23 March 2022

HENRY BOOT PLC

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

Unaudited results for the year ended 31 December 2021

Strong operational performance driven by industrial development and residential land sales, with material progress towards medium-term strategic targets

Henry Boot PLC, a Company engaged in land promotion, property investment and development, and construction, announces its unaudited results for the year ended 31 December 2021.

Tim Roberts, Chief Executive Officer, commented:

"*Strong demand within our three key markets of Industrial & Logistics, Residential and Urban Development has helped us to achieve a good set of results. By continued investment in our significant pipeline of opportunities and using our strong balance sheet, we have achieved material growth in the business and secured attractive returns for our shareholders. Whilst there are pressures facing the economy and the industry, particularly inflation and supply restrictions, we continue to manage these effectively. We have also made a very good start to the year, building on the strong momentum across the Group, with high levels of forward sales in land and housebuilding, further leasing of our developments and a full order book in construction.*"

Financial highlights

- Revenue of £230.6m (2020: £222.4m), up 3.7%, driven by residential land sales
- Profit before tax increased to £35.1m (2020: £17.1m) up 105.3%, driven by strong performance of residential land sales, industrial development, investment property revaluation gains and returns from joint ventures
- Increased ROCE[1] of 9.6% (2020: 4.9%), up 4.7%, approaching our medium-term strategic target of 10%–15%
- EPS grew significantly to 21.2p (2020: 9.0p), up 135.6%
- NAV[2] per share grew to 267p (2020: 235p), an increase of 13.6%, due to retained earnings and actuarial gains on the defined benefit pension scheme
- Robust balance sheet, with Net Debt[3] of £43.5m (2020: Net Cash £27.0m) following strategic investments made during the year, whilst gearing remains prudent at 12.2% (2020: nil)
- Proposed final dividend of 3.63p (2020: 3.30p), an increase of 10.0%, reflecting the Group's strong operational performance and in line with our progressive dividend policy, bringing the total dividend for the year to 6.05p

Operational highlights

- Actively investing in three key markets: Industrial & Logistics, Residential and Urban Development
  - £60.0m invested in new opportunities across the Group
  - Strong demand contributed to material progress in delivering against our evolved strategy and towards our medium-term growth and return targets
  - Strong forward sales in land, development and housebuilding and a full construction order book
- Land promotion
  - 3,008 plots sold (2020: 2,000) at an average gross profit per plot of £7,820 (2020: £6,456), driven by robust demand from housebuilders replenishing their land portfolios
  - Land bank increased to 92,667 plots (2020: 88,070)

    - 12,865 (2020: 15,421) plots with planning permission, which are held at the lower of cost or net realisable value, allowing the Group to capture valuation gains and crystallise profit at the point of sale

- Property investment & development
    - Committed development programme materially stepped up in response to demand from £85m to £277m, with 72% pre-sold or pre-let
    - Approximately 1m sq ft of industrial & logistics development underway (de-risked with 92% pre-sold or pre-let)
    - £1.4bn development pipeline (Henry Boot share £1.1bn), 75% of which is focused on industrial & logistics
    - Investment portfolio value increased to £126m (2020: £92m), delivering a strong total property return of 19.5%
    - Stonebridge Homes has already secured 77% of its annual sales target of 200 units for 2022. Total owned and controlled land bank is now 1,157 plots (2020: 1,119) with detailed or outline planning permission on 912 plots (2020: 657)

- Construction
    - The construction business is performing ahead of expectations with turnover of £81.6m (68% in public sector) out of £110.3m segment total and has secured over 100% of 2022 order book
    - £89.0m urban development, the Glass Works in Barnsley, completed in June 2021
    - £42.0m urban development, Heart of the City, for Sheffield City Council, commenced in March 2021.
    - £38.9m Build-to-Rent residential scheme, Kangaroo Works in Sheffield, commenced in April 2021

- Responsible Business
    - Launched Phase 2 of our Responsible Business Strategy setting ambitious objectives
    - Clear medium-term targets relating to Our People, Our Places, Our Planet and Our Partners
    - Our Responsible Business Committee ensures our commitments are embedded into the Group's operations to drive achievement of our medium-term targets
    - Committed to our first Net Zero Carbon office development, Island in Manchester

NOTES:

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

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

[3] Net (debt)/cash is an APM and is reconciled to statutory measures in note 7

[4] Total Accounting Return is an APM and is defined as the growth in NAV per share plus dividends paid, expressed as a percentage of NAV per share at the beginning of the period

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About Henry Boot PLC

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

Land Promotion:
Hallam Land Management Limited

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

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

www.henryboot.co.uk

Chairman's Introduction

Henry Boot has performed strongly throughout 2021, achieving a profit before tax (PBT) of £35.1m. Two key profit drivers have been, firstly, the significant growth in industrial and logistics capital values resulting from continued occupier demand, increasing rents and the weight of investment capital targeting the sector and, secondly, an increase in plot sales from our strategic land business. We have made good progress towards our refocused strategy, with activity levels continuing to recover ahead of our expectations, alongside all three of our key markets - Industrial & Logistics, Residential and Urban Development. Current market trends reinforce the confidence we have in our strategy, leaving the Group well placed to meet its medium-term targets.

The Group's financial position remains strong with NAV per share increasing by 13.6% to 267p and our low net gearing of 12.2% and a debt position of £43.5m, meaning, we are well positioned to continue scaling up activity across all operations. We also have 12,865 strategic land plots, which already benefit from planning permission and are held at cost with no increase in value created from securing planning permission over these assets recognised until disposal. Plus, with a committed development programme of £277m GDV to be delivered largely over the next 18 months, both of these provide a significant store for future value creation.

On the basis of the Group's strong commercial and financial performance, the Board proposes to pay a final dividend of 3.63p, which together with the 2.42p interim dividend, gives a total of 6.05p (2020: 5.50p), an increase of 10% for the year.

After over 40 years of service to Henry Boot, I have taken the decision to retire as Chairman and from the Board on 26 May 2022. I am delighted that current Non-executive Director, Peter Mawson, will be taking over the reins as Chair and I am confident that he will continue to provide commercial experience, strategic expertise and governance to support the executive team in growing the business, while maintaining the highest standards. As a consequence of Peter's changing role, the Senior Independent Director position will be assumed by Joanne Lake.

On behalf of the Board, I would like to thank everyone at Henry Boot for their dedication and hard work. Their high levels of engagement have once again been instrumental to the business in producing a strong set of results. I look forward to following Henry Boot's next chapter closely. With the Group in such a strong position, I leave confident that the business will continue to be successful for many years to come and I look forward to remaining a committed long-term shareholder.

Jamie Boot
Chairman

CEO's Review

We have had a good year with profits ahead of our expectations, NAV up by 13.6%, and material progress made towards our medium-term strategic targets. We have also replenished our pipeline of opportunities across all our businesses, which will help us meet our future growth and return targets.

Against a backdrop that was heavily impacted by COVID-19 (CV-19) throughout 2021, we have made good progress with our refreshed strategy to focus, grow and gain appropriate scale in our three key markets, all of which have performed well. CBRE research shows that the UK industrial & logistics market has performed particularly strongly with values up over 35% in 2021. This has been fuelled by another year that has seen near UK record take up of warehouse space, relatively low levels of vacancy and strong investor demand. The UK Price Index states that the residential market has also been buoyant with UK house price inflation of nearly 11% in 2021, which led to residential land prices increasing by c.9% according to Savills research. There are also signs of our big regional cities bouncing back, with more footfall, while Build-to-Rent (BtR) rents increased by an average of 8% according to Zoopla research. Furthermore, key office markets, like Manchester, are seeing take up recover to pre-CV-19 levels, with a clear flight to quality.

In anticipation of a recovery in our markets, and in line with our refreshed strategy, we started to increase both our employed and committed capital as early as the summer of 2020. We continued this in 2021 investing over £60m primarily into the acquisitions of land, development sites and investment properties. This increase in activity delivered PBT ahead of management expectations in 2021 with £35.1m of PBT and will also help to restore our profit, ahead of schedule, to near pre-CV-19 levels in 2022.

