  | 599   | 351  | 721  |
| Finance costs   | (531)   | (559)  | (1,117)  |
| <b>Profit before tax</b>  | <b>23,141</b>   | 7,182  | 17,079   |
| Tax   | (3,151)   | (1,341)  | (3,354)  |
| <b>Profit for the period from continuing operations</b>   | <b>19,990</b>   | 5,841  | 13,725   |
| <b>Other comprehensive expense not being reclassified to profit or loss in subsequent periods:</b>      |   |  |  |
| Revaluation of Group occupied property  | (144)   | (525)  | (651)  |
| Actuarial gain/(loss) on defined benefit pension scheme   | 12,820  | (15,243)   | (15,713)   |
| Deferred tax on actuarial (gain)/loss   | (1,436)   | 3,189  | 3,089  |
| <b>Total other comprehensive expense not being reclassified to profit or loss in subsequent periods</b> | <b>11,240</b>   | (12,579)   | (13,275)   |
| <b>Total comprehensive income for the period</b>  | <b>31,230</b>   | (6,738)  | 450  |
| <b>Profit for the period attributable to:</b>   |   |  |  |
| Owners of the Parent Company  | 18,678  | 5,470  | 11,921   |
| Non-controlling interests   | 1,312   | 371  | 1,804  |
|   | <b>19,990</b>   | 5,841  | 13,725   |
| <b>Total comprehensive income attributable to:</b>  |   |  |  |
| Owners of the Parent Company  | 29,918  | (7,109)  | (1,354)  |
| Non-controlling interests   | 1,312   | 371  | 1,804  |
|   | <b>31,230</b>   | (6,738)  | 450  |

|  |              |      |      |
|--|--------------|------|------|
| <b>Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the period</b>   | <b>14.1p</b> | 4.1p | 9.0p |
| <b>Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the period</b> | <b>13.9p</b> | 4.1p | 8.9p |

<sup>1</sup> Share of profit of joint ventures and associates have been reclassified into operating profit, see 'change in accounting policies' for further details.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
as at 30 June 2021

|   | 30 June<br>2021<br>Unaudited<br>£'000 | 30 June<br>2020<br>Unaudited<br>£'000 | 31 December<br>2020<br>Audited<br>£'000 |
|---|---------------------------------------|---------------------------------------|---|
| <b>Assets</b>                               |                                       |                                       |   |
| <b>Non-current assets</b>                   |                                       |                                       |   |
| Intangible assets                           | 4,116                                 | 4,957                                 | 4,318                                   |
| Property, plant and equipment               | 25,546                                | 21,626                                | 23,818                                  |
| Right of use assets                         | 1,878                                 | 4,804                                 | 2,110                                   |
| Investment properties                       | 94,518                                | 70,205                                | 82,723                                  |
| Investment in joint ventures and associates | 8,139                                 | 6,491                                 | 5,840                                   |
| Trade and other receivables                 | 20,879                                | 19,200                                | 7,194                                   |
| Deferred tax assets                         | 5,871                                 | 7,497                                 | 7,342                                   |
|   | <b>160,947</b>                        | 134,780                               | 133,345                                 |
| <b>Current assets</b>                       |                                       |                                       |   |
| Inventories                                 | 209,415                               | 173,834                               | 200,789                                 |
| Contract assets                             | 8,519                                 | 10,915                                | 13,328                                  |
| Trade and other receivables                 | 88,648                                | 74,230                                | 65,032                                  |
| Cash and cash equivalents                   | 16,904                                | 58,866                                | 42,125                                  |
|   | <b>323,486</b>                        | 317,845                               | 321,274                                 |
| <b>Liabilities</b>                          |                                       |                                       |   |
| <b>Current liabilities</b>                  |                                       |                                       |   |
| Trade and other payables                    | 73,052                                | 67,442                                | 72,727                                  |
| Contract liabilities                        | 4,237                                 | 9,058                                 | 7,430                                   |
| Current tax liabilities                     | 2,596                                 | 1,425                                 | 1,129                                   |
| Borrowings                                  | 27,927                                | 3,035                                 | 2,941                                   |
| Lease liabilities                           | 631                                   | 1,519                                 | 603                                     |
| Provisions                                  | 4,339                                 | 5,018                                 | 4,852                                   |
|   | <b>112,782</b>                        | 87,497                                | 89,682                                  |
| <b>Net current assets</b>                   | <b>210,704</b>                        | 230,348                               | 231,592                                 |
| <b>Non-current liabilities</b>              |                                       |                                       |   |
| Trade and other payables                    | 4,959                                 | 6,166                                 | 2,346                                   |
| Borrowings                                  | —                                     | 10,083                                | 9,969                                   |
| Lease liabilities                           | 1,343                                 | 1,896                                 | 1,613                                   |
| Retirement benefit obligations              | 23,389                                | 36,171                                | 36,445                                  |

