21 May 2020

HENRY BOOT PLC

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

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Henry Boot PLC, a company engaged in land promotion, property investment and development, and construction, announces its results for the year ended 31 December 2019. Ticker: BOOT.L: Main market premium listing: FTSE: Real Estate Holding and Development.

2019 KEY HIGHLIGHTS

- Revenue of £379.7m (2018: £397.1m) – lower primarily following the successful completion in August of the £333m TECA project, Aberdeen
- Profit before tax of £49.1m (2018: £48.6m) – slightly higher led by strong performance of our land promotion business
- Earnings per share of 28.3p, consistent with prior year (2018: 28.3p)
- Net asset value per share increased 5% to 239p (2018: 227p) from retained earnings
- Net cash of £27.0m (2018: net debt £18.4m) with nil gearing on a net cash basis (2018: 6% on net debt), following well-timed sale of £67.1m of primarily mixed-use retail-focused investments
- Proposed final dividend of 1.30p (2018: 5.80p), giving a total for the year of 5.00p, 56% of FY2018 (2018: 9.00p), reduced to preserve cash in unprecedented challenging times
- Clear plan of reducing outgoings and managing cashflow, including paying only 50% of all Group 2019 declared bonuses, and a 20% reduction in salary and fees of the main board
- Strongly positioned for the future with land promotion acreage now 14,898 acres, potential development pipeline of £1.3bn GDV, primarily in manufacturing and logistics, with the rest concentrated on urban office and residential development, and a construction business with a bias to public sector investment in health, education and urban regeneration

Commenting on the results, Chairman, Jamie Boot said:

"We made significant strategic progress in 2019, achieving another strong set of results and finishing the year with £27.0m in net cash. Our priority is the welfare of our colleagues, customers and the communities in which we operate in, preserving our robust financial position, and continuing to serve our customers and other stakeholders. With positive cashflow, a short-term focus on managing our cash reserves, and operational contingency planning in place, we have positioned ourselves to respond to the COVID-19."

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

"There is no doubt that COVID-19 has caused significant economic and social disruption, and as such is materially affecting the Group's near-term trading. However, with no debt, cash in the bank, and our business cutting out unnecessary expenditure, coupled with reducing activity, we have a clear and effective plan to get through these uncertain times. Long term, we have extensive operational skills, which we believe will continue to provide valued services to customers in key markets such as residential, manufacturing and logistics and urban development. We also have a construction business with a bias to public sector investment in areas such as health, education and urban regeneration. These are all sustainable markets, so we also have a firm eye on the future success of the business.''

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About Henry Boot PLC

Henry Boot PLC (BOOT.L) was established over 130 years ago, and is one of the UK's leading and long-standing property investment and development, land promotion and construction companies. Based in Sheffield, the Group is comprised of the following three segments:

Land Promotion:
Hallam Land Management Limited

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

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

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

www.henryboot.co.uk

COVID-19 PANDEMIC UPDATE

Henry Boot performed strongly throughout 2019, which we are pleased to outline in this announcement. However, it is clear that the COVID-19 pandemic is having a material impact on the Group. Therefore, we believe it is important to provide an update on the unprecedented decisions and actions taken, which have all been driven by our three main priorities:

- The safety and welfare of our people, our customers, our supply chain, and the communities in which we operate
- Operational responses to the latest Government guidance, together with feedback from our people, customers and supply chain
- The long-term financial stability of the Group

1. **Safety and welfare**

In February, a Committee was formed to develop a COVID-19 action plan and to monitor the impact on our Group. The Committee has been agile to meet the needs created by this period of extreme uncertainty, meeting almost daily since mid-March, with the action plan being constantly refreshed to reflect changing circumstances.

Our office network is closed, and since the lockdown, our people who can work remotely are doing so.

At the end of March, we paused work on our construction sites and closed our plant sales centres, except where essential work or supplies were being delivered to vital NHS sites. This allowed us to carry out a review that ensured we are compliant with new government guidelines, had the ability to gain feedback from customers and suppliers, and crucially, that our people remained safe.

2. **Operations**

Following our review and the pause in construction activity, all of our construction sites and plant sales centres are now open, adhering to the strict precautions, which have naturally affected our output and efficiency. The position is similar in the sites being operated by our development business. However, all recently completed developments are either pre-sold or let, and nearly all our committed developments are also pre-funded or pre-let. Our jointly owned Leeds-based housebuilder is also operating on all of its sites and, following the change in the Government's guidelines, has reopened its show homes.

The reduced activity affecting construction, housebuilding and plant hire has meant we are utilising the Government's Coronavirus Job Retention Scheme. A minority of our workforce have been furloughed and their pay has been topped up to 100% by the Group. In recent weeks, we have started to reduce the number of people furloughed as we adapt to new working ways and productivity increases.

Our land promotion business continues to operate remotely, identifying and promoting strategic land over the long term. There are several contracted sales due to complete in the near future, and the majority of these are with the UK's major housebuilders.

3. **Financial stability**

The Group retains a very strong financial base, with a robust balance sheet, and net cash at 30 April 2020 of £45m (31 December 2019: £27m). In addition, we retain a secured, committed, undrawn banking facility of £75m. This facility is subject to a restriction relating to the value of investment property and deferred income and, at 30 April 2020, £51m of this facility was available to the Group.

In assessing the Group's going concern and viability, we have considered the potential impact of the COVID-19 pandemic on the Group, and the effect of both a three-month and six-month UK lockdown. This assumes that no activity is undertaken during 2020 unless it is already contracted, followed by a short to medium-term recovery of the economy. Based on this assessment we believe the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future.

We have also sought to reduce variable costs, and to preserve cash, where possible. This includes making the following key decisions:

- Paying a reduced final dividend in recognition of the performance for the year ended 31 December 2019 of 1.3p so that the full year dividend payment for 2019 is 5.0p (56% of the 9.0p paid for FY2018)
- Aligning the remuneration of our people with shareholders with only half of all awarded bonuses, in relation to the FY2019, across the Group being paid
- The Board's executive and non-executive directors have taken a 20% reduction in salary and fees from 1 April
- Measures taken to actively manage cash and curtail both capital and revenue expenditure

As noted in our operations update on 3 April 2020, the Group is currently unable to quantify the impact of COVID-19 on its financial and trading performance for the current year. As a result, we have suspended all existing financial guidance until clarity returns.

There is no doubt that the COVID-19 pandemic is having a material effect on our current operations, but we are on track in our plan to safeguard our people together with maintaining operational capabilities and to preserve our financial resources.

We have always been clear that we are a long-term business, and as such we operate in markets that are dictated by long-term trends:

- The demand for residential development and the land needed to provide much-needed housing
- The development of manufacturing and logistics assets, and urban development concentrated on offices and residential
- Construction with a bias to public sector investment in areas such as hospitals, education and urban regeneration

We believe these long-term trends and markets are sustainable and we are determined in our strategy to make sure we play our part in them in the future.

