24 August 2020

HENRY BOOT PLC

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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Henry Boot PLC, a company engaged in land promotion, property investment and development, and construction, announces its interim results for the period ended 30 June 2020. Ticker: BOOT.L: Main market premium listing: FTSE: Real Estate Investment and Services.

HIGHLIGHTS

- Revenue of £108.7m (30 June 2019: £189.0m) as all operations were impacted by CV-19 and H1 2019 benefited from the final stage of the TECA project, Aberdeen.
- Profit before tax of £7.2m (30 June 2019: £24.1m) – slightly ahead of our revised expectations and supported by our land promotion business
- Earnings per share lower at 4.1p (30 June 2019: 14.2p)
- Strong net cash position increased to £42.3m (30 June 2019: net debt £50.3m)
- Declared interim dividend of 2.2p (30 June 2019: 3.7p), which reflects our current financial position and confidence in our long-term markets
- Net asset value per share robust at 232p (30 June 2019: 233p)
- Land promotion business sold 2,000 plots across 9 sites and increased land portfolio to 15,456 acres
- Developments completed on £42m (GDV) of industrial all pre-sold or let. Further committed development of £296m - 95% pre-sold or let. Strong £1.4bn pipeline with 74% in industrial and logistics, remainder in urban development
- Stonebridge Homes completed on 24 sales in H1, a further 61 forward sales have been secured and on track to hit FY targets
- Construction steadily recovering and operating at nearly 90%, and Plant Hire at 82%, of planned activity

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

"The first half of the year has proved to be very challenging for all of us, but with an agile recovery plan and a robust balance sheet Henry Boot remains in a strong position. Right from the beginning of this pandemic we have focused on our stakeholders' wellbeing and protecting the liquidity of the Group so we can come through this in the best possible way.

While CV-19 has affected our interim results and led us to make difficult decisions to reshape and protect the business, we have seen clear improvements in our operations. As this momentum builds, we have been quick to secure selective long-term opportunities and make progress in our key markets - residential, industrial and urban development. We are prepared for uncertain times ahead but where we see good opportunities to invest, without taking undue risk, we will continue to take them.

I would like to thank all of the Group's employees for their dedicated hard work during this unprecedented period, whose efforts have helped keep the business viable and produced a robust set of results, which are creditable given the circumstances we are in."

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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 longest standing land promotion, property investment and development, and construction groups of companies. Based in Sheffield, the Group comprises the following three segments:

Land Promotion:
Hallam Land Management Limited

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

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

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

www.henryboot.co.uk

CHAIRMAN'S STATEMENT

I am pleased to announce that all the Group's operations remain active and have continued to stabilise following what has been a challenging first half to 2020. COVID-19 (CV-19) has affected our financial performance; nevertheless, we are slightly ahead of our revised expectations for the year and continue to focus on protecting the safety of all our stakeholders and preserving the Group's strong financial position.

The Group started the year positively and was building upon the progress made in 2019 until the UK lockdown forced a temporary pause on all our sites and depots, which in turn, reduced activity across the business. The temporary pause allowed us to adopt necessary protocols that each of our operations required. This ensured employees, supply chains and customers remained safe when interacting with our operations. We have continued to secure long-term opportunities in the markets in which we operate, which have remained resilient against the backdrop of CV-19. In this respect we have increased our strategic land holdings by 558 acres and successfully tendered for a £40m build to rent apartment scheme in Sheffield City Centre. In H2 2020 we have also acquired a site in Manchester for a total price based on phased payments of £10m. We have optionality on either refurbishing the building or promoting a 170,000 sq ft redevelopment. While we consider these options, we will be collecting income from the building.

Following the Board resetting the Group's financial expectations for 2020, we are slightly ahead of current internal forecasts despite the CV-19 impact. We have achieved a profit of £7.2m (June 2019: £24.1m) in the first half of the year, primarily supported by our land promotion business which completed on nine sites in H1. We continue to closely manage our financial position, maintaining a robust balance sheet, with our NAV per share resilient at 232p and as of 30 June 2020 our net cash position stood at £42.3m.