Moreover, we are also progressing well in realising our medium-term strategic targets. Achieving these targets will result in a larger, more sustainable business, with appropriate scale in our chosen markets, backed by a modern, progressive team all set within a strong ESG Framework.

A more detailed review of our refreshed strategy is set out below, including highlights of this year's operational progress towards our medium-term strategic targets:

- As a result of strong demand from housebuilding clients, Hallam Land Management (Hallam Land) has sold 3,008 plots (2020: 2,000 plots).
- Henry Boot Developments (HBD) has completed developments of £303m GDV – £69m HBD share – (2020: £58m) but more importantly, the committed programme has materially increased to £277m (2020: £85m) – including nearly 1m sq ft of industrial, of which 92% is pre-let or pre-sold.
- Significantly, along with our JV partner Greater Manchester Pension Fund (GMPF) we have committed to the £66m (HBD share £33m) speculative office redevelopment of the Island, in the centre of Manchester. It will be one of the UK's first Net Zero Carbon (NZC) office buildings.
- Our investment portfolio has grown to £126m, including JVs (2020: £92m), delivering a strong total return of 19.5% during the year.
- Our jointly owned housebuilder, Stonebridge Homes grew sales to 120 units in 2021 (2020: 115) and has plans to build on this momentum with a sales target of 200 units in 2022. The land bank has also grown, specifically land with planning has increased to 912 plots (2020: 657) mitigating against the impact of ongoing planning delays on our growth.
- With gearing at 12.2%, against a conservative balance sheet where our strategic land bank is held at cost, we are comfortably positioned within our stated optimum range of 10–20%.

- ROCE at 9.6% is close to our stated medium term target range of 10–15% and, this year, we believe it will be firmly within this range. NAV per share increased by 13.6%, ahead of expectations, and is now 11.7% above the 31 December 2019 level, driving a TAR of 8.0% per annum over the last two years.
- We have also started 2022 well with secured revenue through Hallam Land pre-selling 1,880 plots. The committed development programme is 72% pre-let or presold and Stonebridge Homes has 77% reservations against 200 units. Henry Boot Construction continues to successfully win work, with 100% of its order book secured for 2022, and Banner Plant's monthly trading is above 2019 levels.

In relation to this, I am proud of the level of dedication and commitment that our team has shown in these uncertain, yet busy times, and also very pleased to be leading a business that is responding to the environmental and social challenges we are all facing. We have a Responsible Business Strategy, which not only sets out clear actions and targets that will be more respectful to our people, planet, places and partners, but will also further embed ESG into our commercial decision making. Whilst this approach will involve some evolution of mind set and investment, I strongly believe it will help us anticipate demand from our customers, and better support the communities that we work in. So, ultimately, it will be the right thing in the long term for the business and, therefore, in the interests of our various stakeholders.

Finally, after a remarkable 40 years of service, Jamie Boot, our Chairman, will be retiring from the Board following the Company's AGM in May of this year. Everyone at Henry Boot would like to express their thanks to Jamie for his outstanding contribution and wish him well in his retirement. On a personal note, it has been a real pleasure working with Jamie and I greatly appreciate his leadership and support. After undertaking a considered selection process, the Group is pleased that current Non-executive Director (NED), Peter Mawson, will be appointed as Chair. Peter has been on the Board since 2015 and brings a wealth of property and commercial experience. As a consequence of Peter's changing role, the Senior Independent Director position will be assumed by Joanne Lake, an existing NED. Also, the Nomination Committee, supported by a consultant, has started the recruitment of an additional NED.

I look forward to working with the Board, under Peter's Chairship, and the rest of our team on the next exciting phase of Henry Boot's journey.

Strategy

At the start of 2021, we set out a medium-term strategy focused around three key markets: Industrial & Logistics, Residential and Urban Development. Our markets, which are driven by long-term structural trends, have all performed well. In particular, we have seen demand for industrial & logistics space continue to be driven by the structural shift of retail sales moving online, whilst rising residential land prices reflect the continued demand from housebuilders benefiting from a strong sales market. Urban development in the form of BtR is experiencing healthy levels of rental growth of around 8% according to Zoopla research and take up of offices is recovering, especially in the big regional cities we target.

Our main focus is to grow the business, by increasing capital employed by over 40% to £500m, whilst at the same time continuing to generate a ROCE of 10–15% and maintaining a progressive dividend policy.

Measure	**Medium-term target**	**Current**
Capital employed	To over £500m	£376m as at 31 Dec 2021
Return on average capital employed	10–15% pa	9.6% in 2021
Hallam Land plot sales	c.3,500 pa	3,008 in 2021
HBD development completions	HBD share c.£200m pa	HBD share £69m in 2021 with committed programme grown to £277m in 2022
Grow investment portfolio	To around £150m	£126m as at 31 Dec 2021
Stonebridge Homes house sales	Up to 600 units pa	120 units in 2021 with target of 200 units in 2022
Henry Boot Construction's order book secured	Minimum of 65%	100% for 2022

During 2021, we made excellent progress with our strategy of growth, investing £60m in acquisitions, which, amongst other things, enabled us to grow Hallam Land's land bank by a further 1,000 acres (c.7,600 plots). £36.2m of the investment was put towards new development opportunities, including the £110m GDV BtR project in Summerhill, Birmingham, and a large industrial site in Rainham (GDV: £120m), which was purchased in a joint venture with Barings Fund (HBD share £24m).

We delivered an improved ROCE of 9.6% in 2021, whilst increasing our capital employed to £376m. We believe it will exceed £400m by the end of 2022, putting us on track to achieve our medium-term target of over £500m.

There remains strong demand for our strategic land, with Hallam Land completing 3,008 plot sales in 2021 (2020: 2,000). With a further 1,880 plots already exchanged for completion over 2022–2023, we are very much on track to grow sales to an average of 3,500 plots per annum, as targeted.

HBD has materially grown its committed development programme to £277m (2020: £85m), whilst also adding a further £194m of schemes to our £1.1bn future development pipeline, which means we are well ahead of our plan for HBD to complete on average £200m of developments per annum. The property investment portfolio has grown to £126m, including our share of JVs, with a strong valuation performance of 14.4% for the year.

Whilst demand for Stonebridge Homes' premium houses has been very strong, our ambition to grow units sold to 600 has been hampered by the slow planning process, due to CV-19 and a very competitive market for buying land. However, we increased completions to 120 units in 2021 (2020: 115) and are confident in the prospect of growing our completions to 200 units for 2022. We have also marginally increased the land bank to 1,157 units (December 2020: 1,119 units) and currently have several further land opportunities with agreed head of terms.

During 2021, the construction business secured major urban development schemes in Sheffield and York, totalling £89m, with our order book 100% secure for 2022, 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 52% of Henry Boot Construction's 2022 order book. Banner Plant is trading above pre-pandemic levels with particularly strong demand from customers serving the housebuilding and construction markets.

Responsible Business Strategy

In 2021, we launched Phase 1 of our Responsible Business Strategy – "135 Henry Boot". This enabled us to demonstrate our commitment to being a responsible business whilst formulating a long-term strategy. Phase 1 launched three important strategic initiatives:

- Community Partnership Plan
- Equality, Diversity and Inclusion Strategy
- NZC Framework – including a target to be NZC for Scopes 1 and 2 by 2030

135 Henry Boot put us in a strong position to develop Phase 2 of our Responsible Business Strategy, which aims to align ESG with our commercial strategy. Phase 2 is guided by three principal objectives:

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

Alongside the objectives, the strategy sets out targets, which we aim to achieve by the end of 2025. All of the targets have been shaped through consultation with our people, commercial and community partners, senior management and Board, and professional advisers to ensure that they are robust and will create the impact we aspire to achieve.