CHAIRMAN'S STATEMENT

I am pleased to report that Henry Boot achieved another strong set of results with profit before tax of £49.1m, which was slightly higher than the previous year (2018: £48.6m). Earnings per share were 28.3p (2018: 28.3p), covering the proposed dividend over 5.6 times. NAV per share increased to 239p (2018: 227p) and we finished the year, having sold the majority of the mixed-use retail-focused assets in our investment portfolio, with £27.0m in net cash. This was a significant achievement considering the level of political and economic uncertainty that affected the UK retail real estate markets during 2019. It also means that we have a strong cash positive balance sheet to withstand the impacts of the COVID-19 pandemic that we are all now experiencing.

Once again, Hallam Land – our land promotion business – performed exceptionally well, selling over 3,400 plots on 22 sites as the leading UK housing developers traded well and replenished land banks with quality sites in good locations. Hallam Land increased its site portfolio to over 14,800 acres, and goes into 2020 with planning permission for over 14,700 plots available to sell, all held at cost with no planning gain value recognition until sale completion, and a further 10,600 plots applied for and within the planning process.

Henry Boot Developments (HBD) – our property investment and development business – successfully concluded The Event Complex Aberdeen (TECA) on time and on budget. This £333m project was the largest we have delivered, and it was great to see it used for the BBC's 'Sports Personality of the Year' programme. Currently, we are committed to deliver 763,000 sq ft of manufacturing and logistics accommodation, and 717 residential units, all of which have either been pre-sold or pre-let. The majority of these residential units are within our Kampus PRS scheme in the centre of Manchester, which has been pre-funded. With a development pipeline of c£1.3bn, we have ample opportunities for the future.

Stonebridge Homes – our jointly owned Leeds-based housebuilder – achieved 159 unit sales (2018: 145 sales). Planning delays continue to affect the speed at which we are able to grow output, and we are looking to secure our first site in the North East, which is a natural extension to our existing geographic focus.

Henry Boot Construction had a successful year; revenue from construction activity was £89.7m (2018: £70.9m), and although COVID-19 will cause significant disruption, we have a strong order book with the added opportunity within the Partnership Homes market, following the acquisition of Starfish Commercial in 2019. Banner Plant had a more difficult year, having incurred a bad debt when one of its largest customers failed, although the team replaced most of the activity lost with this customer during 2019. Road Link A69 continued to perform profitably, to expectations and in line with the previous year.

Dividend

The Board has considered the financial position of the Company, and its ability to withstand the uncertain economic conditions created by COVID-19, very carefully. Notwithstanding our relatively strong position, we believe that it is important in these uncertain times, and for the long-term success of the business, to preserve cash. The Board has therefore concluded that we should recommend a reduced final dividend of 1.3p which, together with the 3.7p interim dividend, gives a total of 5.0p (2018: 9.0p) for the year. We recognise the importance of dividends to all shareholders and, rest assured, we will keep returns to all stakeholders under review as the impacts of the crisis unfold. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting (AGM) and will be paid on 6 July 2020 to shareholders on the register on 12 June 2020.

Our People

Our success in 2019 has, once again, been delivered against a backdrop of political and economic uncertainty, which impacts on the confidence that clients and customers require in order to make positive decisions. In those circumstances, our people have performed tremendously well to overcome the challenges and deliver a better result than 2018. On behalf of the Board and all stakeholders, I thank all our people for their efforts throughout 2019. Whilst COVID-19 will materially affect the Group's results in 2020, I am sure that with skillful management and the resolute contribution of everyone in our Group, we will overcome the unprecedented challenges that will arise, seeking out new opportunities along the way. I would also like to take this opportunity to welcome Tim Roberts as our new Chief Executive Officer and thank John Sutcliffe for his service to the Group as Finance Director and Chief Executive Officer. John's time with Henry Boot has been extremely valued and I wish him all the best in his retirement endeavours.

Outlook

We made significant strategic progress in 2019, achieving a strong financial performance and, significantly, we disposed of most of our mixed-use retail-focused assets. As a result, we ended the year with a strong cash positive balance sheet. Trading in the new year had started well, with a number of commercial and housing developments on track, strategic land transactions confirmed and a strong committed construction order book. Against this, there is no doubt that the COVID-19 pandemic will cause a significant social and economic impact. Our short-term priority is the welfare of our colleagues, the continued robustness of our financial position, and continuing to serve our customers and other stakeholders. With positive cashflow, a short-term focus on managing our cash reserves, and contingency planning in place, we have readied ourselves to come through the pandemic. We are a long-term business, therefore, our ambition for the business remains unchanged. With our new Chief Executive Officer driving the business forward, we will continue to empower our people, with both the financial and technical resources to add to the pipeline of land, housing, construction and commercial development opportunities, delivering sustainable growth and value creation for all stakeholders.

Jamie Boot
Chairman

BUSINESS REVIEW

Henry Boot has had another strong year, with a marginal increase in profit achieved during a period where the economy was slow, and political uncertainty was high, centred around the General Election and leaving European Union. I am fortunate that I take over the leadership from John Sutcliffe in a considered and planned manner, and find the business operating well and in robust financial shape.

This undoubtedly puts us in a position to withstand the economic and social disruptions that COVID-19 will have on the UK. In addition, we have taken the following actions which have preserved cash and added liquidity:

- The Board is well aware of the importance of dividends but has made the hard decision to recommend paying a reduced final dividend of 1.3p, so that the full year payment is 5.0p
- To align remuneration of our people with shareholders, only half of all Group bonuses awarded in relation to 2019 have been paid
- All Board members have also taken a 20% reduction in salary and fees
- We have a new £75m secured banking facility, which became effective in January 2020 and which we can increase, at our call, by up to £30m. This facility is subject to a restriction relating to the value of investment property and deferred income and, at 30 April 2020, £51m of this facility was available to the Group.

COVID-19 is the clear challenge for 2020, and I will return to it and the future in my final section, but first we should review the good progress we made in 2019.

In summary, our land promotion business continued to operate profitably, and has carried on replenishing its future pipeline with interests in 14,898 acres of land, the majority of which is in the South Midlands, South West and South of the country, where demand for housing is high. HBD continues to focus itself in strong markets such as manufacturing and logistics, and urban office and residential development, centred around our branch office network in major UK cities. At the same time, with the £407m gross development value (GDV) of completed developments, and the £315m we have committed to nearly all pre-sold, let or under offer, we continue to be thoughtful about risk. With £1.3bn in the development pipeline we are well positioned for the future. The repositioning of the investment portfolio with the successful sale of £67m of mainly mixed-use retail-focused property (retained portfolio of £70m) contributed to the Group finishing the year with net cash of £27m, which has grown since the year end to £45m as of 30 April 2020. We believe that selling these investments was the right action to take, accepting that it resulted in a loss of rental income of £1.5m in 2019 (annualised £3.3m). We have an agreed strategy to reinvest and to rebuild rental income lost when the time, and the opportunity, is right. Finally, the construction business, which has been operating in a weak market, and has a long-term record of unbroken profit, already has 88% of its order book for 2020; however, it is currently uncertain how much work we will be able to deliver in the year as a result of COVID-19.

Land Promotion

Hallam Land Management had another very strong year despite the previously mentioned uncertain backdrop during 2019. Our UK housebuilder customers saw continued strong demand for new homes and were keen to replenish their land banks in good market areas. We secured £31.8m profit for the year (2018: £28.5m) from selling 3,427 plots. Despite sales achieved in the year, our consented portfolio was 14,713 plots at the year end (2018: 16,489 plots) and we had 10,665 plots subject of planning applications (2018: 11,929 plots).