|  |                |         |         |
|--|----------------|---------|---------|
| Provisions   | 1,355          | 1,463   | 1,076   |
|  | <b>31,046</b>  | 55,779  | 51,449  |
| <b>Net assets</b>  | <b>340,605</b> | 309,349 | 313,488 |
| <b>Equity</b>  |                |         |         |
| Share capital  | 13,729         | 13,718  | 13,718  |
| Property revaluation reserve                               | 2,198          | 2,468   | 2,342   |
| Retained earnings  | 314,509        | 285,075 | 288,514 |
| Other reserves   | 6,685          | 6,396   | 6,404   |
| Cost of shares held by ESOP trust                          | (1,044)        | (561)   | (1,176) |
| <b>Equity attributable to owners of the Parent Company</b> | <b>336,077</b> | 307,096 | 309,802 |
| Non-controlling interests                                  | 4,528          | 2,253   | 3,686   |
| <b>Total equity</b>  | <b>340,605</b> | 309,349 | 313,488 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the half year ended 30 June 2021

|                                    | Attributable to owners of the Parent Company |                                       |                            |                         |  |                |                                    | Total equity<br>£'000 |
|------------------------------------|--|---------------------------------------|----------------------------|-------------------------|--|----------------|------------------------------------|-----------------------|
|                                    | Share capital<br>£'000                       | Property revaluation reserve<br>£'000 | Retained earnings<br>£'000 | Other reserves<br>£'000 | Cost of shares held by ESOP trust<br>£'000 | Total<br>£'000 | Non-controlling interests<br>£'000 |                       |
|                                    |  |                                       |                            |                         |  |                |                                    |                       |
| At 1 January 2020                  | 13,717                                       | 2,993                                 | 293,593                    | 6,390                   | (1,248)                                    | 315,445        | 3,041                              | 318,486               |
| Profit for the period              | —  | —                                     | 5,470                      | —                       | —  | 5,470          | 371                                | 5,841                 |
| Other comprehensive expense        | —  | (525)                                 | (12,054)                   | —                       | —  | (12,579)       | —                                  | (12,579)              |
| Total comprehensive income         | —  | (525)                                 | (6,584)                    | —                       | —  | (7,109)        | 371                                | (6,738)               |
| Equity dividends                   | —  | —                                     | (1,734)                    | —                       | —  | (1,734)        | (1,159)                            | (2,893)               |
| Proceeds from shares issued        | 1  | —                                     | —                          | 6                       | —  | 7              | —                                  | 7                     |
| Share-based payments               | —  | —                                     | (200)                      | —                       | 687  | 487            | —                                  | 487                   |
|                                    | 1  | —                                     | (1,934)                    | 6                       | 687  | (1,240)        | (1,159)                            | (2,399)               |
| <b>At 30 June 2020 (unaudited)</b> | <b>13,718</b>                                | <b>2,468</b>                          | <b>285,075</b>             | <b>6,396</b>            | <b>(561)</b>                               | <b>307,096</b> | <b>2,253</b>                       | <b>309,349</b>        |

|                                      |               |              |                |              |                |                |              |                |
|--------------------------------------|---------------|--------------|----------------|--------------|----------------|----------------|--------------|----------------|
| At 1 January 2020                    | 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 income           | —             | (651)        | (12,624)       | —            | —              | (13,275)       | —            | (13,275)       |
| Total comprehensive 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)        |
| <b>At 31 December 2020 (audited)</b> | <b>13,718</b> | <b>2,342</b> | <b>288,514</b> | <b>6,404</b> | <b>(1,176)</b> | <b>309,802</b> | <b>3,686</b> | <b>313,488</b> |

|                                      |               |              |                |              |                |                |              |                |
|--------------------------------------|---------------|--------------|----------------|--------------|----------------|----------------|--------------|----------------|
| Profit for the period                | —             | —            | 18,678         | —            | —              | 18,678         | 1,312        | 19,990         |
| Other comprehensive expenses         | —             | (144)        | 11,384         | —            | —              | 11,240         | —            | 11,240         |
| Total comprehensive income/(expense) | —             | (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)        |
| <b>At 30 June 2021 (unaudited)</b>   | <b>13,729</b> | <b>2,198</b> | <b>314,509</b> | <b>6,685</b> | <b>(1,044)</b> | <b>336,077</b> | <b>4,528</b> | <b>340,605</b> |