A selection of our medium-term targets

Our People	Our Places	Our Planet	Our Partners

Develop and deliver a Group-wide Health and Wellbeing Strategy	Contribute £1,000,000 of financial (and equivalent) value to our charitable partners	Reduce Scope 1 and 2 GHG emissions by over 20% to support reaching NZC by 2030	Pay all of our suppliers the real living wage and secure accreditation with the Living Wage Foundation
Increase gender representation in management positions with 30% of workforce and line managers being female	Contribute 7,500 volunteering hours across our Group to a range of community, charity and education projects	Reduce consumption of avoidable plastic by 50%	Collaborate with all our partners to reduce our environmental impact

Henry Boot's Responsible Business Committee, which is chaired by Non-executive Director and Chair elect Peter Mawson, is responsible for all of the Group's ESG commitments and will ensure that the targets are met. The committee, which includes Tim Roberts (CEO) and Darren Littlewood (Group Finance Director), will ensure that these targets are embedded into the Group's operations, whilst providing updates to stakeholders on the progress made towards meeting them.

Outlook

The immediate outlook for our markets remains positive with high levels of occupier and investor demand for industrial and logistics space, a strong forward sales position for Stonebridge Homes and continued demand from housebuilders for residential land. Not surprisingly, therefore, we have had a very good start to 2022 with high levels of secured sales.

However, as an industry we face several headwinds. Build cost inflation is stubbornly high, supply restrictions are being seen and it's a competitive employment market. All of these challenges have been overshadowed recently by the conflict in Ukraine. At the moment we are managing these challenges, maintaining our margin through sales inflation and doing a good job of motivating and retaining our team.

We remain a long-term business and one of our main advantages is our attractive pipeline. With potential for over 92,500 plots Hallam Land has one of the largest strategic land banks in the country, HBD has maintained its pipeline at £1.1 bn (75% in industrial) despite committing to £277m of development over the year and Stonebridge Homes with a land bank of 1,157 plots is readying itself to become a truly multiregional premium housebuilder.

With a strong balance sheet, low levels of gearing, an engaged team and a portfolio rich with opportunity we are ready to meet demand and to continue making excellent progress against our medium-term strategic targets.

Tim Roberts
Chief Executive Officer

Business Review

Land promotion

Hallam Land performed materially ahead of expectations in 2021, delivering an operating profit of £17.5m (2020: £14.2m) from selling 3,008 plots (2020: 2,000) at 14 locations. Encouragingly, average gross profit per plot grew by 21% to £7,820 (2020: £6,456), leaving the business firmly on track to reach its ambition of achieving the pre-CV-19 average gross profit per plot of £10,000.

UK greenfield land values increased by 8.8% in 2021 according to Savills Research, the strongest annual growth since 2014. A strong housing market has underpinned robust demand for sites as most major housebuilders have increased levels of land buying to match the ongoing demand for new homes.

Hallam Land's land bank also grew steadily to 92,667 plots across the UK (2020: 88,070) at the year end after securing over a further 1,000 acres of land, which has the potential for around 7,600 plots, subject to planning. Of the total portfolio, 8,013 plots are owned freehold with the balance of 84,654 secured through Planning Promotion Agreements (PPA) and Option Agreements. Whilst freeholds typically deliver a higher profit per plot, the use of PPAs and options means lower capital employed on each scheme, allowing us to maximise the number of land opportunities that we are promoting at any one time.

Residential Land Plots

	With permission				In planning	Future	Total
	b/f	granted	sold	c/f			
2021	15,421	452	(3,008)	12,865	11,259	68,543	92,667
2020	14,713	2,708	(2,000)	15,421	8,312	64,337	88,070
2019	16,489	1,651	(3,427)	14,713	10,665	51,766	77,144
2018	18,529	1,533	(3,573)	16,489	11,929	44,051	72,469
2017	16,417	4,281	(2,169)	18,529	7,982	40,844	67,355

At the end of 2021, 12,865 plots had planning consent (or Resolution to Grant subject to S106). As our strategic land portfolio is held as inventory, these assets are held at the lower of cost or net realisable value. As such, no uplift in value is recognised within our accounts relating to any of the 12,865 plots and any increase in value created from securing planning permission will only be recognised on disposal.

The reduction in plots with planning consent in the strategic land bank during last year reflects both disposals in the period and continued delays in the planning system. With 11,259 plots (2020: 8,312) in planning, Hallam Land's scale and portfolio approach reduces the reliance on individual sites, allowing for any delays to be managed more effectively.

In relation to significant schemes, at the end of 2021, a revised Resolution to Permit at Didcot was secured for 2,170 plots and during Q1 we signed the S106, securing the grant of planning consent and expect to sell this major site in Spring 2022. Eastern Green, Coventry, the 2,400 plot and 37 acres of commercial development site, cleared a Judicial Review, with infrastructure works beginning in Q1 22. Marketing has now begun on the first phase of the site, with 250 plots expected to be disposed of later in 2022. Furthermore, at Swindon, 1,000 plots were granted Outline Consent, with negotiations beginning between Hallam Land's and the vendor for acquisition of the land under an option agreement.

At the beginning of 2022, Hallam Land already had 1,880 plots exchanged for completion in 2022/23, leaving the business well placed to meet its annual target and strategic growth plans for the year.

Residential Land Plots – Regional Split

Region	Plots	Percentage
Scotland	10,170	11%
North	7,396	8%
North Midlands	19,999	22%
South Midlands	20,392	22%
South	6,766	7%
South East	4,968	5%
South West	22,976	25%
Totals	**92,667**	**100%**

Property Investment and Development

Property Investment and Development, which includes HBD and Stonebridge Homes, delivered a combined operating profit of £18.3m (2020: £4.9m). According to the CBRE UK Monthly Index, commercial property values increased by 13.8% in 2021. Industrial & logistics, which forms 75% of Henry Boot's development pipeline, continued to outperform the office and retail sectors as a result of both strong rental growth and yield compression. Last year, there was record industrial take-up of 49.5m sq ft according to DTRE, up 81% since the onset of the CV-19 pandemic (units above 100,000 sq ft). Given the strong levels of occupier demand, supply has fallen significantly with the UK vacancy rate now standing at just 2.6%, the lowest ever recorded.

In total, HBD completed on seven developments with a total GDV of £303m (HBD share £69m), with 92% of these schemes currently pre-let or pre-sold.

2021 Completed Schemes

Scheme	**GDV (£'m)**	**Share of GDV (£m)**	**Commercial ('000 sq ft)**	**Residential (units)**
Industrial				
Markham Vale, Aver	22	22	297	–
Wakefield Hub, Kitwave	7	3	65	–
Preston East Spec	11	5	70	–
Enfield, Montagu 406	25	13	55	–
	65	43	487	–
Urban Residential				
Manchester, Kampus	216	11	44	533
Land and other				
Wakefield Hub, Mountpark	15	8	2,000	–
Skipton, Bellway	7	7	–	184
	22	15	2,000	184
Total for year	**303**	**69**	**2,531**	**717**

Included within the completed schemes was 487,000 sq ft of industrial & logistics development, with a total value of £65m GDV (HBD share £43m). This includes Enfield and Preston East, where lettings have already been agreed on over 90% of the combined schemes, and 297,000 sq ft at Markham Vale sold on a forward funding basis for Aver. There has also been good progress made at Wakefield Hub, where a land disposal was completed with Mountpark for a 2m sq ft unit and construction of a 65,000 sq ft unit pre-let for Kitwave completed shortly after the year end. In Urban Residential, Kampus, the 533-unit BtR scheme in Manchester, achieved practical completion in Q4 2021 and has since attracted strong letting interest, with the occupancy level ahead of the business plan.

The committed programme grew materially to 14 schemes with a GDV of £352m (HBD share £277m), 72% of which is pre-let or pre-sold.