As our strategic land portfolio is held as inventory, 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 14,713 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.

During the year, we sold 22 residential sites across all regions of the UK and, unusually for Hallam, these sales did not include any large site disposals. However, we continued to dispose of land at Market Harborough, selling 118 plots, leaving a further 118 contracted in this favourable market area, for disposal in 2020. In addition, we sold land at Buckingham for a Premier Inn, Beefeater public house and Costa Coffee drive thru.

The Company also secured a total of 1,651 units in new planning consents (or consents subject to Section 106 Agreement (S106)) during the year, including at Bathgate (180 plots), Burdiehouse (115 plots), Derby (100 plots), Doncaster (650 plots), Hamstreet (80 plots), Pagham (300 plots), and Worcester (450 plots). At the end of 2019, the Company benefited from 2,348 acres (2018: 2,599 acres) of land with planning consent (or consent subject to S106), with total land interests of 14,898 acres (2018: 14,325 acres) across freehold, option and planning promotion agreements.

Changes in the make-up of local government, arising from the local elections last year, created uncertainty in several places, with new administrations seeking to go against decisions previously agreed, with little central government governance. This occurred at Didcot in Oxfordshire, where we were unable to unlock, and dispose of, a 2,182 plot scheme and local centre with planning permission to the west of the town. In the post-general election political climate, we hope to finally secure this outline planning consent during 2020.

A major project that progressed very well during 2019 was at Eastern Green, Coventry, where we have reached agreement with the Housing Infrastructure Fund who will commit funding to deliver a grade separated junction to access the site from the A45. We expect this 2,625 plot site, including 15ha of commercial development, a primary school and a local centre, to secure a planning consent (subject to the signing of a S106) during 2020, allowing the infrastructure works to commence towards the end of the year.

Steady progress continued during the year at our longstanding projects at Cranbrook (the new community near Exeter) and Kingsdown, Bridgwater. We contracted to sell 315 plots at Cranbrook to Taylor Wimpey; at Bridgwater, 142 plots were sold to Persimmon. Both projects continue to perform well, and at Bridgwater we are now working on re-planning some of the commercial land to deliver further residential plots. At Cranbrook, we are in negotiation with a national food retailer to provide a store in the town centre.

2020 started well with 1,268 plots exchanged for sale across 2020 and 2021. Our major house building customers, re-invigorated by the general election result, continued to replenish land banks in the early part of 2020. With a reduction in the number of successful planning appeals made by our competitors, we have also seen renewed interest and stiffer competition for our consented sites. COVID-19 will have a significant impact on 2020 although, we have a number of transactions already completed or unconditionally exchanged with major house builders for completion in 2020 and, we remain confident that our land promotion business is well placed to deliver solid results in the future.

Property Investment and Development

The property investment and development segment achieved profits of £13.4m (2018: £15.9m) on revenue of £192.2m (2018: £221.5m) and which included six completed schemes with GDV of £407m (1.15m sq ft). These included the successful completion and handover of TECA to Aberdeen City Council (ACC) in August. This £333m project was delivered on time and on budget, and was the culmination of outstanding teamwork from all project stakeholders since Henry Boot Developments' selection as ACC's preferred development partner in 2013. We also saw the completion of a new 92,613 sq ft purpose-built office for Atkins in Epsom. We are proud of the finished building, which achieved a BREEAM Excellent rating, and has already been put forward for several regional property awards.

Other building completions achieved in the year include Markham Vale, where we delivered a 55,000 sq ft design and build unit for Protec, together with a 55,000 sq ft speculative unit. In addition, we finished the development of 10 speculative units, comprising a total of 83,000 sq ft, at Butterfield Business Park, Luton. As at 31 December 2019, approximately 50% of the combined speculative space at Markham Vale and Luton was occupied and we will continue marketing the remainder of the space either for sale or to let.

2019 saw us successfully implement a strategic rationalisation of our investment portfolio. The sale of residual land holdings at Hull, Rotherham and Tamworth completed, resulting in a cumulative receipt of £1.3m. Sales of long-term investments also completed at The Mall in Bromley, The Axis in Nottingham, Carver Street in Sheffield, and Recticel, Stoke-on-Trent. The sale of these – largely retail-focused assets – created a cash receipt of approximately £60m, and whilst this reduces rental income and profit in the year, this allows us to rebalance the make-up of the investment portfolio in accordance with our forward-looking investment strategy. Our strategy will be to reinvest these proceeds by either retaining completed developments in locations that we think will improve, or to buy investments that have redevelopment or significant refurbishment angles.

As we look ahead to 2020, we are currently developing a further nine schemes with a GDV of £315m, some 763,000 sq ft of industrial space and 717 urban residential units. All these developments are pre-sold, pre-let or under offer. On our largest scheme in progress, Kampus in Manchester, we expect to complete construction works and launch this jointly owned scheme to the market in 2021. Kampus comprises 533 build to rent residential apartments together with 44,000 sq ft of retail and leisure space in 20 units. Manufacturing and logistics development continues at Airport Business Park, Southend, where we are delivering a 121,815 sq ft unit for IPECO, together with associated infrastructure works. At the International Advanced Manufacturing Park (IAMP), Sunderland,

where we completed the 131,622 sq ft Centre of Excellence in Sustainable Advanced Manufacturing (CESAM) building and a 124,441 sq ft building for Faltec in the first quarter of 2020.

Committed Schemes

Scheme	GDV (£m)	Share of GDV (£m)	Commercial (sq ft)	Residential (units)	Status
Industrial					
Luton, Eden Foods	10	10	73,528	–	Pre-let
Markham Vale, Aver	23	23	297,018	–	Conditional contract to forward fund
Pool, MKM	4	4	15,000	–	Pre-let
Southend, IPECO	13	13	121,815	–	Sold under forward funding contract
Sunderland, Faltec	12	12	124,441	–	Sold under forward funding contract
Sunderland, CESAM	17	17	131,622	–	Sold under forward funding contract
	79	79	763,424	–	
Residential					
Manchester, Kampus	216	11	44,000	533	Sold under forward funding contract
Skipton, Bellway	14	14	–	184	Sold under conditional contract
	230	25	44,000	717	
Retail					
Huyton, Aldi	6	3	18,750	–	Pre-let
Total for year	**315**	**107**	**826,174**	**717**	

Furthermore, we have many more opportunities within the development pipeline with a potential GDV of c£1.3bn, around 70% of which is either manufacturing or logistics space, with the rest dominated by urban office and residential development. During 2020, we anticipate exchanging contracts to allow design and build construction at our sites at Melton Road, Leicester, Markham Vale and Wakefield Hub to commence, albeit later than anticipated due to the impact of COVID-19. We also hope to obtain planning consents and possibly commence construction of speculative unit schemes at our manufacturing and logistics parks at Preston East, Butterfield Business Park in Luton, and the Airport Business Park in Southend. Decisions will be made on whether to progress these schemes, in the light of occupier demand at the time.

Various other projects, such as Plymouth House in Bath (offices), Cornwall House in Birmingham (residential), Cloverhill in Aberdeen (residential) and, the joint venture, Island site in Manchester (offices) will progress through the design stage during 2020, and we look forward to these schemes contributing profits in 2021 and beyond.