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the half year ended 30 June 2021

|   | Half year<br>ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020<br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'000 |
|---|---|---|--|
| <b>Cash flows from operating activities</b>                 |   |   |  |
| Cash generated from operations                              | (24,576)  | 21,961  | 21,136   |
| Interest paid   | (345)   | (385)   | (728)  |
| Tax paid  | (1,670)   | (4,366)   | (6,597)  |
| Net cash flows from operating activities                    | (26,591)  | 17,210  | 13,811   |
| <b>Cash flows from investing activities</b>                 |   |   |  |
| Purchase of intangible assets                               | (203)   | (380)   | (283)  |
| Purchase of property, plant and equipment                   | (680)   | (521)   | (924)  |
| Purchase of investment property                             | (14,893)  | (2,351)   | (11,962)   |
| Purchase of investment in associate                         | (3)   | —   | —  |
| Proceeds on disposal of property, plant and equipment       | 139   | 70  | 279  |
| Proceeds on disposal of investment properties               | 6,427   | 10  | 627  |
| Proceeds on disposal of investment in joint ventures        | —   | —   | 2,798  |
| Distributions received from joint ventures and associates   | 200   | 2,200   | 2,200  |
| Interest received   | 280   | 351   | 512  |
| Net cash flows from investing activities                    | (8,733)   | (621)   | (6,753)  |
| <b>Cash flows from financing activities</b>                 |   |   |  |
| Proceeds from shares issued                                 | 292   | 6   | 15   |
| Purchase of treasury shares                                 | —   | —   | (615)  |
| Decrease in borrowings                                      | —   | (64)  | (1,942)  |
| Increase in borrowings                                      | 15,017  | 2,484   | 4,153  |
| Principal element of lease payments                         | (342)   | (1,282)   | (3,024)  |
| Dividends paid – ordinary shares                            | (4,383)   | —   | (4,643)  |
| – non-controlling interests                                 | (470)   | (1,159)   | (1,159)  |
| – preference shares   | (11)  | (11)  | (21)   |
| Net cash flows from financing activities                    | 10,103  | (26)  | (7,236)  |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(25,221)</b>   | <b>16,563</b>   | <b>(178)</b>   |

|   |               |        |        |
|---|---------------|--------|--------|
| Net cash and cash equivalents at beginning of period  | <b>42,125</b> | 42,303 | 42,303 |
| <b>Net cash and cash equivalents at end of period</b> | <b>16,904</b> | 58,866 | 42,125 |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the half year ended 30 June 2020

### 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 2020, which were prepared in accordance with International Accounting Standards in conformity with the Companies Act 2006 and International Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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 2020.

A number of other standards, amendments and interpretations became effective from 1 January 2021, which do not have a material impact on the Group's financial statements or accounting policies.

#### *Change in accounting policy*

At 31 December 2020, we reclassified 'share of profit of joint ventures and associates' into operating profit. This was 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. For comparability purposes, results to 30 June 2020 have been restated. There is no overall impact on profit before tax or the balance sheet.

#### *Going Concern*

The Company meets its day-to-day working capital requirements through a secured loan facility, which includes an overdraft facility. 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, along with an accordion facility of £30m, which can be called upon at the Group's request. The renewed facilities commenced on 24 January 2020, with a renewal date of 24 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 facilities to 23 January 2024.

The Directors have considered the Group's principal risk areas, including the residual impact of the COVID-19 pandemic, that they consider material to the assessment of going concern.

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 2020 Annual Report.

As reported in the 2020 Annual Report, the most sensitive covenant in our facilities relate to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our most severe downside modelling, which reflects a near 14% reduction in revenue and near 36% reduction in profit before tax from our base case, demonstrate headroom over this covenant in all covenant measurement periods, for the 12 months from this Report.

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 2020.