We currently have a minority of employees still on furlough but as activity levels increase, this number is reducing and, by the end of August, we aim to withdraw from the scheme. Although activity levels within our operations are increasing, we are not confident that levels will equal those seen pre-CV-19, for some time. On that basis we have made the difficult decision to undertake restructuring plans, which will result in redundancies in the construction division.

After a successful trial period, we reopened two offices in June and now have a phased reopening plan for most of our regional network. We will continue with this phased approach for offices, to ensure we are returning people in the safe manner that our sites and depots undertook. As we shape our Group for the future and remain agile during this pandemic we are taking an interest in technological developments, which can further advance our services to clients and adopting new working practices that have proved to be effective for our employees. Finally, despite the challenges faced in the current climate, we remain focused on acting as a responsible business. We have maintained contact with all the communities we operate in and have donated to the National Emergencies Trust, who's appeal is supporting people in need of aid during this pandemic.

Dividend

While we recognise the importance of protecting our financial position in these uncertain economic times, we are also keen to take the interest of our shareholders into consideration. Having rebased the full year dividend for 2019 at 5.0p we will be paying a 2.2p (2019: 3.7p) interim dividend. This reflects the Group's current financial performance being slightly ahead of our revised expectations and our confidence in the longer-term outlook for the business. This will be paid on 16 October 2020 to shareholders on the register at the close of business on 18 September 2020.

Business Review

Land Promotion

Despite the pandemic, Hallam Land Management made a solid start to 2020, with 2,000 plots sold across nine sites. At the end of June 2020, we had unconditionally exchanged contracts for the sale of a further 525 plots, which are due to complete either later in the year or early in 2021.

At the half year, Hallam Land held interests in 190 sites equating to 15,456 acres (December 2019: 14,898 acres), of which 1,683 acres are owned, 2,583 under option and 11,190 are under planning promotion agreements. As in previous periods of uncertainty, we have made good progress, facilitated by the Group's robust balance sheet and we continue to source a selective number of new opportunities in strong market locations.

Significant steps forward have been achieved over the period in relation to our major Didcot project (2,182 plots) where Oxfordshire County Council has now secured the required Homes and Infrastructure Funding (HIF) deal with Homes England. Detailed planning consent has also been granted at Eastern Green in Coventry and £15.6m of funding has been secured for a grade separated junction onto the A45, which is the principal access for this 2,200 plot, and 900,000 sq ft commercial site. Works are expected to commence during 2021.

At 30 June 2020, we held planning consents/resolution to permit consent for 12,939 plots on 31 sites, with a further 10,511 plots subject to planning applications on 23 sites. Our accounting policy is to hold these strategic land purchases as inventory, at the lower of cost or net realisable value, and therefore the assets do not benefit from judgemental valuation gains. The inventory value at 30 June 2020 was £108.2m (December 2019: £101.7m).

Our housebuilder customers are at differing stages in returning to the land market. Nonetheless, we are receiving bids for land at prices not noticeably impacted by CV-19, although we do not expect these deals to contribute to this year's numbers. However, pressure on land pricing and average returns per plot has continued, with the forthcoming changes to building regulations likely to have a growing impact in the medium term.

As we enter H2 Hallam Land is in a strong position, with all its budgeted business for the current year contractually exchanged. Additionally, we are in advanced negotiations on further disposals of plots, which we expect to complete next year.