Our jointly owned housebuilder, Stonebridge Homes, achieved 159 sales in 2019 (2018: 145 sales) and carried over eight reservations into 2020. Our 2020 target is made up from the existing active sites with the expectation of two new sites that enter our delivery programme in early 2020. We anticipated that we would be able to deliver units from several more land bank sites in 2020, but delays in the planning process, compounded by COVID-19, will push delivery into 2021 and beyond. 2020, with the obvious caveat of COVID-19, had started well.

During 2019 we have added 222 units to the land bank with planning permission, increasing it to 601 units (2018: 379 units). Longer term secured sites, subject to obtaining planning permission, equate to 422 units (2018: 489 units). We hope to secure our first site in the North East, a natural extension outside the Yorkshire region, in 2020. The growth in the land bank now provides a fantastic opportunity for the business to achieve its key strategic objective of becoming a sustainable, multi-regional, premium housebuilding business.

Construction

The construction segment achieved combined profits of £9.4m (2018: £9.2m) and was marginally ahead of our expectations in terms of both turnover and profit margin.

In the commercial sector, we completed Phase 1 of the £44m Glass Works Barnsley town centre regeneration and we are now well underway with the £88m Glass Works Phase 2 retail and leisure centre, which will continue into 2021. We recently completed a complex of industrial units at Butterfields Business Park in Luton, and a 55,000 sq ft unit at Markham Vale in Derbyshire for HBD.

Following the successful completion of the Grade II refurbishment of St George's Hall in Bradford, we are working to transform the existing Opera North facilities in Leeds city centre, for completion in 2021.

We have also seen an increase in multi-storey housing opportunities coming to market and are currently involved in developing the design for a 364 apartment PRS scheme in Sheffield, for which we hope to be on site in early 2021.

We remain active in the education sector where we have successfully completed the new £10m sports development for the University of Hull, and works continue on the Royce Institute for the University of Sheffield and Brookfield Campus for the University of Leicester. We delivered a new £5m extension to Longcroft School, Beverley, and have recently commenced on site with the Axis Academy at Crewe through the DfE Framework. Furthermore, we commenced our first scheme for Leeds Local Education Partnership at Beeston Park Primary School.

Works have begun on a three-year prison refurbishment scheme, and on two court re-roofing schemes, for the Ministry of Justice. We have several other projects in the pipeline, which we hope to progress from project award to delivery on site.

In the health sector, we continue to be a framework delivery partner for the Sheffield Teaching Hospitals NHS Foundation Trust where we are refurbishing operating theatres at the Royal Hallamshire Hospital and creating a new link bridge at Weston Park Hospital in Sheffield.

The civil engineering sector continues to deliver opportunities with infrastructure works completed at Leeds Skelton Lake Services, a road bridge installed for a new housing development in Chesterfield, and enabling works carried out for a major project at the University of Leeds.

We acquired a place on several high-profile public and private sector frameworks during 2019 to complement our existing framework activity including Crown Commercial Services (CCS), Pagabo and Procure Partnerships. We secured our first project on the Pagabo framework for a works department at Caenby Corner in Lincolnshire.

Recognising the importance and current underprovision in the affordable housing market, we acquired Starfish Commercial in December 2019 and are currently integrating it into our construction business. We consider this to be an important market moving forward with this small acquisition helping to support our growth aspirations in this area. Starfish Commercial works with housing associations, local authorities and house builders to deliver affordable and social housing units, often through framework arrangements. It is currently building homes on sites in Scunthorpe, Leeds, Nottingham, and Sheffield and is a joint venture partner with Magenta Living providing affordable new-build housing in North West England and Wales.

Although we have started the year relatively well, and already have 88% of our order book for 2020 secured and are aware of opportunities to win work for 2021 and beyond, clearly COVID-19 will cause delays and a reduction in output on all our active sites.

Banner Plant Hire saw a slight reduction in its results during 2019, caused by difficulties experienced by a large customer who ultimately failed post-year end, causing a bad debt cost of £0.2m. We continued to operate in a highly competitive plant hire market, with pressure on hire rates. The fundamentals of the business remain sound, capital investment in new plant was 12% of the hire fleet. Redundant plant disposals produced strong returns and cash inflows were ahead of plan.

Apprenticeships represent 8% of our workforce and that programme continues to have our full commitment. Looking to 2020, the quality of the plant fleet, and efficient customer service, will help support the business as it deals with the impacts of COVID-19.

Road Link (A69) that runs the A69 between Newcastle and Carlisle under a Design, Build, Finance and Operate agreement, completed another successful year in line with expectations. The contract has six years to run until the hand-back to Highways England occurs.

Looking forward

Trading in 2020 started well, however, March saw the unprecedented COVID-19 pandemic unfold, affecting the Group in common with all UK businesses. As already stated, we have strong cash resources, an ability to manage our cash reserves, a new loan facility, plus operational contingency planning in place to help mitigate the current disruption. Our priority is the welfare of our people, and to continue to serve our customers, shareholders and the communities we operate in as far as possible in these unprecedented circumstances.

Long term, we have extensive and embedded operational skills, which we believe will continue to provide valued services to customers in key markets such as residential, manufacturing, logistics and urban development. Also, we have a good record of serving public sector clients in key construction areas, and at a time when the Government is looking to invest money in the regions,

we stand ready to partner on key projects. These are all sustainable markets and with almost 15,000 acres of strategic land, a growing land bank for our Housebuilding venture and a development pipeline that has potential for a further £1.3bn GDV; as always, we are planning for the future.

I am looking forward to working with the Board, my colleagues and all our various stakeholders to realise our long-term ambitions.

Tim Roberts
Chief Executive Officer

FINANCIAL REVIEW

Summary financial performance

	2019 £'m	2018 £'m	Change %
Total revenue			
Property investment and development	**192.2**	221.6	-13
Land promotion	**73.2**	74.8	-2
Construction	**114.3**	100.7	+14
	379.7	397.1	-4
Operating profit/(loss)			
Property investment and development	**16.4**	20.1	-18
Land promotion	**31.0**	27.9	+11
Construction	**9.0**	8.9	+1
Group overheads	**(7.5)**	(7.7)	+3
	48.9	49.2	-1
Net finance cost	**(1.2)**	(1.4)	+14
Share profit of joint ventures and associates	**1.4**	0.8	+75
Profit for the year	**49.1**	48.6	+1

The Group has again delivered a solid result and with significant cash generation ended the year with net cash. UK housebuilders continued to trade well and as a result, their appetite for good quality residential development land remained high, resulting in an 11% profit increase within our land promotion segment. The completion of The Event Complex Aberdeen (TECA) and strategic employment sites coming online at Sunderland, Luton and Southend-on-Sea helped our property investment and development segment achieve its results for the year, albeit the prior year did benefit from a full year's contribution from the TECA project.

Having disposed of £64.1m of completed Investment Property, mainly comprised of mixed-use retail-focused properties, we will look to reinvest at the appropriate time in property with potential for future development, focused in the Industrial and Residential sectors. Where possible, we will look to selectively retain assets delivered from our £1.3bn pipeline of opportunities. We continue to take a long-term approach to land promotion, and with over 14,000 residential plots with planning permission, we estimate that we have over four years of sales in stock working towards disposal.