2022 Committed Programme

Scheme	**GDV (£m)**	**Share of GDV (£m)**	**Commercial ('000 sq ft)**	**Residential (units)**	**Status**	**Completion**
Industrial						
Pool, MKM	4	4	15	–	Pre-let	Q2 22
Southend	12	12	75	–	Speculative	Q3 22
Nottingham, New Horizon	54	54	426	–	Forward funded	Q2 23
Wakefield Hub, Plot 6	44	22	260	–	Forward funded	Q1 23

Walsall, Phoenix 10	37	37	–	–	Forward funded	Q2 24
Luton, Diploma	20	20	85	–	Pre-let	Q2 23
Luton	16	16	82	–	Speculative, now 100% pre-sold or pre-let	Q1 22
	187	165	943	–		
Urban Residential						
Birmingham, Setl	32	32	–	101	Speculative	Q3 23
Clocktower, York	8	8	–	21	Forward funded	Q2 22
TDT, York	22	22	–	N/A	Pre-sold	Q1 23
Aberdeen, Bridge of Don	12	1	–	TBC	To be pre-sold	Q4 22
Aberdeen, Cloverhill	18	9	–	536	Pre-sold and DM fee	Q4 23
Skipton (2), Bellway	7	7	–	184	Pre-sold	Q3 22
	99	79	–	842		
Urban Commercial						
Island, Manchester	66	33	91	–	Speculative	Q3 24
Total for year	**352**	**277**	**1,034**	**842**		
% sold or pre-let (incl Island)	**65%**	**72%**				

Within the committed programme, there is currently £187m GDV (HBD Share £165m) and nearly 1m sq ft of industrial & logistics development. In this regard:

- Planning was secured at Phoenix 10, Walsall, in H2 21, a site capable of delivering c.620,000 sq ft of industrial and logistic space. Infrastructure works, which have been forward funded, are set to commence in Q2 2022, ahead of commencing development
- At Wakefield Hub, a new 260,000 sq ft unit has been pre-let to a German pharmaceutical company and forward funded to an institution. Demand for industrial investments is extremely strong. Work is due to start on site in Q2 2022
- Exchanged contracts with Oxenwood Real Estate, an investment management business, on a forward funding basis to commence development of 426,000 sq ft scheme with a £54m GDV at New Horizon, Nottingham
- A further 157,000 sq ft of speculative development, representing a GDV of £28m is also under construction at Butterfields, Luton and Southend with completions anticipated in Q1 and Q3 of 2022 respectively. 57% has been pre-let at terms ahead of our expectations

The committed programme also includes the premium Build-to-Sell (BtS) scheme known as Setl, located in Birmingham, where construction has commenced and is set to deliver 101 units. Completion is timetabled for Q3 2023. Additionally, in urban commercial, the Group is developing a £66m GDV scheme (HBD share £33m) called Island in a JV with Greater Manchester Pension Fund (GMPF), for a ten-storey building totalling 91,000 sq ft. The building is targeting EPC ‘A’ Rating and BREEAM Excellent, effectively a NZC office proposition in the centre of Manchester, one of the first in the city.

Throughout 2021, HBD acquired new development opportunities with a total GDV of £194m. This included expanding its BtR development pipeline by acquiring a site at Summerhill, Birmingham (£110m GDV) which has the potential to deliver up to 404 units. A further two industrial sites were acquired in the South East, the first is in Rainham, East London (£24m GDV HBD share), which was purchased in partnership with Barings and has the potential to deliver 368,000 sq ft of employment use. The second is located in Welwyn Garden City (£20m GDV), and has the potential to deliver 71,112 sq ft. Finally, the Group extended its flagship industrial and logistics development scheme, Markham Vale, by a further 750,000 sq ft (£40m GDV), with a planning application on the site set to be determined in H1 2022.

After making a number of key acquisitions, HBD’s total development pipeline has been maintained at a GDV of £1.4bn (HBD share £1.1bn). All of these opportunities sit within the Company’s three key markets of Industrial & Logistics (75%), Urban Residential (17%) and Urban Commercial (8%). This includes a potential near-term development pipeline of £367m, where the main focus is:

- to secure sufficient pre-lets/sales in order to commit to a further 1m sq ft of industrial space on top of the c.950,000 sq ft already under construction; and
- to secure partners for the delivery of two BtR schemes with a combined total of 614 units (Mabgate 210 units & Summerhill 404 units) at Leeds and Birmingham

In 2021, HBD was selected as preferred bidder to deliver Cheltenham Borough Council's Golden Valley regeneration scheme, immediately adjacent to GCHQ. The total development is expected to create 12,000 new jobs, 3,700 new homes and 2m sq ft of commercial space, with Cyber Central UK at the heart of a visionary integrated campus focused on cyber and digital innovation. A development agreement is expected to be signed shortly. At the moment, this has not been included in HBD's pipeline.

The total value of the Group's investment portfolio (including share of properties held in JVs) has increased to £126m (2020: £92m). The underlying valuation growth of 14.4% was principally as a result of the uplift in industrial & logistics assets, with the portfolio also increasing through acquisitions at Skelmersdale (£4.8m) and City Court, Manchester (£5.7m), plus retained completed developments at Wakefield and Enfield (£21.7m HBD share). The total property return of 19.5% for 2021, was in line with the CBRE UK Monthly Index (19.9%). Rent collection for FY 2021 stands at 98% with occupancy slightly increasing to 85% (2020: 84%) and the weighted average unexpired lease term is now 16.1 years (14.9 years to first break).

Stonebridge Homes continues to perform well with 120 house completions (75 private/45 social) (2020: 115) at an average selling price for private units of £509k (2020: £368k), and a materially improved average sales rate of 0.83 units per week per outlet (2020: 0.61). The housing market once again saw strong demand, with a total house price growth of 10.8% last year according to HM Land Registry. House prices in nearly every region of the UK increased more in 2021 than in 2019 and 2020 combined, with especially strong growth in Yorkshire and Humberside and the North West.

The total Stonebridge Homes owned and controlled land bank has grown marginally to 1,157 units (2020: 1,119). In total, five sites (491 plots) were added to our land bank with detailed or outline planning whilst a further seven sites (245 plots) are currently progressing through planning. Despite continued related delays in the planning system, the number of plots that have either detailed, or outline planning permission increased to 912 plots (2020: 657). Stonebridge Homes has 4.6 years supply based on a one-year rolling forward sales forecast for land with planning or 5.8 years for its full land bank.

Stonebridge Homes begins 2022 in good shape, increasing its active sales outlets to six, with 77% of reservations already secured against its delivery target of 200 units (140 private/60 social). The increase of plots with planning permission in the land bank has also secured a pipeline that will help us achieve our growth targets for 2022/2023. This, plus the several sites under offer, means the business is confident of achieving its growth aspirations.

Construction

Trading in the Group's construction segment has been strong, achieving an operating profit of £9.0m (2020: £6.5m). UK construction activity continued to recover in 2021, with annual output increasing by 12.7%, largely driven by infrastructure. Monthly output in December 2021 was 0.3% above the February 2020 pre-CV-19 level.

Henry Boot Construction, the Group's construction business, performed ahead of expectations, delivering a turnover of £81.6m (2020: £86.2m) (68% in public sector) and begins 2022 with a full order book. The majority of this year's order book now has fixed price orders placed with the supply chain or, where this has not been possible, includes contractual inflation clauses with customers.

The Glass Works in Barnsley, an £89m urban development, was successfully completed in June 2021 with the centre opening on 9 September 2021, meeting the anchor tenants' opening dates. Unfortunately, the £13m remodelling and refurbishment scheme, Opera North in Leeds, did experience delays due to the initial pause of installing the necessary safety procedures as a result of the outbreak of CV-19. However, despite experiencing further disruptions caused by the pandemic, the scheme completed in October 2021.