Property Investment and Development

Henry Boot Developments (HBD) has resumed work on all sites after a pause during lockdown and continues to make progress on all developments. HBD's performance has been affected during H1 by the slowdown in the commercial market and a fall in the valuation of the investment portfolio. Notwithstanding this, we have successfully completed three industrial and logistic sites, comprising 377,878 sq ft, with a combined GDV of £42m. The completed industrial space includes units at the International Advanced Manufacturing Park, Sunderland (IAMP) for Faltec (124,441 sq ft) and CESAM building (131,622 sq ft), as well as at Airport Business Park, Southend (ABPS), where we were delighted to hand over a design and build unit for IPECO (121,815 sq ft). Capital values fell by 3.0% in our investment portfolio compared to an industry average of 6.9%.

We are now committed to eight schemes with a GDV of £296m over 568,826 sq ft, of which 95% is either pre-sold, pre-let or under offer. Our largest development project, Kampus in Manchester, continues to take shape. The scheme, which comprises 533 build to rent apartments, together with 44,000 sq ft of retail and leisure space, should now complete in mid-2021 after a delay due to the pause in works caused by CV-19. Also, following the implementation of infrastructure works at Wyvern Park, Skipton, we are aiming to complete on the sale of the majority of the land before the end of the year.

In industrial and logistic development, we were pleased to see works commence on site at Butterfields Business Park, Luton (BBP). On this site we are developing a 73,528 sq ft unit pre-let to Eden Farm, which we also intend to hold in our investment portfolio, and at Markham Vale, where we are developing two units totalling 297,018 sq ft, which we have pre-sold to Aver. We also expect practical completion on a new 18,750 sq ft Aldi store in Huyton during H2, which again we intend to hold as an investment.

Committed Schemes

Scheme	**GDV (£m)**	**Share of GDV (£m)**	**Commercial (sq ft)**	**Residential (units)**	**Status**
Industrial					
Enfield, Montagu 406	16	8	55,530	–	A speculative 50/50 joint venture development, with Enfield Borough council
Pool MKM Building Supplies	4	4	15,000	–	Pre-let
Luton, Eden Farm	10	10	73,528	–	Pre-let
Markham Vale, Aver	23	23	297,018	–	Sold under forward funding contract
Wakefield, Kitwave	7	4	65,000	–	Conditional contract to forward fund
	60	49	506,076	–	
Residential					
Manchester, Kampus	216	11	44,000	533	Sold under forward funding contract
Wyvern Park, Skipton	14	14	–	184	Sold under conditional contract
	230	25	44,000	717	
Retail					
Huyton, Aldi	6	3	18,750	_	Pre-let
Total for year	**296**	**77**	**568,826**	**717**	

We have committed to building on a speculative basis a 55,000 sq ft scheme in the London Borough of Enfield in a JV with the local Council, as we expect encouraging demand in this growing market. Progress is also being made on site in connection with various demolition and infrastructure contracts at Taunton, ABPS, BBP, IAMP and New Horizon, Nottingham, all of which are key industrial and logistics development opportunities within our existing development pipeline. We believe there will be high customer demand for new space at strategic logistics sites for the medium term and by investing in these sites now, we shall be ready to respond quickly to customer requirements in the future.

Post H1, we announced that a further £105m was added to our development pipeline, which now has a potential GDV of c.£1.4bn following the acquisition of the St John's College building in Manchester. We will gain vacant possession of the building in late 2022, following which we will look to either refurbish the existing building or redevelop the site which could deliver up to 170,000 sq ft. While we consider our options we will receive income. This is a site we have monitored for some time, and due to the CV-19 uncertainty, negotiated a total price of c.£10m in phased payments. Also, significant progress has been made on a number of the industrial and logistics sites which currently make up approximately 74% of the development pipeline. We have secured planning consent for a speculative scheme at Preston East, with planning applications for a further speculative scheme at BBP as well as a similar scheme at ABPS due for submission in late 2020. These schemes have a total of 219,000 sq ft. Planning was also secured at Cloverhill, Aberdeen for over 500 residential units and applications will be submitted at Cornwall House, Birmingham (100 residential units) and Island Site, Manchester (c.100,000 sq ft office) in the second half of 2020.