While COVID-19 will have a significant impact in 2020, we commenced the year with £107m committed property development work, all of which is either pre-let, pre-sold or under offer, and we have several land sales already exchanged awaiting completion. Our construction business has a strong order book, now focusing on opportunities for 2021 and beyond.

Consolidated Statement of Comprehensive Income

Revenue decreased 4% to £379.7m (2018: £397.1m) resulting from lower activity within the property investment and development segment arising from the completion of the £333m TECA project delivered in August, on time and on budget, offset by an increased level of activity within Construction as we continue the delivery of The Glass Works Phase 2, an £88m town centre redevelopment scheme for Barnsley Metropolitan Borough Council. Gross profit increased 4% to £81.0m (2018: £78.0m) and reflects a gross profit margin of 21% (2018: 20%). Administrative expenses increased by £5.6m (2018: £1.4m), resulting from the continued expansion of Stonebridge Homes, a modest level of wage inflation linked to employee retention and the acquisition of Starfish commercial, a small affordable housebuilder.

Pension expenses decreased by £1.5m (2018: increase of £1.6m) as the prior year included a one-off provision of £1.5m relating to Guaranteed Minimum Pensions.

Property revaluation gains of £2.4m (2018: loss of £0.1m) where the net effect of uplifts of £5.6m (2018: £2.9m) in the fair value of certain existing completed investment properties, largely in the industrial and mixed-use categories, offset by the recognition of valuation deficits of £3.2m (2018: £3.0m) on a number of other properties, most notably retail-focused mixed-use assets.

Overall, operating profits decreased by 1% to £48.9m (2018: £49.2m) and, after adjusting for net finance costs and our share of profits from joint ventures and associates, we delivered a profit before tax of £49.1m (2018: £48.6m).

The segmental result analysis shows that property investment and development produced a reduced operating profit of £16.4m (2018: £20.1m) arising from the final half year's activity on The Event Complex Aberdeen and contributions from our Markham Vale, Luton and Sunderland industrial developments, offset by £1.5m loss of rent on investment property sales. Land promotion operating profit increased 11% to £31.0m (2018: £27.9m) as we disposed of 3,427 residential plots during the year (2018: 3,573). Construction segment operating profits remained broadly consistent at £9.0m (2018: £8.9m). The nature of deal-driven property and land promotion businesses, dependent upon demand from the major UK housebuilders and reliant on the UK planning regime, is demonstrated in the movements within our mix of business streams. We continue to show how the benefits of a broad-based operating model brings stability in what are highly fluid business environments. While we maintain a significant pipeline of property development and consented residential plots, the variable timing of the completion of deals in these areas does give rise to financial results which can vary significantly depending upon when contracts are ultimately concluded. We mitigate this through the blend of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £9.6m (effective rate of tax: 20%) (2018: £8.2m and effective tax rate: 17%) and is higher than the standard rate due to capital gains on the sale of certain investment properties. We currently have a £2.1m unrecognised deferred tax asset (2018: £3.5m), which can be utilised to offset future capital gains if they arise. Current taxation on profit for the year was £9.2m (2018: £8.2m), broadly in line with the standard rate of corporation tax. Deferred tax was £0.4m (2018: £0.1m).

Earnings per share and dividends

Basic earnings per share were consistent at 28.3p (2018: 28.3p), and, in light of the COVID-19 pandemic, total dividend for the year decreased to 5.00p, 56% of FY2018 (2018: 9.00p), with the proposed final dividend reducing by 78% to 1.30p (2018: 5.80p), payable on 6 July 2020 to shareholders on the register as at 12 June 2020. The ex-dividend date is 11 June 2020.

Return on capital employed ('ROCE')

Slightly lower operating profit in the year saw a reduced ROCE[(1)] of 13.9% in 2019 (2018: 14.9%). While we routinely review our strategic target rate of return, we continue to believe that a target return of 12–15% is appropriate for our current operating model. We will continue to monitor this important performance measure over the business cycle, given the potential for market conditions to change quickly.

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

Finance and gearing

Net finance costs reduced to £1.2m (2018: £1.4m), helped by financing returns from investments in associates. We saw a significant shift from having net debt to net cash in 2019 as we disposed of £67m of Investment Property and collected several deferred land sale receipts. Average borrowing rates were broadly similar to those of the previous year. We anticipate that interest costs will remain low through 2020 and the redeployment of our current net funds during the course of the year will be subject to close monitoring in light of COVID-19 and our aim to preserve cash. We note the recent reduction in interest rates during 2020, although this will not result in a material change to our borrowing costs. We continue to carefully invest in both our land and property development assets as we recycle capital into future opportunities and development activity.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties and disposal profits) to net interest (excluding interest received on other loans and receivables), was 33 times (2018: 33 times). No interest incurred in either year has been capitalised into the cost of assets.

Our agreed banking facilities remained at £72m throughout the year and were renewed following the year end on 23 January 2020 with a revised facility level of £75m, along with an accordion facility of £30m, which can be called upon at the Group's request. This facility is subject to a restriction relating to the value of investment property and deferred income and, at 30 April 2020, £51m of this facility was available to the Group. The new facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions, allowing the Group to extend the facility to 23 January 2025, on the same terms, subject to agreement by the banks.

2019 year end net cash was £27.0m (2018: net debt £18.4m) resulting in the Group having no gearing on a net cash basis (2018: net assets £302.3m; gearing 6%). Total year-end net cash includes £2.9m (2018: £3.6m) of Homes and Communities Agency (HCA) funding, which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year we operated comfortably within the facility covenants and continue to do so.

Cash flow summary

	2019	2018
	£'m	£'m
Operating profit	**48.9**	49.2
Depreciation and other non-cash items	**2.6**	4.8
Net movement on equipment held for hire	**(2.3)**	(3.3)
Movement in working capital	**(27.7)**	(28.4)
Cash generated from operations	**21.5**	22.3
Acquisition of subsidiary	**(0.2)**	–
Net capital disposals	**52.9**	13.4
Net interest and tax	**(9.3)**	(11.3)
Dividends	**(15.1)**	(13.6)
Other	**(4.4)**	(0.2)
Change in net cash/debt	**45.4**	10.6
Net debt brought forward	**(18.4)**	(29.0)
Net cash/(debt) carried forward	**27.0**	(18.4)

During 2019, cash generated from operations amounted to £21.5m (2018: £22.3m) after net investment in equipment held for hire of £2.3m (2018: £3.3m), and after a net investment in working capital of £27.7m (2018: £28.4m). Our investment in working capital arises from the continued growth in our house building land portfolio and increased receivables on deferred receipts relating to strategic land sales offset by lower levels of contracting activity.

Net capital disposals of £52.9m (2018: disposals £13.4m) arose from sales of investment property and property, plant and equipment of £69.0m (2018: £20.1m), which were offset by new investment in property development and plant hire assets of £16.1m (2018: £6.7m).

Dividends paid, including those to non-controlling interests, totalled £15.1m (2018: £13.6m), with those paid to equity shareholders of £12.6m (2018: £11.1m) increasing by 13%.

After net interest and tax of £9.3m (2018: £11.3m), the overall reduction in net debt was £45.4m (2018: £10.6m), resulting in net cash of £27.0m (2018: net debt £18.4m).