#### *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 2021 Unaudited |  |                         |                       |                          |                       |                |
|--|--|-------------------------|-----------------------|--------------------------|-----------------------|----------------|
|  | Property investment and development<br>£'000 | Land promotion<br>£'000 | Construction<br>£'000 | Group overheads<br>£'000 | Eliminations<br>£'000 | Total<br>£'000 |
| <b>Revenue</b>                         |  |                         |                       |                          |                       |                |
| External sales                         | 37,396                                       | 39,536                  | 52,027                | —                        | —                     | 128,959        |
| Inter-segment sales                    | 148  | —                       | 2,646                 | 283                      | (3,077)               | —              |
| <b>Total revenue</b>                   | <b>37,544</b>                                | <b>39,536</b>           | <b>54,673</b>         | <b>283</b>               | <b>(3,077)</b>        | <b>128,959</b> |
| <b>Gross Profit</b>                    | <b>8,989</b>                                 | <b>17,684</b>           | <b>8,615</b>          | <b>7</b>                 | <b>(27)</b>           | <b>35,268</b>  |
| Administrative expenses                | (6,573)                                      | (2,866)                 | (4,337)               | (4,271)                  | 27                    | (18,020)       |

|                                     |              |               |              |                |              |               |
|-------------------------------------|--------------|---------------|--------------|----------------|--------------|---------------|
| Other operating income/(expense)    | 5,828        | (3)           | —            | —              | —            | 5,825         |
| <b>Operating profit/(loss)</b>      | <b>8,244</b> | <b>14,815</b> | <b>4,278</b> | <b>(4,264)</b> | <b>—</b>     | <b>23,073</b> |
| Finance income                      | 1,326        | 385           | 382          | 1,920          | (3,414)      | 599           |
| Finance costs                       | (1,899)      | (126)         | (229)        | (1,059)        | 2,782        | (531)         |
| <b>Profit/(loss) before tax</b>     | <b>7,671</b> | <b>15,074</b> | <b>4,431</b> | <b>(3,403)</b> | <b>(632)</b> | <b>23,141</b> |
| Tax                                 | (187)        | (2,865)       | (815)        | 716            | —            | (3,151)       |
| <b>Profit/(loss) for the period</b> | <b>7,484</b> | <b>12,209</b> | <b>3,616</b> | <b>(2,687)</b> | <b>(632)</b> | <b>19,990</b> |

Half year ended 30 June 2020 Unaudited

|                                     | Property<br>investment<br>and<br>development<br>£'000 | Land<br>promotion<br>£'000 | Construction<br>£'000 | Group<br>overheads<br>£'000 | Eliminations<br>£'000 | Total<br>£'000 |
|-------------------------------------|---|----------------------------|-----------------------|-----------------------------|-----------------------|----------------|
| <b>Revenue</b>                      |   |                            |                       |                             |                       |                |
| External sales                      | 33,516  | 19,784                     | 55,414                | —                           | —                     | 108,714        |
| Inter-segment sales                 | 148   | —                          | 248                   | 308                         | (704)                 | —              |
| Total revenue                       | 33,664  | 19,784                     | 55,662                | 308                         | (704)                 | 108,714        |
| <b>Gross Profit</b>                 | 5,125   | 12,935                     | 5,109                 | (9)                         | (26)                  | 23,134         |
| Administrative expenses             | (5,088)   | (1,846)                    | (5,879)               | (2,891)                     | 26                    | (15,678)       |
| Other operating income/(expense)    | (62)  | (4)                        | —                     | —                           | —                     | (66)           |
| <b>Operating profit/(loss)</b>      | (25)  | 11,085                     | (770)                 | (2,900)                     | —                     | 7,390          |
| Finance income                      | 715   | 851                        | 435                   | 1,795                       | (3,445)               | 351            |
| Finance costs                       | (1,514)   | (572)                      | (356)                 | (1,129)                     | 3,012                 | (559)          |
| <b>Profit/(loss) before tax</b>     | (824)   | 11,364                     | (691)                 | (2,234)                     | (433)                 | 7,182          |
| Tax                                 | 357   | (2,172)                    | (256)                 | 730                         | —                     | (1,341)        |
| <b>Profit/(loss) for the period</b> | (467)   | 9,192                      | (947)                 | (1,504)                     | (433)                 | 5,841          |