Following our successful rationalisation of the investment portfolio in 2019, where we completed on the sale of c.£64m of predominately retail assets, we have started the process of rebuilding our portfolio. Additional assets at Huyton, Aldi, and Luton, Eden Farm are set to be added to the portfolio in H2 once completed, with potential to add c.£15m. We hope to be able to identify further ways of growing our investment portfolio over the next 18 months. Unsurprisingly, CV-19 has negatively affected our half-year valuations as well as rent collection. However, we have had, and continue to have, positive conversations with our customers to find a mutually acceptable way through the crisis. We forecast that by the end of the current quarter, we will have received 80% of rent due on the March and June quarter days, which ranks above the property industry average. In addition, our values have fallen by £2.1m (3.0%), which again has outperformed the wider property market.

Our jointly owned housebuilder, Stonebridge Homes, continues to see encouraging activity levels within the housing market after the disruption caused by CV-19. Budgeted sales for 2020 stand at 112 which, as expected, is lower than 2019 due to delays in planning on our land bank. We achieved 24 completions in the first half of the year and a further 61 forward sales have been secured, which will contribute towards the full year target. 11 sales and 20 reservations have been secured during lockdown, achieved by adapting our sales process through the use of virtual technology. This process allows us to keep marketing our homes in the event the Government reintroduces some form of lockdown.

The housing market is showing resilience since activity resumed, and if this continues, we are firmly on track to achieve our full year target. The long-term focus remains on growing output to 500 units per annum and expanding our operations to create a multi-regional premium housebuilder. In this respect, during H1 we are pleased to have secured our first site in the North East region.

Construction

Henry Boot Construction started the year with a healthy order book. We were on track to deliver targeted activity in 2020 prior to pausing on sites to ensure we were meeting the requirements of the Construction Leadership Council Site Operating Procedures. After the initial pause, we commenced a phased reopening plan and are now active on all sites. Subsequently, productivity has continued to increase across all our sites and now stands at nearly 90% of pre-CV-19 planned activity levels. In particular, Glass Works phase II, our £88m flagship town centre regeneration project for Barnsley Metropolitan Borough Council, is progressing in line with our expectations for completion in early 2021. However, the recently acquired affordable housing business, Starfish Commercial Limited, has been materially impacted by the pandemic and is not performing in line with our expectations.

We have seen a reasonable level of construction opportunities in the first half of the year and we are pleased to have recently signed the contract to deliver a £40m built to rent apartment scheme in the centre of Sheffield. We expect to start on site in spring 2021. Nevertheless, due to the impact of CV-19 we are anticipating a reduction in private sector opportunities later in the year, which may lead to a risk of tightening margins and we do not expect activity to achieve pre-pandemic levels in the short term. This, together with the need to ensure the business is fit for the future has resulted, unfortunately, in restructuring plans being implemented within the construction division.

Education remains an important market where we are building schools under both the Department for Education framework and the Leeds local education framework. We are also delivering schemes in the higher education sector for the Universities of Sheffield and Leicester. We continue to deliver health schemes through the Sheffield Teaching Hospitals NHS Foundation Trust framework and have also recently converted university buildings for NHS use in the fight against CV-19. Works are also progressing on the £12m scheme for Opera North in Leeds city centre that is due for completion next year.

We are delivering schemes through the Ministry of Justice Strategic Alliance Agreement for new build and refurbishment schemes for HM Prison Service, HM Court and Tribunals Service, National Probation Service, Home Office and Forensic Science Service in the north of England. Notably, we completed two court buildings earlier in the year, and are currently working on two other schemes and have recently been awarded two further contracts that will start on site later this summer.

Despite CV-19 materially impacting Henry Boot Construction, we are well placed to weather this uncertainty through our substantial public sector client base and our presence on several public sector national and regional frameworks, where we expect spend on construction projects will be maintained in the short term to pump prime the general economy. As always, we adopt a risk-based approach and remain selective in the opportunities we pursue focusing, where possible, on proactively sourcing higher margin business and developing repeat business.