In H1 21, Henry Boot Construction secured and commenced a £42m urban development scheme, Heart of the City, for Sheffield City Council and Queensberry Development Management. The scheme is making good progress and will provide major mixed-use space including a seven-storey NZC office building in the centre of Sheffield. Works on Henry Boot Construction’s first £38.9m BtR scheme known as Kangaroo Works in Sheffield also commenced on site in April 2021 and is progressing on schedule, with completion targeted for Spring 2023. Additionally, a £47m urban residential development, the Cocoa Works in York, was won. The seven-storey 279 apartment scheme is being delivered for Latimer Developments and commenced on site Q3 2021, with completion due at the end of 2023.

At the end of 2021, Henry Boot Construction continued to sit on ten public sector frameworks including the newly launched four-year DfE Framework and are currently working on seven schemes through public sector frameworks with a total contract value of £15m. Post year-end, Henry Boot Construction have successfully secured a further two public frameworks, a P23 NHS Framework for projects up to £20m across Yorkshire, Humberside and East Midlands and the new regional YORbuild3 medium value framework for projects between £4m and £10m.

Banner Plant is trading ahead of pre-pandemic levels and is experiencing strong demand due to the positive performance of the UK housing and construction markets, resulting in live contract count increasing by 17% to 3,261 (2020: 2,786). Road Link (A69) has been impacted by low traffic levels in H1 2021, resulting in a slight decrease in performance levels, however, trading levels have stabilised and are now close to pre-CV-19 levels. The concession has a further four years remaining before reverting back to National Highways.

Financial Review

Summary financial performance

	2021 £’m	2020 £’m	Change %
Total revenue			
Property investment and development	**69.4**	85.5	-19
Land promotion	**58.6**	21.0	+179
Construction	**102.6**	115.9	-11
	230.6	222.4	+4
Operating profit/(loss)			
Property investment and development	**18.3**	4.9	+273
Land promotion	**17.5**	14.2	+23
Construction	**9.0**	6.5	+38
Group overheads	**(9.3)**	(8.1)	-14
	35.5	17.5	+103
Net finance cost	**(0.4)**	(0.4)	–
Profit before tax	**35.1**	17.1	+105

The Group has delivered a strong set of financial results as markets have adapted and recovered from CV-19 and, we have made further significant investments in our key markets, redeploying cash and debt facilities into operational assets.

Occupier and investor demand in the industrial & logistics market has driven both development and valuation gains within our property investment and development segment, which, along with an increase in the average selling prices of Stonebridge Homes, has resulted in a 274% increase in the segment’s operating profit. UK housebuilding demand has also driven increased strategic land activity within our land promotion segment, resulting in a 23% increase in operating profit, generated by the disposal of 3,008 residential plots during the year.

The Group itself has made significant capital investments, increasing investment property by £21.5m to £104.2m (£125.9m including our share of JVs) and inventories by £34.5m to £235.3m, through acquisition of new development opportunities, ongoing development of existing assets and strategic land purchases. Along with further investments in our joint venture businesses, we continue to grow our pipeline of opportunities in each segment, which will help us meet our future strategic growth and return targets.

Consolidated Statement of Comprehensive Income

Revenue increased 4% to £230.6m (2020: £222.4m) as transactional activity in the land promotion segment improved disposing of 3,008 plots (2020: 2,000) and the average selling price by Stonebridge Homes increased 38% to over £500k per unit (2020: £368k). Revenue within the property investment and development segment reduced overall as we are increasingly transacting through joint venture entities reported on a net basis in share of profits of joint ventures and associates. The construction segment completed the £89m Glass Works urban development scheme in Barnsley and commenced new urban development works on the Heart of the City and Kangaroo Works schemes in Sheffield, effectively securing revenue for 2022.

Gross profit of the Group increased 37% to £55.5m (2020: £40.5m), a gross profit margin of 24% (2020: 18%) reflecting the higher margin returns from land promotion activities. Administrative expenses increased by £3.4m (2020: £0.9m decrease) including £0.8m full repayment of the Coronavirus Job Retention Scheme monies as well as an increase in staff costs and general expenditure, which were curtailed during the prior year due to CV-19.

Pension expenses of £6.0m (2020: £4.6m) are £1.4m higher than the prior year. Following a consultation with active members of the defined benefit pension scheme early in 2021, the Group closed the scheme to future accrual with an associated cost of £2.2m.

Property revaluation gains of £8.0m (2020: £1.3m) were the net effect of uplifts of £10.3m (2020: £5.7m) generated largely from increases in the fair value of industrial assets, from the re-gearing of existing leases and from completion of assets under construction, offset by the recognition of valuation deficits of £2.3m (2020: £4.4m) on a number of other properties, which, for the most, part are those subject to future development.

Profit on the sale of investment property of £1.3m (2020: loss of £0.1m), includes the opportune disposal of a newly developed retail site in Huyton to a national supermarket retailer.

Share of profit of joint venture and associates of £8.9m (2020: £1.8m) includes industrial development disposals and valuation uplifts on a number of schemes in the property investment and development segment.

Profit on disposal of joint ventures and subsidiaries in the prior year of £7.4m principally included the disposal of a 50% interest in a joint venture entity in our land promotion segment.

Overall, operating profits increased by 103% to £35.6m (2020: £17.5m) and, after adjusting for net finance costs, we delivered a PBT of £35.1m (2020: £17.1m).

The segmental result analysis shows that property investment and development produced an increased operating profit of £18.3m (2020: £4.9m) arising from growing commercial rent rolls, increases in the fair value of industrial properties, profits from joint ventures in Huddersfield, Enfield and Wakefield, the profit on disposal of a retail unit at Huyton and an increase in the average selling price of housing units. Land promotion operating profit increased 23% to £17.5m (2020: £14.2m) as we disposed of 3,008 residential plots during the year (2020: 2,000). Construction segment operating profits increased to £9.0m (2020: £6.5m) as productivity levels increase and due to a prior year impairment charge of £2.0m. We continue to show how the benefits of a broad-based operating model allow us to manage the impact in these cyclical markets during challenging times and capitalise on market recoveries in the aftermath. We maintain a significant pipeline of property development and consented residential plots, the variable timing of the completion of deals in these areas does give rise to financial results, which can vary depending upon when contracts are ultimately concluded. We mitigate this through the mix of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £4.5m (effective rate of tax: 12.8%) (2020: £3.4m; effective tax rate: 20%) and is lower (2020: higher) than the standard rate of tax due to adjustments in respect of earlier years arising from additional loss relief on asset disposals (2020: due to impairment of ineligible goodwill and a dry tax charge on transfer of an asset from inventory to investment property offset by joint venture profits presented net of tax). Current taxation on profit for the year was £1.1m (2020: £3.1m), deferred tax was £3.4m (2020: £0.3m).

Earnings per share and dividends

Basic earnings per share increased 135% to 21.2p (2020: 9.0p) as performance continues to recover post CV-19 and in line with the increase in profits attributable to owners of the parent company. Total dividend for the year increased 10% to 6.05p (2020: 5.50p), with the proposed final dividend increasing to 3.63p (2020: 3.30p), payable on 1 June 2022 to shareholders on the register as at 6 May 2022. The ex-dividend date is 5 May 2022.

Return on capital employed ('ROCE')

Higher operating profit in the year saw an increased ROCE[1] to 9.6% in 2021 (2020: 4.9%). While this shows a significant recovery from the initial impact of CV-19, we continue to believe that a target return of 10%–15% is appropriate for our current operating model and the markets in which we operate. We will continue to monitor this important performance measure over the business cycle.

Finance and gearing

Net finance costs remain at £0.4m (2020: £0.4m). Having maintained a cash surplus during the uncertainties of Brexit and CV-19, the Group made a number of strategic investments in 2021, bringing us back within our optimal gearing range of 10%-20%. While interest rates are beginning to rise, they remain at low levels and are an effective source of funding for the Group.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties, disposal and joint venture profits) to net interest (excluding interest received on other loans and receivables), was 31 times (2020: 13 times). No interest incurred in either year has been capitalised into the cost of assets.