Year ended 31 December 2020 Audited

|                                  | Property<br>investment<br>and<br>development<br>£'000 | Land<br>promotion<br>£'000 | Construction<br>£'000 | Group<br>overheads<br>£'000 | Eliminations<br>£'000 | Total<br>£'000 |
|----------------------------------|---|----------------------------|-----------------------|-----------------------------|-----------------------|----------------|
| <b>Revenue</b>                   |   |                            |                       |                             |                       |                |
| 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        |
| <b>Gross Profit</b>              | 12,977  | 12,319                     | 15,200                | 32                          | (61)                  | 40,467         |
| Administrative expenses          | (11,024)  | (4,402)                    | (9,872)               | (8,106)                     | 61                    | (33,343)       |
| Other operating income/(expense) | 2,929   | 6,247                      | 1,175                 | —                           | —                     | 10,351         |
| <b>Operating profit/(loss)</b>   | 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)       |
| <b>Profit/(loss) before tax</b>   | <b>5,621</b> | <b>13,986</b> | <b>6,677</b> | <b>1,287</b> | <b>(10,492)</b> | <b>17,079</b> |
| Tax                               | 1,864        | (2,898)       | (1,898)      | (422)        | —               | (3,354)       |
| <b>Profit/(loss) for the year</b> | <b>7,485</b> | <b>11,088</b> | <b>4,779</b> | <b>865</b>   | <b>(10,492)</b> | <b>13,725</b> |

|                                     | 30 June<br>2021<br>Unaudited<br>£'000 | 30 June<br>2020<br>Unaudited<br>£'000 | 31 December<br>2020<br>Audited<br>£'000 |
|-------------------------------------|---------------------------------------|---------------------------------------|---|
| <b>Segment assets</b>               |                                       |                                       |   |
| Property investment and development | 263,820                               | 187,260                               | 217,863                                 |
| Land promotion                      | 156,621                               | 158,731                               | 151,988                                 |
| Construction                        | 37,585                                | 37,007                                | 32,447                                  |
| Group overheads                     | 3,632                                 | 3,265                                 | 2,854                                   |
|                                     | <b>461,658</b>                        | <b>386,263</b>                        | <b>405,152</b>                          |
| <b>Unallocated assets</b>           |                                       |                                       |   |
| Deferred tax assets                 | 5,871                                 | 7,496                                 | 7,342                                   |
| Cash and cash equivalents           | 16,904                                | 58,866                                | 42,125                                  |
| <b>Total assets</b>                 | <b>484,433</b>                        | <b>452,625</b>                        | <b>454,619</b>                          |
| <b>Segment liabilities</b>          |                                       |                                       |   |
| Property investment and development | 32,999                                | 25,551                                | 35,292                                  |
| Land promotion                      | 11,016                                | 15,307                                | 11,934                                  |
| Construction                        | 40,916                                | 43,914                                | 37,554                                  |
| Group overheads                     | 3,012                                 | 4,375                                 | 3,651                                   |
|                                     | <b>87,943</b>                         | <b>89,147</b>                         | <b>88,431</b>                           |
| <b>Unallocated liabilities</b>      |                                       |                                       |   |
| Current tax liabilities             | 2,596                                 | 1,425                                 | 1,129                                   |
| Current lease liabilities           | 631                                   | 1,519                                 | 603                                     |
| Current borrowings                  | 27,927                                | 3,035                                 | 2,941                                   |
| Non-current lease liabilities       | 1,342                                 | 1,896                                 | 1,613                                   |
| Non-current borrowings              | —                                     | 10,083                                | 9,969                                   |
| Retirement benefit obligations      | 23,389                                | 36,171                                | 36,445                                  |
| <b>Total liabilities</b>            | <b>143,828</b>                        | <b>143,276</b>                        | <b>141,131</b>                          |
| <b>Total net assets</b>             | <b>340,605</b>                        | <b>309,349</b>                        | <b>313,488</b>                          |

#### 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:

| Activity in the United Kingdom | 30 June<br>2021<br>Unaudited<br>£'000 | Timing of revenue<br>recognition |              | 30 June<br>2020<br>Unaudited<br>£'000 | Timing of revenue<br>recognition |              |
|--------------------------------|---------------------------------------|----------------------------------|--------------|---------------------------------------|----------------------------------|--------------|
|                                |                                       | At a point in<br>time            | Over<br>time |                                       | At a point in<br>time            | Over<br>time |
| Construction contracts:        |                                       |                                  |              |                                       |                                  |              |