Banner Plant has had a challenging period during this first half, but after a steady increase in work, sales are now at 82% of those achieved in June 2019. Before CV-19, trading started positively and was ahead of 2019 performance. While we will continue to face difficulties, the diversity of our plant hire products leaves us well placed to benefit from a recovery. Road Link (A69) performance has been marginally affected by reduced traffic volumes during the lockdown and we remain alert to the challenges we may face as the year progresses.

Financial review

Income statement

Revenue for the period reduced to £108.7m (30 June 2019: £189.0m). The prior year benefited from property development activity relating to the £333m TECA contract which completed in that year but more broadly all our operations were impacted by the unprecedented CV-19 pandemic and the resultant reduction in activity.

Gross profit was 42.7% lower at £23.1m (30 June 2019: £40.4m) as strong land promotion sales in Q1 were offset by the difficult trading environment in Q2 which impacted all our activities.

Administrative expenses decreased by £0.3m (30 June 2019: increased £1.6m), as we restricted discretionary spend, furloughed a minority of employees, provided for reduced bonuses and decreased main Board salary and fees by 20% from 1 April. These actions were offset by goodwill impairment of £1.8m relating to Starfish Commercial Limited, a company focused on the provision of affordable housing, acquired in December 2019.

Fair value of investment properties decreased by £2.1m (30 June 2019: increase £0.4m) and profit on sale of investment properties of nil (30 June 2019: losses £0.1m) resulted in profit from operations of £5.3m (30 June 2019: £24.7m).

Net financing costs were £0.2m (30 June 2019: £0.7m) reflecting both low interest rates and the overall cash positive position of the Group.

The Group's share of profit of joint ventures and associates of £2.1m (30 June 2019: £0.2m) reflects the increasing amount of property development activities undertaken in partnership and, in particular, the increase in value of investment property and the disposal of land for residential development by our joint ventures and associates.

The resultant profit before tax was £7.2m (30 June 2019: £24.1m) which, in the circumstances, was a creditable result with earnings per share of 4.1p (30 June 2019: 14.2p).

Statement of financial position

Total non-current assets were £134.8m (31 December 2019: £133.3m). Significant movements arose as follows:

- Intangible assets reduced by £1.9m, largely arising from the impairment of goodwill relating to the acquisition of Starfish Commercial Limited in December 2019 driven by a significant reduction in affordable housing construction opportunities arising from the impact of CV-19;

- a reduction of investment in property, plant and equipment and movements in right of use assets, which together largely relate to our plant hire fleet, of £1.7m (30 June 2019: increase £2.5m) resulting from our decision to restrict capital expenditure in the current year;

- a £0.2m increase (30 June 2019: decrease £41.9m) in the value of investment properties, being a revaluation deficit of £2.1m (30 June 2019: gain £0.4m) offset by investment in investment properties under construction of £2.3m (30 June 2019: £2.2m);

- an increase in trade and other receivables of £2.0m to £19.2m (31 December 2019: £17.2m) relating to deferred land sale debtors due beyond 12 months from disposals in the current period offset by those from prior years becoming due within 12 months and therefore moving to current assets; and

- an increase in deferred tax assets of £3.0m (30 June 2019: £0.3m) arising from the increase in retirement benefit obligations relating to the Group's defined benefit pension scheme.

Current assets were £4.1m lower at £317.8m (31 December 2019: £321.9m) resulting from:

- an uplift in inventories to £173.8m (31 December 2019: £169.7m) mainly resulting from the acquisition of c.100 acres of owned strategic land;

- a decrease in contract assets to £10.9m (31 December 2019: £19.1m) as we concluded existing property developments and paused on commencing new work;

- lower trade and other receivables of £74.2m (31 December 2019: £90.8m) as we collected a number of short-term deferred land sale debtors; and

- cash and cash equivalents which were £16.6m higher at £58.9m (31 December 2019: £42.3m).