The Group's banking facilities were agreed on 23 January 2020 at £75.0m. The facility includes an additional accordion facility of £30.0m, which can be called upon at the Group's request. The facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions. On 20 January 2022, the banks agreed to the Group's second extension taking the facility to 23 January 2025. The Group had drawn £50.0m of the facility at 31 December 2021 (2020: £nil).

On 20 December 2021, the Group signed an additional £25.0m receivables purchase agreement with HSBC that allows it to draw funds on transfer of deferred income receivables to the bank. The risk and rewards of ownership are deemed to fully transfer to HSBC and, therefore, this agreement is recorded off balance sheet. No amounts were utilised under the terms of the agreement at 31 December 2021, however, the Group did make its first drawdown of £6.2m in January 2022.

2021 year-end net debt[3] was £43.5m (2020: net cash £27.0m) resulting in the Group having gearing of 12.2% (2020: no gearing). Total year-end net cash includes £2.9m (2020: £2.9m) of Homes and Communities Agency (HCA) funding, which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year, we operated comfortably within the facility covenants and continue to do so.

Cash flow summary

	2021 **£'m**	2020 £'m
Operating profit	**35.6**	17.5
Depreciation and other non-cash items	**(13.9)**	(5.1)
Net movement on equipment held for hire	**(4.8)**	(1.0)
Movement in working capital	**(55.5)**	9.7
Cash generated from operations	**(38.6)**	21.1
Net capital investment	**(20.9)**	(9.5)
Net interest and tax	**(5.0)**	(6.8)
Net dividends	**(6.2)**	(3.6)
Other	**0.2**	(1.2)
Change in net cash	**(70.5)**	—
Net cash brought forward	**27.0**	27.0
Net (debt)/cash[3] carried forward	**(43.5)**	27.0

During 2021, the cash outflow from operations amounted to £38.6m (2020: £21.1m inflow) after net investment in equipment held for hire of £4.8m (2020: £1.0m), and cash outflows from a net increase in working capital of £55.5m (2020: £9.7m decrease). Our increase in working capital arises from additional investment in property developments in progress, our housebuilding land portfolio and from growing trade receivables as commercial activity levels rise.

Net capital investment of £20.9m (2020: £9.5m) arose from additions to investment property and property, plant and equipment of £18.4m (2020: £12.9m) and investment in joint ventures of £13.7m (2020: nil), which were offset by disposals of investment property and property, plant and equipment and joint ventures of £10.7m (2020: £3.4m).

Net dividends, totalled £6.2m (2020: £3.6m), with those paid to equity shareholders of £7.6m (2020: £4.6m) increasing by 65% and, dividends to non-controlling interests of £0.7m, being offset by dividends received from joint ventures during the year of £2.2m (2020: £2.2m).

After net interest and tax of £5.0m (2020: £6.8m), there was an overall outflow in net cash of £70.5m (2020: no movement), resulting in net debt of £43.5m (2020: £27.0m net cash).

Statement of financial position summary

	2021 £'m	2020 £'m
Investment properties and assets classified as held for sale	**104.2**	82.7
Intangible assets	**3.7**	4.3
Property, plant and equipment, including right-of-use assets	**27.9**	25.9
Investment in joint ventures and associates	**12.2**	5.8
	148.0	118.7
Inventories	**235.3**	200.8
Receivables	**114.0**	85.6
Payables	**(85.1)**	(89.6)
Other	**(1.2)**	7.4
Net operating assets	**411.0**	322.9
Net (debt)/cash[3]	**(43.5)**	27.0
Retirement benefit obligations	**(12.2)**	(36.4)
Net assets	**355.3**	313.5
Less: Non-current liabilities	**20.4**	51.4
Capital employed	**375.7**	364.9

Investment properties increased in value to £104.2m (2020: £82.7m), following the acquisition of two industrial sites at Skelmersdale and City Court, Manchester, both of which present medium-term redevelopment prospects and the construction and retention of an industrial asset at Wakefield, partially offset by the opportune disposal of a newly developed retail site in Huyton.

Intangible assets reflect the Group's investment in Road Link (A69) of £2.3m (2020: £2.7m) and goodwill of £1.4m (2020: £1.6m). 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 National Highways at the end of the concession period in 2026.

Property, plant and equipment comprises Group occupied buildings valued at £6.6m (2020: £6.9m) and plant, equipment and vehicles with a net book value of £21.3m (2020: £19.0m), including £1.6m (2020: £2.1m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have increased as new additions of £6.8m (2020: £3.6m) are offset by disposals and the depreciation charge for the year. Right-of-use assets have decreased in the year as the Group's lease liabilities unwind.

Investments in joint ventures and associates increased £6.4m to £12.2m (2020: £5.8m) arising from the Group's share of profits of £8.9m, including fair value uplifts of £7.0m. 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 £235.3m (2020: £200.8m) with property inventory increasing to £75.2m (2020: £44.4m) as the Group invested in a BtR opportunity in Birmingham, a speculative multi-let industrial/warehouse scheme in Welwyn Garden City and further progressing existing development schemes. Increasing our housebuilder land and work in progress to £52.5m (2020: £39.2m) as we continue to invest in land, expand regionally into the North East and having reservations against 77% of its 2022 sales target. We continue to invest in owned land and land interests held under agency agreements at a lower capital cost. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal.

Receivables increased £28.4m to £114.0m (2020: decreased £85.6m) due to an increase in commercial activity. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables decreased to £85.1m (2020: £89.6m) with trade and other payables decreasing to £73.9m (2020: £75.1m), provisions increasing to £6.3m (2020: £5.9m) as strategic land provisions grow, contract liabilities decreasing to £5.0m (2020: £7.4m), arising from payments received for work not yet undertaken.

Net debt[3] included cash and cash equivalents of £11.1m (2020: £42.1m), borrowings of £52.9m (2020: £12.9m) and lease liabilities of £1.7m (2020: £2.2m). In total, net debt was £43.5m (2020: 27.0m net cash).

At 31 December 2021, the IAS 19 pension deficit relating to retirement benefit obligations was £12.2m, compared with £36.4m at 31 December 2020, the favourable movement is due to an increase in the discount rate applied to future liabilities to 2.0% (2020: 1.4%). The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks. They then make changes, as the Trustee considers appropriate, in conjunction with investment advice from ISIO.

Overall, the net assets of the Group increased by 13.3% to £355.3m (2020: £313.5m) from retained profits and the decrease in retirement benefit obligations less distributions to shareholders. NAV per share[3] increased 13.6% to 267p (2020: 235p).

Darren Littlewood
Group Finance Director

NOTES:

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

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

[3] Net (debt)/cash is an APM and is reconciled to statutory measures in note 7

[4] Total Accounting Return is an APM and is defined as the growth in NAV per share plus dividends paid, expressed as a percentage of NAV per share at the beginning of the period

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

	2021 £'000	2020 £'000
Revenue	**230,598**	222,411
Cost of sales	**(175,052)**	(181,944)
Gross profit	**55,546**	40,467
Administrative expenses	**(32,174)**	(28,791)
Pension expenses	**(6,039)**	(4,552)
	17,333	7,124
Increase in fair value of investment properties	**7,972**	1,266
Profit/(loss) on sale of investment properties	**1,340**	(97)
Share of profit of joint ventures and associates	**8,928**	1,756
Profit on disposal of joint ventures and subsidiaries	**-**	7,426
Operating profit	**35,573**	17,475
Finance income	**724**	721
Finance costs	**(1,155)**	(1,117)
Profit before tax	**35,142**	17,079
Tax	**(4,482)**	(3,354)
Profit for the year from continuing operations	**30,660**	13,725
Other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years:		
Revaluation of Group occupied property	**-**	(651)
Deferred tax on property revaluations	**(282)**	-
Actuarial gain/(loss) on defined benefit pension scheme	**23,297**	(15,713)
Deferred tax on actuarial (gain)/loss	**(4,840)**	3,089
Total other comprehensive income/(expense) not being reclassified to profit or loss in subsequent years	**18,175**	(13,275)
Total comprehensive income for the year	**48,835**	450
Profit for the year attributable to:		
Owners of the Parent Company	**28,160**	11,921
Non-controlling interests	**2,500**	1,804
	30,660	13,725
Total comprehensive income attributable to:		