|  |                |               |               |                |               |               |
|--|----------------|---------------|---------------|----------------|---------------|---------------|
| - Construction                               | 38,796         | —             | 38,796        | 40,933         | —             | 40,933        |
| - Property investment and development        | 4,095          | —             | 4,095         | 10,854         | —             | 10,854        |
| Sale of land and properties:                 |                |               |               |                |               |               |
| - Property investment and development        | 6,980          | 6,980         | —             | 13,935         | 13,935        | —             |
| - House builder unit sales                   | 23,504         | 23,504        | —             | 9,284          | 9,284         | —             |
| - Land promotion                             | 39,455         | 39,455        | —             | 19,701         | 19,701        | —             |
| PFI concession                               | 4,886          | 4,886         | —             | 5,691          | 5,691         | —             |
| <b>Revenue from contracts with customers</b> | <b>117,716</b> | <b>74,825</b> | <b>42,891</b> | <b>100,398</b> | <b>48,611</b> | <b>51,787</b> |
| Plant and equipment hire                     | 8,345          |               |               | 6,613          |               |               |
| Investment property rental income            | 2,620          |               |               | 1,620          |               |               |
| Other rental income – property development   | 197            |               |               | —              |               |               |
| Other rental income – land promotion         | 81             |               |               | 83             |               |               |
|  | <b>128,959</b> |               |               | <b>108,714</b> |               |               |

## 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<br>ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020<br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'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 2020 of 2.20p per share (2019: 3.70p) | —   | —   | 2,920  |
| Final dividend for the year ended 31 December 2020 of 3.30p per share (2019: 1.30p)   | 4,383   | 1,723   | 1,723  |
|   | <b>4,394</b>  | <b>1,734</b>  | <b>4,664</b>   |

An interim dividend amounting to £3,214,000 (2020: £2,919,000) will be paid on 15 October 2021 to shareholders whose names are on the register at the close of business on 24 September 2021. 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<br>ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020<br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'000 |
|--|---|---|--|
| Current tax:                                 |   |   |  |
| UK corporation tax on profits for the period | 3,136   | 1,046   | 2,824  |
| Adjustment in respect of earlier periods     | (21)  | 65  | 245  |

|   |              |       |       |
|---|--------------|-------|-------|
| <b>Total current tax</b>                          | <b>3,115</b> | 1,111 | 3,069 |
| Deferred tax:                                     |              |       |       |
| Origination and reversal of temporary differences | <b>36</b>    | 230   | 285   |
| <b>Total deferred tax</b>                         | <b>36</b>    | 230   | 285   |
| <b>Total tax</b>                                  | <b>3,151</b> | 1,341 | 3,354 |

Corporation tax is calculated at 19% (31 December 2020: 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 14% is lower than the standard rate of corporation tax due to profits from joint ventures shown net of tax and the utilisation of unrecognised brought forward losses offsetting fair value increases.

On 10 June 2021, a new statutory corporation tax rate was enacted into law increasing the tax rate to 25% with effect from April 2023. Deferred tax balances at the period end have, therefore, been measured at 25% (31 December 2020: 19%), being the rate expected to be applicable at the date the actual tax will arise.

## 8. INVESTMENT PROPERTIES

|   | Completed<br>investment<br>property<br>£'000 | Investment<br>property<br>under<br>construction<br>£'000 | Total<br>£'000 |
|---|--|--|----------------|
| <b>Fair value</b>                             |  |  |                |
| At 1 January 2020                             | 61,764                                       | 8,238  | 70,002         |
| Subsequent expenditure on investment property | 52   | 2,269  | 2,321          |
| Capitalised letting fees                      | —  | 30   | 30             |
| Amortisation of capitalised letting fees      | (15)   | —  | (15)           |
| Disposals                                     | (2)  | —  | (2)            |
| (Decrease)/increase in fair value in period   | (2,596)                                      | 465  | (2,131)        |
| <b>At 30 June 2020 (unaudited)</b>            | <b>59,203</b>                                | <b>11,002</b>  | <b>70,205</b>  |
| Adjustment in respect of tenant incentives    | 441  | —  | 441            |
| <b>Market value at 30 June 2020</b>           | <b>59,644</b>                                | <b>11,002</b>  | <b>70,646</b>  |

|  |               |              |               |
|--|---------------|--------------|---------------|
| <b>Fair value</b>                                    |               |              |               |
| At 1 January 2020                                    | 61,764        | 8,238        | 70,002        |
| Subsequent expenditure on investment property        | 193           | 11,633       | 11,826        |
| Capitalised letting fees                             | 90            | 46           | 136           |
| Amortisation of capitalised letting fees             | (30)          | —            | (30)          |
| Disposals  | (8)           | (714)        | (722)         |
| Transfer from inventory                              | 245           | —            | 245           |
| Transfer from investment property under construction | 17,040        | (17,040)     | —             |
| (Decrease)/increase in fair value in period          | (564)         | 1,830        | 1,266         |
| At 31 December 2020 (audited)                        | 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         |
| <b>At 30 June 2021 (unaudited)</b>                   | <b>87,575</b> | <b>6,943</b> | <b>94,518</b> |

|  |               |              |               |
|--|---------------|--------------|---------------|
| Adjustment in respect of tenant incentives | 893           | —            | 893           |
| <b>Market value at 30 June 2021</b>        | <b>88,468</b> | <b>6,943</b> | <b>95,411</b> |

At 30 June 2021, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £nil (31 December 2020: £310,000).