Total liabilities rose to £143.3m (31 December 2019: £136.8m) with the most significant changes arising from:

- trade and other payables, including contract liabilities, decreased following current reductions in productivity due to CV-19 to £82.7m (31 December 2019: £86.8m);

- borrowings, including lease liabilities, increased to £16.5m (31 December 2019: £15.3m). Reductions in lease liabilities following restricted capital expenditure were offset by increased borrowings by Stonebridge homes to fund ongoing work in progress and land bank investment; and

- the reduction of the liabilities discount rate applied to the defined benefit pension scheme valuation under IAS 19 to 1.5% (31 December 2019: 2.0%) resulting in an increased deficit of £36.2m (31 December 2019: £23.0m).

Retained earnings, offset by the increased pension deficit, saw net assets decrease to £309.3m (31 December 2019: £318.5m) with the net asset value per share decreasing by 2.9% to 232p (31 December 2019: 239p).

Cash flows

Operating cash inflows before movements in working capital were £9.8m (30 June 2019: £24.5m).

Working capital investment continued with increased inventories while the impact of CV-19 saw a decrease in payables, contract assets and receivables following reduced productivity, resulting in working capital inflows of £12.2m (30 June 2019: £38.2m) which, in turn, meant that operations generated funds of £22.0m (30 June 2019: utilised £13.7m). After interest paid of £0.4m (30 June 2019: £0.6m) and tax paid of £4.4m (30 June 2019: £3.9m) net cash inflows from operating activities were £17.2m (30 June 2019: £18.2m outflow).

Including net property investment of £0.1m (30 June 2019: £1.3m), net cash outflows from investing activities were £0.6m (30 June 2019: £1.7m).

Dividends paid to non-controlling interests reduced by 29% to £1.2m (30 June 2019: £1.7m) while the final dividend for 2019 was not paid until July 2020 following disruption caused by CV-19 and therefore not included in this cash flow.

At 30 June 2020, net cash increased to £42.3m (30 June 2019: net debt of £50.3m). It is likely that anticipated investment in inventories and investment properties during the second half of 2020 will reduce our net cash position by the year end, although we still expect the Group to have little or no debt approaching the end of the year.

Outlook

We are encouraged that our H1 performance shows a slight improvement on our revised forecasts. As a result, the Group will reinstate financial guidance for FY20.

Our strategic focus will evolve as clarity emerges on the impact of CV-19. However, with growing momentum in our operations, we now look ahead to securing further opportunities within the Group's three key long-term markets: residential, industrial and logistics, and urban development.

While cash management will be a priority, we now feel that the Group can continue to look to reinvest in the development pipeline and seek to grow the business. These remain unprecedented times, and we will remain committed to the welfare of our people as we serve all our stakeholders. We do not underestimate the trading challenges we will face in the short term, but Henry Boot remains in a strong position to deliver for the long term.

Lastly, the Board would like to take this opportunity to thank all our employees for their determination through these difficult circumstances. I am immensely proud of their response to CV-19, which has kept the Group in a strong position for the future.

Jamie Boot
Chairman
24 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the half year ended 30 June 2020

	Half year ended 30 June 2020 Unaudited £'000	Half year ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000