Owners of the Parent Company	**46,335**	(1,354)
Non-controlling interests	**2,500**	1,804
	48,835	450
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**21.2p**	9.0p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	**20.9p**	8.9p

UNAUDITED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	2021 **£'000**	2020 £'000
ASSETS		
Non-current assets		
Intangible assets	**3,716**	4,318
Property, plant and equipment	**26,349**	23,818
Right-of-use assets	**1,581**	2,110
Investment properties	**104,177**	82,723
Investment in joint ventures and associates	**12,165**	5,840
Trade and other receivables	**13,304**	7,194
Deferred tax assets	**3,389**	7,342
	164,681	133,345
Current assets		
Inventories	**235,296**	200,789
Contract assets	**7,556**	13,328
Trade and other receivables	**91,359**	65,032
Current tax receivable	**1,828**	-
Cash	**11,116**	42,125
	347,155	321,274
LIABILITIES		
Current liabilities		
Trade and other payables	**72,155**	72,727
Contract liabilities	**5,033**	7,430
Current tax liabilities	**-**	1,129
Borrowings	**52,941**	2,941
Lease liabilities	**639**	603
Provisions	**5,427**	4,852
	136,195	89,682
NET CURRENT ASSETS	**210,960**	231,592
Non-current liabilities		
Trade and other payables	**1,669**	2,346
Borrowings	**-**	9,969
Lease liabilities	**1,021**	1,613
Retirement benefit obligations	**12,228**	36,445
Deferred tax liabilities	**4,582**	-
Provisions	**855**	1,076
	20,355	51,449
NET ASSETS	**355,286**	313,488
EQUITY		
Share capital	**13,732**	13,718
Property revaluation reserve	**2,060**	2,342
Retained earnings	**328,348**	288,514
Other reserves	**6,744**	6,404
Cost of shares held by ESOP trust	**(1,044)**	(1,176)
Equity attributable to owners of the Parent Company	**349,840**	309,802
Non-controlling interests	**5,446**	3,686

TOTAL EQUITY	**355,286**	313,488

UNAUDITED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

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 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 expense	—	(651)	(12,624)	—	—	(13,275)	—	(13,275)
Total comprehensive income/(expense)	—	(651)	(703)	—	—	(1,354)	1,804	450
Equity dividends	—	—	(4,664)	—	—	(4,664)	(1,159)	(5,823)
Proceeds from shares issued	1	—	—	14	—	15	—	15
Purchase of treasury shares	—	—	—	—	(615)	(615)	—	(615)
Share-based payments	—	—	288	—	687	975	—	975
	1	—	(4,376)	14	72	(4,289)	(1,159)	(5,448)
At 31 December 2020	13,718	2,342	288,514	6,404	(1,176)	309,802	3,686	313,488
Profit for the year	—	—	28,160	—	—	28,160	2,500	30,660
Other comprehensive income	—	(282)	18,457	—	—	18,175	—	18,175
Total comprehensive income	—	(282)	46,617	—	—	46,335	2,500	48,835
Equity dividends	—	—	(7,620)	—	—	(7,620)	(740)	(8,360)
Proceeds from shares issued	14	—	—	340	—	354	—	354
Share-based payments	—	—	837	—	132	969	—	969
	14	—	(6,783)	340	132	(6,297)	(740)	(7,037)
At 31 December 2021	**13,732**	**2,060**	**328,348**	**6,744**	**(1,044)**	**349,840**	**5,446**	**355,286**

UNAUDITED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Cash generated from operations	**(38,665)**	21,136
Interest paid	**(792)**	(728)
Tax paid	**(4,299)**	(6,597)
Net cash flows from operating activities	**(43,756)**	13,811
Cash flows from investing activities		
Purchase of intangible assets	**(203)**	(283)
Purchase of property, plant and equipment	**(861)**	(924)
Purchase of investment property	**(17,317)**	(11,962)
Capital expenditure of investment in associate	**(2)**	—
Proceeds on disposal of property, plant and equipment (excluding equipment held for hire)	**301**	279
Proceeds on disposal of investment properties	**6,651**	627
Movement in receivables from joint ventures and associates	**(12,999)**	—
Proceeds on disposal of joint ventures	**4,252**	2,798
Interest received	**129**	512
Dividends received from joint ventures	**2,155**	2,200
Net cash flows from investing activities	**(17,894)**	(6,753)
Cash flows from financing activities		
Proceeds from shares issued	**354**	15
Purchase of treasury shares	**—**	(615)
Movement in payables to joint ventures and associates	**(701)**	—
Repayment of borrowings	**(14,969)**	(1,942)
Proceeds from borrowings	**55,000**	4,153
Principal elements of lease payments	**(683)**	(3,024)

Dividends paid	– ordinary shares	**(7,599)**	(4,643)
	– non-controlling interests	**(740)**	(1,159)
	– preference shares	**(21)**	(21)
Net cash flows from financing activities		**30,641**	(7,236)
Net decrease in cash and cash equivalents		**(31,009)**	(178)
Net cash and cash equivalents at beginning of year		**42,125**	42,303
Net cash and cash equivalents at end of year		**11,116**	42,125

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. Basis of preparation
These results for the year ended 31 December 2021 are unaudited. The financial information set out in this announcement does not constitute the Group's statutory accounts for the years ended 31 December 2021 or 31 December 2020 as defined by Section 434 of the Companies Act 2006.

The results have been prepared in accordance with UK adopted international accounting standards. They have been prepared on the historic cost basis, except for financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

The financial information for the year ended 31 December 2020 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The current auditors, Ernst & Young 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 2021 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. The same accounting policies and methods of computation are followed as in the latest published audited accounts for the year ended 31 December 2020, which are available on the Group's website at www.henryboot.co.uk.

The following standards, amendments and interpretations to existing standards are effective or mandatory for the first time for the accounting year ended 31 December 2021:

		Effective from
IFRS 16 (amended 2020)	'Covid-19-related rent concessions'	1 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended 2020)	'Interest rate benchmark reform'	1 January 2021
IFRS 4 (amended 2020)	'Extension of the temporary exemption from applying IFRS 9'	Immediately available

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

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

Going concern
In undertaking their going concern review, which covers the period to 31 December 2023, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern. In recent years, this has focused on the impact of CV-19, a risk that continues to be managed by the Group's Business Continuity Committee despite the reduced threat level.

In the current year, the Directors have assessed the Groups speed of recovery against the back drop of significant cost inflation and interest rate rises in modelling a base case scenario, and in compiling forecasts consideration has been given to climate risk and the costs of transitioning to a low carbon economy. They have also modelled what they consider to be a severe downside scenario including a significant curtailment in activities. Construction and Development activity only takes place where contracted and likewise for Hallam Land where no sales are assumed in 2022 unless already contracted, with a c.45% reduction in sales from the base case for 2022. For Stonebridge Homes a 10% decline in house prices is assumed along with a 25% reduction in the number of plots sold and Banner Plant revenue declines c.20%. Each segment assumes a slow recovery in 2023. This downside model assumes that acquisition and development spend is restricted other than that already committed and is all consistent with previous experience in recessionary environments. Having started 2022 with net debt of £43.5m and with c.£38m net debt held by the Group, at 28 February 2022, against facilities of £75.0m the Directors have concluded that the Group is able to control the level of uncommitted expenditure while delivering contracted schemes, allowing it to retain and even improve the cash position in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Group meets its day-to-day working capital requirements through a secured loan facility. The facility was renewed on the 23 January 2020, at a level of £75m, for a period of three years and extended in January 2021 and January 2022 by a further two years to 23 January 2025 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by up to £30m, which can be requested by the Company at a time of its choosing. None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 16% reduction in revenue and near 70% reduction in PBT from our base case for 2022, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2023.