## 9. BORROWINGS

|                   | Half year<br>ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020<br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'000 |
|-------------------|---|---|--|
| Bank loans        | 24,986  | 10,177  | 9,969  |
| Lease liabilities | 1,974   | 3,415   | 2,216  |
| Government loans  | 2,941   | 2,941   | 2,941  |
|                   | <b>29,901</b>   | <b>16,533</b>   | <b>15,126</b>  |

Movements in borrowings are analysed as follows:

|                                | £'000         |
|--------------------------------|---------------|
| At 1 January 2021              | 15,126        |
| Secured bank loans             | 15,017        |
| New leases                     | 65            |
| Repayment of lease liabilities | (311)         |
| <b>At 30 June 2021</b>         | <b>29,901</b> |

Bank loans include the Group's revolving loan facility which runs to January 2024 and is drawn for durations of up to six months and the Stonebridge Homes facility of £10m (fully drawn) that is repayable in January 2022.

## 10. PROVISIONS FOR LIABILITIES AND CHARGES

Since 31 December 2020, 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 £1,060,000 has been utilised and additional provisions of £352,000 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, £458,000 has been utilised and additional provisions of £932,000 have been made.

## 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<br>2021<br>% | 30 June<br>2020<br>% | 31 December<br>2020<br>% |
|------------------------------|----------------------|----------------------|--------------------------|
| Retail Prices Index (RPI)    | 3.10                 | 2.80                 | 2.80                     |
| Consumer Prices Index (CPI)  | 2.50                 | 2.00                 | 2.20                     |
| Pensionable salary increases | n/a <sup>1</sup>     | 1.00                 | 1.00                     |

|   |             |      |      |
|---|-------------|------|------|
| Rate in increase to pensions in payment liable for Limited Price Indexation (LPI) | <b>2.50</b> | 2.00 | 2.20 |
| Revaluation of deferred pensions  | <b>2.50</b> | 2.00 | 2.20 |
| Liabilities discount rate   | <b>1.90</b> | 1.50 | 1.40 |

<sup>1</sup> The Group's defined benefit pension scheme closed to future accrual on 18 March 2021 with associated costs of £2.1m.

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

|  | Half year<br>ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020<br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'000 |
|--|---|---|--|
| Service cost:  |   |   |  |
| Current service cost   | <b>180</b>  | 438   | 795  |
| Ongoing scheme expenses  | <b>241</b>  | 286   | 576  |
| Past service cost  | <b>2,074</b>  | —   | 150  |
| Net interest expense   | <b>252</b>  | 217   | 433  |
| Pension Protection Fund  | <b>96</b>   | 123   | 206  |
| Pension expenses recognised in profit or loss                              | <b>2,843</b>  | 1,064   | 2,160  |
| Remeasurement on the net defined benefit liability:                        |   |   |  |
| Return on plan assets (excluding amounts included in net interest expense) | <b>(1,243)</b>  | (4,715)   | (13,898)   |
| Actuarial losses arising from changes in demographic assumptions           | <b>—</b>  | 2,287   | 2,265  |
| Actuarial (gains)/losses arising from changes in financial assumptions     | <b>(11,577)</b>   | 17,671  | 27,346   |
| Actuarial (gains)/losses recognised in other comprehensive income          | <b>(12,820)</b>   | 15,243  | 15,713   |
| Total  | <b>(9,977)</b>  | 16,307  | 17,873   |

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<br>Ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020<br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'000 |
|-------------------------------------|---|---|--|
| Present value of scheme obligations | <b>222,726</b>  | 226,972   | 235,143  |
| Fair value of scheme assets         | <b>(199,337)</b>  | (190,801)   | (198,698)  |
|                                     | <b>23,389</b>   | 36,171  | 36,445   |

## 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 29 to the Annual Report and Financial Statements for the year ended 31 December 2020.