Revenue	**108,714**	188,984	379,693
Cost of sales	**(85,580)**	(148,603)	(298,711)
Gross profit	**23,134**	40,381	80,982
Administrative expenses	**(15,678)**	(15,952)	(34,156)
	7,456	24,429	46,826
(Decrease)/increase in fair value of investment properties	**(2,131)**	350	2,370
Profit/(loss) on sale of investment properties	**8**	(76)	(238)
Loss on sale of assets held for sale	—	—	(56)
Operating profit	**5,333**	24,703	48,902
Finance income	**351**	297	494
Finance costs	**(559)**	(1,005)	(1,740)
Share of profit of joint ventures and associates	**2,057**	152	1,448
Profit before tax	**7,182**	24,147	49,104
Tax	**(1,341)**	(4,393)	(9,649)
Profit for the period from continuing operations	**5,841**	19,754	39,455
Other comprehensive expense not being reclassified to profit or loss in subsequent periods:			
Revaluation of Group occupied property	**(525)**	(4)	(404)
Actuarial loss on defined benefit pension scheme	**(15,243)**	(2,259)	(7,937)
Deferred tax on actuarial loss	**3,189**	384	1,350
Total other comprehensive expense not being reclassified to profit or loss in subsequent periods	**(12,579)**	(1,879)	(6,991)
Total comprehensive income for the period	**(6,738)**	17,875	32,464
Profit for the period attributable to:			
Owners of the Parent Company	**5,470**	18,879	37,596
Non-controlling interests	**371**	875	1,859
	5,841	19,754	39,455
Total comprehensive income attributable to:			
Owners of the Parent Company	**(7,109)**	17,000	30,605
Non-controlling interests	**371**	875	1,859
	(6,738)	17,875	32,464
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the period	**4.1p**	14.2p	28.3p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the period	**4.1p**	14.1p	28.1p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30 June 2020

	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Assets			
Non-current assets			

Intangible assets	**4,957**	4,861	6,823
Property, plant and equipment	**21,626**	22,035	22,015
Right of use assets	**4,804**	6,638	6,085
Investment properties	**70,205**	79,103	70,002
Investment in joint ventures and associates	**6,491**	6,764	6,634
Trade and other receivables	**19,200**	8,597	17,238
Deferred tax assets	**7,497**	3,739	4,538
	134,780	131,737	133,335
Current assets			
Inventories	**173,834**	170,248	169,749
Contract assets	**10,915**	50,652	19,085
Trade and other receivables	**74,230**	71,397	90,777
Cash and cash equivalents	**58,866**	8,039	42,303
	317,845	300,336	321,914
Assets classified as held for sale	**—**	43,539	—
	317,845	343,875	321,914
Liabilities			
Current liabilities			
Trade and other payables	**67,442**	71,821	70,763
Contract liabilities	**9,058**	3,082	9,876
Current tax liabilities	**1,425**	4,308	4,680
Borrowings	**3,035**	52,171	9,981
Lease liabilities	**1,519**	2,170	2,052
Provisions	**5,018**	5,115	5,315
	87,497	138,667	102,667
Net current assets	**230,348**	205,208	219,247
Non-current liabilities			
Trade and other payables	**6,166**	2,172	6,148
Borrowings	**10,083**	428	717
Lease liabilities	**1,896**	3,528	2,585
Retirement benefit obligations	**36,171**	18,261	22,965
Provisions	**1,463**	1,792	1,681
	55,779	26,181	34,096
Net assets	**309,349**	310,764	318,486
Equity			
Share capital	**13,718**	13,716	13,717
Property revaluation reserve	**2,468**	3,393	2,993
Retained earnings	**285,075**	285,879	293,593
Other reserves	**6,396**	6,371	6,390
Cost of shares held by ESOP trust	**(561)**	(914)	(1,248)
Equity attributable to owners of the Parent Company	**307,096**	308,445	315,445
Non-controlling interests	**2,253**	2,319	3,041
Total equity	**309,349**	310,764	318,486

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the half year ended 30 June 2020