The Directors have considered the likely impacts on the business arising from the conflict in Ukraine, which has occurred subsequent to the balance sheet date and is ongoing at the date of approval of the financial statements. The Directors are satisfied that the potential economic impacts of this event, is adequately taken into account in the severe but plausible downside scenario.

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

2. Segment information

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

In the prior year, the Construction segment made sales to a single external customer amounting to 22.0% of the Group's total revenue. This related to two high-value contracts, which commenced in 2018 and continue through to 2021. The segment now has a number of other contracts in progress and is not reliant on any major customer individually. There were no significant sales to a single external customer in the current year.

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.

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

	2020					
Revenue	Property Investment and Development £'000	Land Promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	85,487	21,012	115,912	—	—	222,411

Inter-segment sales	296	—	500	647	(1,443)	—
Total revenue	85,783	21,012	116,412	647	(1,443)	222,411
Gross profit/(loss)	12,977	12,319	15,200	32	(61)	40,467
Administrative expenses and pension	(11,024)	(4,402)	(9,872)	(8,106)	61	(33,343)
Other operating income	2,929	6,247	1,175	—	—	10,351
Operating profit/(loss)	4,882	14,164	6,503	(8,074)	—	17,475
Finance income	4,377	212	812	11,532	(16,212)	721
Finance costs	(3,638)	(390)	(638)	(2,171)	5,720	(1,117)
Profit/(loss) before tax	5,621	13,986	6,677	1,287	(10,492)	17,079
Tax	1,864	(2,898)	(1,898)	(422)	—	(3,354)
Profit/(loss) for the year	7,485	11,088	4,779	865	(10,492)	13,725

	2021 £'000	2020 £'000
Segment assets		
Property Investment and Development	**310,421**	217,863
Land Promotion	**145,596**	151,988
Construction	**43,205**	32,447
Group overheads	**2,323**	2,854
	501,545	405,152
Unallocated assets		
Deferred tax assets	**3,389**	7,342
Current tax receivables	**1,828**	-
Cash and cash equivalents	**11,116**	42,125
Total assets	**517,878**	454,619
Segment liabilities		
Property Investment and Development	**36,169**	35,292
Land Promotion	**11,523**	11,934
Construction	**40,418**	37,554
Group overheads	**3,071**	3,651
	91,181	88,431
Unallocated liabilities		
Current tax liabilities	**-**	1,129
Deferred tax liabilities	**4,582**	-
Current lease liabilities	**639**	603
Current borrowings	**52,941**	2,941
Non-current lease liabilities	**1,021**	1,613
Non-current borrowings	**-**	9,969
Retirement benefit obligations	**12,228**	36,445
Total liabilities	**162,592**	141,131
Total net assets	**355,286**	313,488

3. Tax

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax on profits for the year	**2,752**	2,824
Adjustment in respect of earlier years	**(1,683)**	245
Total current tax	**1,069**	3,069
Deferred tax:		
Origination and reversal of temporary differences	**3,457**	285
Adjustment in respect of earlier years	**105**	-
Impact of rate change	**(149)**	-
Total deferred tax	**3,413**	285
Total tax	**4,482**	3,354

4. Dividends

	2021 £'000	2020 £'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 2020 of 3.30p per share (2019: 1.30p)	**4,383**	1,724
Interim dividend for the year ended 31 December 2021 of 2.42p per share (2020: 2.20p)	**3,216**	2,919
	7,620	4,664

The proposed final dividend for the year ended 31 December 2021 of 3.63p per share (2020: 3.30p) makes a total dividend for the year of 6.05p (2020: 5.50p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £4,800,000.

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

5. Investment properties

Fair value measurements recognised in the Statement of Financial Position

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2021 £'000	2020 £'000	Increase/ (decrease) in year
Completed investment property						
Industrial	—	—	46,796	**46,796**	31,550	15,246
Leisure	—	—	9,598	**9,598**	9,427	171
Mixed-use	—	—	7,483	**7,483**	7,260	223
Residential	—	—	4,127	**4,127**	4,106	22
Office	—	—	9,938	**9,938**	11,450	(1,513)
Retail	—	—	17,235	**17,235**	14,937	2,298
	—	—	95,177	**95,177**	78,730	16,447
Investment property under construction						
Industrial	—	—	9,000	**9,000**	1,629	7,371
Retail	—	—	—	—	2,364	(2,364)
	—	—	9,000	**9,000**	3,993	5,007
Total carrying value	—	—	104,177	**104,177**	82,723	21,454

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

Explanation of the fair value hierarchy:

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

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

Class	
Industrial	Includes manufacturing and warehousing, which are usually similar in dimensions and construction method.

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

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

6. Share capital

	Authorised, allotted, issued and fully paid	
	2021	2020
	£'000	£'000
400,000 5.25% cumulative preference shares of £1 each (2020: 400,000)	**400**	400
133,319,228 ordinary shares of 10p each (2020: 133,181,537)	**13,332**	13,318
	13,732	13,718

7. Cash generated from operations

	2021	2020
	£'000	£'000
Profit before tax	**35,142**	17,079
Adjustments for:		
Amortisation of PFI asset	**602**	570
Goodwill impairment	**203**	2,218
Depreciation of property, plant and equipment	**3,818**	3,585
Depreciation of right-of-use assets	**598**	987
Revaluation increase in investment properties	**(7,972)**	(1,266)
Amortisation of capitalised letting fees	**41**	30
Share-based payment expense	**968**	975
Pension scheme credit	**(920)**	(2,233)
Profit on disposal of property, plant and equipment	**(16)**	(85)
Profit on disposal of equipment held for hire	**(981)**	(854)
(Profit)/Loss on disposal of right-of-use assets	**—**	89
(Gain)/loss on disposal of investment properties	**(1,340)**	95
Gains/(loss) on disposal of joint ventures and subsidiaries	**—**	(7,426)
Finance income	**(724)**	(721)
Finance costs	**1,155**	1,117
Share of profit of joint ventures and associates	**(8,928)**	(1,756)
Operating cash flows before movements in equipment held for hire	**21,646**	12,404
Purchase of equipment held for hire	**(5,952)**	(2,201)
Proceeds on disposal of equipment held for hire	**1,160**	1,159
Operating cash flows before movements in working capital	**16,854**	11,362
Increase in inventories	**(36,025)**	(31,285)
(Increase)/decrease in receivables	**(22,643)**	39,800
Decrease in contract assets	**5,772**	5,757
Increase/(decrease) in payables and provisions	**(226)**	(2,052)
Decrease in contract liabilities	**(2,397)**	(2,446)
Cash generated from operations	**(38,665)**	21,136

Analysis of net (debt)/cash:

Cash and cash equivalents	**11,116**	42,125
Bank overdrafts	**—**	—
Net cash and cash equivalents	**11,116**	42,125
Bank loans	**(50,000)**	(9,969)
Lease liabilities	**(1,660)**	(2,216)

Government loans	**(2,941)**	(2,941)
Net (debt)/cash	**(43,485)**	26,999

8. Events after the balance sheet date

Since the balance sheet date the Group has proposed a final dividend for 2021, further information can be found in note 4, and made an initial drawdown of £6.2m on the new £25.0m HSBC receivables purchase facility.

There were no other significant events since the balance sheet date that may have a material effect on the financial position or performance of the Group.

9. These results were approved by the Board of Directors and authorised for issue on 23 March 2022.

10. The 2021 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 22 April 2022. Copies will be available from The Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD.

11. The AGM of the Company is to be held at Double Tree by Hilton, Chesterfield Road South, Sheffield, S8 8BW on Thursday 26 May 2022, commencing at 12.30pm.