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<br>ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020<br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'000 |
|---|---|---|--|
| 400,000 5.25% cumulative preference shares of £1 each (31 December 2020: 400,000) | 400   | 400   | 400  |
| 133,293,449 ordinary shares of 10p each (31 December 2020: 133,181,537)           | 13,329  | 13,318  | 13,318   |
|   | <b>13,729</b>   | 13,718  | 13,718   |

### 14. CASH GENERATED FROM OPERATIONS

|  | Half year<br>ended<br>30 June<br>2021<br>Unaudited<br>£'000 | Half year<br>ended<br>30 June<br>2020<br>Unaudited<br>£'000 | Year<br>ended<br>31 December<br>2020<br>Audited<br>£'000 |
|--|---|---|--|
| Profit before tax  | 23,141  | 7,182   | 17,079   |
| Adjustments for:   |   |   |  |
| Amortisation of PFI asset  | 303   | 321   | 570  |
| Goodwill impairment  | 102   | 1,925   | 2,218  |
| Depreciation of property, plant and equipment                    | 1,756   | 2,144   | 3,585  |
| Depreciation of right-of-use assets                              | 300   | 370   | 987  |
| Impairment loss on land and buildings                            | 100   | 84  | —  |
| Revaluation (increase)/decrease in investment properties         | (2,081)   | 2,131   | (1,266)  |
| Amortisation of capitalised letting fees                         | —   | 15  | 30   |
| Share-based payment expense                                      | 459   | 487   | 975  |
| Pension scheme credit  | (236)   | (2,037)   | (2,233)  |
| Profit on disposal of property, plant and equipment              | (528)   | (360)   | (939)  |
| Loss on disposal of right-of-use assets                          | —   | —   | 89   |
| (Profit)/loss on disposal of investment properties               | (1,248)   | (8)   | 95   |
| Gain on disposal of joint ventures                               | —   | —   | (7,426)  |
| Finance income   | (599)   | (351)   | (721)  |
| Finance costs  | 531   | 559   | 1,117  |
| Share of profit of joint ventures and associates                 | (2,496)   | (2,057)   | (1,756)  |
| Operating cash flows before movements in equipment held for hire | 19,504  | 10,405  | 12,404   |
| Purchase of equipment held for hire                              | (3,276)   | (1,131)   | (2,201)  |
| Proceeds on disposal of equipment held for hire                  | 617   | 490   | 1,159  |
| Operating cash flows before movements in working capital         | 16,845  | 9,764   | 11,362   |
| Increase in inventories  | (8,626)   | (4,085)   | (31,285)   |
| Decrease in contract assets                                      | 4,809   | 8,170   | 5,757  |
| (Increase)/decrease in receivables                               | (36,982)  | 14,585  | 39,800   |
| Increase/(decrease) in payables                                  | 2,571   | (5,655)   | (2,052)  |
| Decrease in contract liabilities                                 | (3,193)   | (818)   | (2,446)  |
| <b>Cash generated from operations</b>                            | <b>(24,576)</b>   | 21,961  | 21,136   |



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

| <b>Analysis of net (debt)/cash:</b>  |                 |          |         |
|--------------------------------------|-----------------|----------|---------|
| Cash and cash equivalents            | <b>16,904</b>   | 58,866   | 42,125  |
| Bank overdrafts                      | —               | —        | —       |
| <b>Net cash and cash equivalents</b> | <b>16,904</b>   | 58,866   | 42,125  |
| Bank loans                           | <b>(24,986)</b> | (10,177) | (9,969) |
| Lease liabilities                    | <b>(1,974)</b>  | (3,415)  | (2,216) |
| Government loans                     | <b>(2,941)</b>  | (2,941)  | (2,941) |
| <b>Net (debt)/cash</b>               | <b>(12,997)</b> | 42,333   | 26,999  |

## 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 2021 financial year remain consistent with those set out in the Strategic Report on pages 48 to 54 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 has been affected by material shortages, price inflation and lead times prevalent across the UK construction industry and continues to take measures to mitigate our exposure, this includes securing supplies at an early stage and adding protective clauses in construction contracts.

The Directors continue to monitor the impact of COVID-19 on the Group, considering primarily the safety and welfare of our staff as we transition to a new normal.

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 10 September 2021.

## 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 2020. A list of current Directors is maintained on the Henry Boot PLC Group website: [www.henryboot.co.uk](http://www.henryboot.co.uk).

On behalf of the Board

**T A ROBERTS**

Director

13 September 2021

**D L LITTLEWOOD**

Director

13 September 2021