Statement of financial position summary

	2019	2018
	£'m	£'m
Investment properties and assets classified as held for sale	**70.0**	121.0
Intangible assets	**6.8**	5.1
Property, plant and equipment, including right-of-use assets	**28.1**	26.2
Investment in joint ventures and associates	**6.6**	6.7
	111.5	159.0
Inventories	**169.7**	155.0
Receivables	**127.1**	114.9
Payables	**(98.5)**	(95.0)
Other	**4.7**	3.5
Net operating assets	**314.5**	337.4
Net cash/(debt)	**27.0**	(18.4)
Retirement benefit obligations	**(23.0)**	(16.7)
Net assets	**318.5**	302.3

Investment properties reduced in value to £70.0m (2018: £121.0m), following the disposal of our mixed-use properties in Bromley, Nottingham and Sheffield, all of which had a retail focus, and an industrial unit in Stoke.

Intangible assets reflect the Group's investment in Road Link (A69) of £3.9m (2018: £4.2m) and goodwill of £2.9m (2018: £0.9m). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12, and arises because the underlying road asset reverts to Highways England at the end of the concession period in 2026. Goodwill in the year arises on the acquisition of Starfish Commercial Limited, a small affordable house-builder acquired by our Construction business.

Property, plant and equipment comprises Group occupied buildings valued at £7.5m (2018: £7.9m) and plant equipment and vehicles with a net book value of £20.6m (2018: £18.3m), including £6.1m now classified as right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have increased following new additions of £6.7m (2018: £5.8m), offset by the depreciation charge for the year.

The new lease accounting standard, IFRS 16, became effective from 1 January 2019. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets of £6.1m and lease liabilities of £4.6m being brought onto the Group's balance sheet. The impact on the consolidated statement of comprehensive income has been to reduce operating lease costs by £0.6m, and increase depreciation by £0.5m and finance charges by £0.1m. The Group adopted IFRS 16 using the modified retrospective approach and therefore has not restated the prior year.

Investments in joint ventures and associates decreased to £6.6m (2018: £6.7m) as we continue to undertake property development projects with other parties where we feel there is a mutual benefit. We anticipate that these opportunities will continue to increase as we finalise several schemes with interested parties partnering with us to utilise our development expertise.

Inventories were £169.7m (2018: £155.0m) and saw an increase in our house-builder land and work in progress to £36.3m (2018: £22.5m) as we continue to invest in land, and carried nine stock properties into 2020. Strategic land inventory reduced to £101.7m (2018: £107.9m) as we disposed of land directly owned replacing it with land held under agency agreements at a lower capital cost. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal. Property development work in progress increased to £31.7m (2018: £24.6m) as we invest in commercial development work in progress.

Receivables increased to £127.1m (2018: £114.9m) due to increased deferred land sales offset by a reduction in construction contract receivables following the completion of the TECA project. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables increased to £98.5m (2018: £95.0m) with trade and other payables and provisions broadly in line with the prior year, contract liabilities increasing to £9.9m (2018: £2.8m), due to payments received for work not yet undertaken, and current tax liabilities increasing to £4.7m (2018: £3.9m).

Net cash included cash and cash equivalents of £42.3m (2018: £10.9m) and borrowings of £10.7m (2018: £29.3m). In total, net cash increased to £27.0m (2018: net debt £18.4m).

At 31 December 2019, the IAS 19 pension deficit relating to retirement benefit obligations was £23.0m, compared with £16.7m at 31 December 2018, adversely affected by a reduction in the discount rate applied to future liabilities to 2.0% (2018: 2.8%). The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks. They then make changes, as the Trustee considers appropriate, in conjunction with investment advice from ISIO (formerly KPMG Pension Advisors).

Overall, the net assets of the Group increased by 5% to £318.5m (2018: £302.3m) from retained profits offset by the increase in retirement benefit obligations and distributions to shareholders. Net asset value per share increased 5% to 239p (2018: 227p) as we continue to re-invest for the future through retained earnings.

Darren Littlewood
Group Finance Director

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Revenue	**379,693**	397,052
Cost of sales	**(298,711)**	(319,052)
Gross profit	**80,982**	78,000
Administrative expenses	**(29,681)**	(24,065)
Pension expenses	**(4,475)**	(5,975)
	46,826	47,960
Increase/(decrease) in fair value of investment properties	**2,370**	(92)
(Loss)/profit on sale of investment properties	**(238)**	1,365
Loss on sale of assets held for sale	**(56)**	(36)
Operating profit	**48,902**	49,197
Finance income	**494**	275
Finance costs	**(1,740)**	(1,698)
Share of profit of joint ventures and associates	**1,448**	830
Profit before tax	**49,104**	48,604
Tax	**(9,649)**	(8,229)
Profit for the year from continuing operations	**39,455**	40,375
Other comprehensive (expense)/income not being reclassified to profit or loss in subsequent years:		
Revaluation of Group occupied property	**(404)**	(153)
Actuarial (loss)/gain on defined benefit pension scheme	**(7,937)**	6,199
Deferred tax on actuarial loss/(gain)	**1,350**	(1,054)
Total other comprehensive (expense)/income not being reclassified to profit or loss in subsequent years	**(6,991)**	4,992
Total comprehensive income for the year	**32,464**	45,367
Profit for the year attributable to:		
Owners of the Parent Company	**37,596**	37,505
Non-controlling interests	**1,859**	2,870
	39,455	40,375
Total comprehensive income attributable to:		
Owners of the Parent Company	**30,605**	42,497
Non-controlling interests	**1,859**	2,870
	32,464	45,367
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**28.3p**	28.3p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**28.1p**	28.0p

AUDITED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	2019 £'000	2018 £'000
ASSETS		
Non-current assets		
Intangible assets	**6,823**	5,077
Property, plant and equipment	**22,015**	26,161
Right-of-use assets	**6,085**	—
Investment properties	**70,002**	120,975
Investment in joint ventures and associates	**6,634**	6,686
Trade and other receivables	**17,238**	11,915
Deferred tax assets	**4,538**	3,487
	133,335	174,301
Current assets		
Inventories	**169,749**	154,980
Contract assets	**19,085**	42,772
Trade and other receivables	**90,777**	60,225
Cash and cash equivalents	**42,303**	10,856
	321,914	268,833
LIABILITIES		
Current liabilities		
Trade and other payables	**70,763**	77,475
Contract liabilities	**9,876**	2,794
Current tax liabilities	**4,680**	3,897
Borrowings	**9,981**	24,119
Lease liabilities	**2,052**	—
Provisions	**5,315**	5,724
	102,667	114,009
NET CURRENT ASSETS	**219,247**	154,824
Non-current liabilities		
Trade and other payables	**6,148**	2,792
Borrowings	**717**	5,096
Lease liabilities	**2,585**	—
Retirement benefit obligations	**22,965**	16,710
Provisions	**1,681**	2,215
	34,096	26,813
NET ASSETS	**318,486**	302,312
EQUITY		
Share capital	**13,717**	13,715
Property revaluation reserve	**2,993**	3,397
Retained earnings	**293,593**	276,999
Other reserves	**6,390**	6,347
Cost of shares held by ESOP trust	**(1,248)**	(1,260)
Equity attributable to owners of the Parent Company	**315,445**	299,198
Non-controlling interests	**3,041**	3,114
TOTAL EQUITY	**318,486**	302,312

AUDITED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

Group	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
	Attributable to owners of the Parent Company							
At 1 January 2018	13,701	3,550	245,260	6,121	(1,240)	267,392	2,684	270,076
Profit for the year	—	—	37,505	—	—	37,505	2,870	40,375
Other comprehensive income	—	(153)	5,145	—	—	4,992	—	4,992
Total comprehensive income	—	(153)	42,650	—	—	42,497	2,870	45,367
Equity dividends	—	—	(11,161)	—	—	(11,161)	(2,440)	(13,601)
Proceeds from shares issued	14	—	—	226	—	240	—	240
Purchase of treasury shares	—	—	—	—	(429)	(429)	—	(429)
Share-based payments	—	—	250	—	409	659	—	659
	14	—	(10,911)	226	(20)	(10,691)	(2,440)	(13,131)
At 31 December 2018	13,715	3,397	276,999	6,347	(1,260)	299,198	3,114	302,312
Change in accounting policy[1]	**—**	**—**	**(154)**	**—**	**—**	**(154)**	**—**	**(154)**
Restated at 1 January 2019	**13,715**	**3,397**	**276,845**	**6,347**	**(1,260)**	**299,044**	**3,114**	**302,158**
Profit for the year	**—**	**—**	**37,596**	**—**	**—**	**37,596**	**1,859**	**39,455**
Other comprehensive income	**—**	**(404)**	**(6,587)**	**—**	**—**	**(6,991)**	**—**	**(6,991)**
Total comprehensive income	**—**	**(404)**	**31,009**	**—**	**—**	**30,605**	**1,859**	**32,464**
Equity dividends	**—**	**—**	**(12,621)**	**—**	**—**	**(12,621)**	**(2,445)**	**(15,066)**
Proceeds from shares issued	**2**	**—**	**—**	**43**	**—**	**45**	**—**	**45**
Purchase of treasury shares	**—**	**—**	**—**	**—**	**(598)**	**(598)**	**—**	**(598)**
Acquisition of subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**(1,343)**	**(1,343)**
Purchase of minority interest	**—**	**—**	**(1,856)**	**—**	**—**	**(1,856)**	**1,856**	**—**
Share-based payments	**—**	**—**	**216**	**—**	**610**	**826**	**—**	**826**
	2	**—**	**(14,261)**	**43**	**12**	**(14,204)**	**(1,932)**	**(16,136)**
At 31 December 2019	**13,717**	**2,993**	**293,593**	**6,390**	**(1,248)**	**315,445**	**3,041**	**318,486**

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

AUDITED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Cash generated from operations	**21,525**	22,276
Interest paid	**(1,341)**	(1,434)
Tax paid	**(8,459)**	(10,054)
Net cash flows from operating activities	**11,725**	10,788
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**(152)**	—
Purchase of intangible assets	**(491)**	(417)
Purchase of property, plant and equipment	**(1,471)**	(1,464)
Purchase of investment property	**(14,060)**	(4,906)
Proceeds on disposal of investment in associate	**1,500**	—
Proceeds on disposal of property, plant and equipment	**365**	265
Proceeds on disposal of investment properties	**22,542**	17,881
Proceeds on disposal of assets held for sale	**44,550**	2,000
Interest received	**494**	265
Net cash flows from investing activities	**53,277**	13,624
Cash flows used in financing activities		
Proceeds from shares issued	**46**	239
Purchase of treasury shares	**(598)**	(429)
Decrease in borrowings	**(59,368)**	(46,113)
Increase in borrowings	**43,777**	36,066
Principal elements of lease payments	**(2,346)**	—
Dividends paid – ordinary shares	**(12,600)**	(11,140)
– non-controlling interests	**(2,445)**	(2,440)
– preference shares	**(21)**	(21)
Net cash flows used in financing activities	**(33,555)**	(23,838)
Net increase in cash and cash equivalents	**31,447**	574
Net cash and cash equivalents at beginning of year	**10,856**	10,282
Net cash and cash equivalents at end of year	**42,303**	10,856
Analysis of net cash/(debt):		
Cash and cash equivalents	**42,303**	10,856
Bank overdrafts	**—**	—
Net cash and cash equivalents	**42,303**	10,856
Bank loans	**(7,757)**	(22,422)
Finance leases	**(4,637)**	(3,220)
Government loans	**(2,941)**	(3,573)
Net cash/(debt)	**26,968**	(18,359)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. Basis of preparation
The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and therefore complies with Article 4 of the EU IAS regulations. They have been prepared on the historical cost basis, except for financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

These results for the year ended 31 December 2019 are audited and have been prepared on a going concern basis. The financial information set out in this announcement does not constitute the Group's IFRS statutory accounts for the years ended 31 December 2019 or 31 December 2018 as defined by Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2018 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2019 will be finalised on the basis of the financial information presented by the Directors in these results and will be delivered to the Registrar of Companies following the AGM of Henry Boot PLC.

Going concern

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

Following the outbreak of the COVID-19 pandemic the Directors have further considered its potential impact on the Group. They have stress tested the effect of both a three-month and six-month UK lock down during which time minimal activity occurs. None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants. However, as one of the covenants references the loan to value ratio of the investment property portfolio the full facility would not be available to the Group unless re-investment in the portfolio was undertaken. The facilities also contain a covenant relating 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 55% reduction in revenue levels from our pre COVID-19 budget for 2020, demonstrates headroom over this covenant throughout the forecast period to the end of June 2021.

At the time of approving the announcement the Directors expect 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 Financial Statements.

Change in accounting policies

The same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2018, which are available on the Group's website at www.henryboot.co.uk, with the exception of the policy for Leases. This policy has been updated following the implementation of IFRS 16 'Leases', further details can be found below.

The following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2019:

		Effective from
IFRS 16 (issued 2016)	'Leases'	1 January 2019
IFRIC 23 (amended 2018)	'Uncertainty over Income Tax Treatments'	1 January 2019
IFRS 9 (issued 2018)	'Payment Features with Negative Compensation'	1 January 2019
IAS 28 (amended 2018)	'Long-term Interests in Associates and Joint Ventures'	1 January 2019
Annual improvements (issued 2018)	'Annual Improvements to IFRSs 2015–2018 Cycle'	1 January 2019
IAS 19 (amended 2019)	'Plan Amendment, Curtailment or Settlement'	1 January 2019

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

Adoption of the following standards is significant to the Group.

IFRS 16 'Leases'
The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was between 2.5% and 3.0%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

Accounting policy for Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability: The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets: The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset and are now presented within property, plant and equipment.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group's existing impairment accounting policy.

2. Segment information

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

During the year, the Property Investment and Development segment made sales to a single external customer amounting to 15.3% (2018: 36.1%) of the Group's total revenue. This related to a single high value contract which commenced in 2016 and continued through to 2019. The Construction segment made sales to a single external customer amounting to 10.8% (2018: 5.9%) of the Group's total revenue. This related to two high-value contracts which commenced in 2018 and continue through to 2021. The segments have many other contracts in progress and are not reliant on any major customer individually.

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

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

	2019					
Revenue	**Property Investment and Development £'000**	**Land Promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
External sales	**192,225**	**73,213**	**114,255**	**—**	**—**	**379,693**
Inter-segment sales	**297**	**—**	**10,886**	**612**	**(11,795)**	**—**
Total revenue	**192,522**	**73,213**	**125,141**	**612**	**(11,795)**	**379,693**
Operating profit/(loss)	**16,354**	**31,038**	**9,045**	**(7,535)**	**—**	**48,902**
Finance income	**1,326**	**2,074**	**965**	**22,700**	**(26,571)**	**494**
Finance costs	**(5,701)**	**(1,304)**	**(631)**	**(2,884)**	**8,780**	**(1,740)**
Share of profit/(loss) of joint ventures and associates	**1,449**	**(1)**	**—**	**—**	**—**	**1,448**
Profit before tax	**13,428**	**31,807**	**9,379**	**12,281**	**(17,791)**	**49,104**
Tax	**(1,205)**	**(5,947)**	**(2,145)**	**(352)**	**—**	**(9,649)**
Profit for the year	**12,223**	**25,860**	**7,234**	**11,929**	**(17,791)**	**39,455**

	2018					
Revenue	Property Investment and Development £'000	Land Promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	221,546	74,808	100,698	—	—	397,052
Inter-segment sales	325	—	2,229	647	(3,201)	—
Total revenue	221,871	74,808	102,927	647	(3,201)	397,052
Operating profit/(loss)	20,114	27,935	8,932	(7,784)	—	49,197
Finance income	1,112	1,679	867	18,206	(21,589)	275
Finance costs	(6,149)	(1,103)	(556)	(2,679)	8,789	(1,698)
Share of profit of joint ventures and associates	830	—	—	—	—	830
Profit before tax	15,907	28,511	9,243	7,743	(12,800)	48,604
Tax	(2,047)	(5,285)	(1,836)	939	—	(8,229)
Profit for the year	13,860	23,226	7,407	8,682	(12,800)	40,375

	2019 £'000	2018 £'000
Segment assets		
Property Investment and Development	**198,024**	238,809
Land Promotion	**164,300**	152,573
Construction	**42,667**	34,637
Group overheads	**3,417**	2,772
	408,408	428,791
Unallocated assets		
Deferred tax assets	**4,538**	3,487
Cash and cash equivalents	**42,303**	10,856
Total assets	**455,249**	443,134
Segment liabilities		
Property Investment and Development	**32,321**	31,300
Land Promotion	**19,663**	31,974
Construction	**39,583**	25,553
Group overheads	**2,216**	2,173
	93,783	91,000
Unallocated liabilities		
Current tax liabilities	**4,680**	3,897
Current lease liabilities	**2,052**	—
Current borrowings	**9,981**	24,119
Non-current lease liabilities	**2,585**	—
Non-current borrowings	**717**	5,096
Retirement benefit obligations	**22,965**	16,710
Total liabilities	**136,763**	140,822
Total net assets	**318,486**	302,312

3. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Preference dividend on cumulative preference shares	**21**	21
Final dividend for the year ended 31 December 2018 of 5.80p per share (2017: 5.20p)	**7,691**	6,895
Interim dividend for the year ended 31 December 2019 of 3.70p per share (2018: 3.20p)	**4,909**	4,245
	12,621	11,161

The proposed final dividend for the year ended 31 December 2019 of 1.30p per share (2018: 5.80p) makes a total dividend for the year of 5.00p (2018: 9.00p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £1,724,000.

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

4. Investment properties

Fair value measurements recognised in the Statement of Financial Position

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**2019 £'000**	2018 £'000	Increase/ (decrease) in year
Completed investment property						
Industrial	—	—	15,900	**15,900**	26,400	(10,500)
Leisure	—	—	11,044	**11,044**	10,777	267
Mixed-use	—	—	8,823	**8,823**	53,417	(44,594)
Residential	—	—	3,704	**3,704**	3,286	418
Office	—	—	12,000	**12,000**	13,200	(1,200)
Retail	—	—	10,293	**10,293**	10,480	(187)
	—	—	61,764	**61,764**	117,560	(55,796)
Investment property under construction						
Industrial	—	—	3,364	**3,364**	271	3,363
Land	—	—	714	**714**	714	—
Retail	—	—	3,890	**3,890**	2,430	1,460
	—	—	8,238	**8,238**	3,415	4,823
Total fair value	—	—	70,002	**70,002**	120,975	(50,973)

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that causes the transfer. The Directors determine the applicable hierarchy that a property falls into by assessing the level of comparable evidence in the market which that asset falls into and the inherent level of activity. As at the reporting date and throughout the year, all property was determined to fall into Level 3 and so there were no transfers between hierarchies.

Explanation of the fair value hierarchy:

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

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

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

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

5. Share capital

	2019 £'000	2018 £'000
400,000 5.25% cumulative preference shares of £1 each (2018: 400,000)	**400**	400
133,172,602 ordinary shares of 10p each (2018: 133,146,602)	**13,317**	13,315
	13,717	13,715

6. Cash generated from operations

	2019 £'000	2018 £'000
Profit before tax	**49,104**	48,604
Adjustments for:		
Amortisation of PFI asset	**555**	497
Goodwill impairment	**205**	204
Depreciation of property, plant and equipment	**5,911**	5,370
Revaluation (increase)/decrease in investment properties	**(2,370)**	92
Amortisation of capitalised letting fees	**18**	100
Share-based payment expense	**826**	659
Pension scheme (credit)/debit	**(1,684)**	84
Loss on disposal of assets held for sale	**56**	36
Gain on disposal of property, plant and equipment	**(1,106)**	(891)
Loss/(gain) on disposal of investment properties	**238**	(1,401)
Finance income	**(494)**	(275)
Finance costs	**1,740**	1,698
Share of profit of joint ventures and associates	**(1,448)**	(830)
Operating cash flows before movements in equipment held for hire	**51,551**	53,947
Purchase of equipment held for hire	**(3,700)**	(4,357)
Proceeds on disposal of equipment held for hire	**1,363**	1,048
Operating cash flows before movements in working capital	**49,214**	50,638
Increase in inventories	**(14,769)**	(10,177)
Increase in receivables	**(33,649)**	(6,980)
Decrease/(increase) in contract assets	**23,687**	(11,840)
(Decrease)/increase in payables	**(10,040)**	1,066
Increase/(decrease) in contract liabilities	**7,082**	(431)
Cash generated from operations	**21,525**	22,276

7. Since the COVID-19 pandemic in the first quarter of 2020 there has been widespread disruption in the UK and consequently for the Group. As the pandemic accelerated after the year end this event has been classified as a non-adjusting post balance sheet event.

8. These results were approved by the Board of Directors and authorised for issue on 20 May 2020.

9. The 2019 Annual Report and Financial Statements is to be published on the Company's website at www.henryboot.co.uk and sent out to those shareholders who have elected to continue to receive paper communications by no later than 3 June 2020. Copies will be available from The Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD.

10. The AGM of the Company is to be held at Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD on Tuesday 30 June 2020, commencing at 12.30pm. In view of the UK Government placing restrictions on travel due to the COVID-19 pandemic, shareholders will not be permitted to attend the AGM in person. Details will be given in the Notice of AGM regarding shareholder participation in, and notifications regarding, the AGM.