	Attributable to owners of the Parent Company							
	Share capital £'000	Property revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2019	13,715	3,397	276,999	6,347	(1,260)	299,198	3,114	302,312
Change in accounting policy	—	—	(194)	—	—	(194)	—	(194)
Restated at 1 January 2019	13,715	3,397	276,805	6,347	(1,260)	299,004	3,114	302,118
Profit for the period	—	—	18,879	—	—	18,879	875	19,754
Other comprehensive expense	—	(4)	(1,875)	—	—	(1,879)	—	(1,879)
Total comprehensive income	—	(4)	17,004	—	—	17,000	875	17,875
Equity dividends	—	—	(7,702)	—	—	(7,702)	(1,670)	(9,372)
Proceeds from shares issued	1	—	—	24	—	25	—	25
Purchase of treasury shares	—	—	—	—	(264)	(264)	—	(264)
Share-based payments	—	—	(228)	—	610	382	—	382
	1	—	(7,930)	24	346	(7,559)	(1,670)	(9,229)
At 30 June 2019 (unaudited)	13,716	3,393	285,879	6,371	(914)	308,445	2,319	310,764

At 1 January 2019	13,715	3,397	276,999	6,347	(1,260)	299,198	3,114	302,312
Change in accounting policy	—	—	(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 (audited)	13,717	2,993	293,593	6,390	(1,248)	315,445	3,041	318,486
Profit for the period	—	—	5,470	—	—	5,470	371	5,841
Other comprehensive expenses	—	(525)	(12,054)	—	—	(12,579)	—	(12,579)
Total comprehensive income	—	(525)	(6,584)	—	—	(7,109)	371	(6,738)
Equity dividends	—	—	(1,734)	—	—	(1,734)	(1,159)	(2,893)
Proceeds from shares issued	1	—	—	6	—	7	—	7
Share-based payments	—	—	(200)	—	687	487	—	487

	1	—	(1,934)	6	687	(1,240)	(1,159)	(2,399)
At 30 June 2020 (unaudited)	**13,718**	**2,468**	**285,075**	**6,396**	**(561)**	**307,096**	**2,253**	**309,349**

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the half year ended 30 June 2020

	Half year ended 30 June 2020 Unaudited £'000	Half year ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Cash flows from operating activities			
Cash generated from operations	**21,961**	(13,748)	21,525
Interest paid	**(385)**	(626)	(1,341)
Tax paid	**(4,366)**	(3,859)	(8,459)
Net cash flows from operating activities	**17,210**	(18,233)	11,725
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	—	—	(152)
Purchase of intangible assets	**(380)**	(149)	(491)
Purchase of property, plant and equipment	**(521)**	(380)	(1,471)
Purchase of investment property	**(2,351)**	(2,353)	(14,060)
Proceeds on disposal if investment in associate	—	—	1,500
Proceeds on disposal of property, plant and equipment	**70**	69	365
Proceeds on disposal of investment properties	**10**	939	22,542
Proceeds on disposal of assets held for sale	—	—	44,550
Distributions received from joint ventures and associates	**2,200**	74	—
Interest received	**351**	146	494
Net cash flows from investing activities	**(621)**	(1,654)	53,277
Cash flows from financing activities			
Proceeds from shares issued	**6**	26	46
Purchase of treasury shares	—	(264)	(598)
Decrease in borrowings	**(64)**	(8,250)	(59,368)
Increase in borrowings	**2,484**	36,142	43,777
Principal element of lease payments	**(1,282)**	(1,212)	(2,346)
Dividends paid – ordinary shares	—	(7,691)	(12,600)
– non-controlling interests	**(1,159)**	(1,670)	(2,445)
– preference shares	**(11)**	(11)	(21)
Net cash flows from financing activities	**(26)**	17,070	(33,555)
Net increase/(decrease) in cash and cash equivalents	**16,563**	(2,817)	31,447
Net cash and cash equivalents at beginning of period	**42,303**	10,856	10,856
Net cash and cash equivalents at end of period	**58,866**	8,039	42,303
Analysis of net cash/(debt):			
Cash and cash equivalents	**58,866**	8,039	42,303
Bank overdrafts	—	—	—
Net cash and cash equivalents	**58,866**	8,039	42,303

Bank loans	**(10,177)**	(49,244)	(7,757)
Lease liabilities	**(3,415)**	(5,698)	(4,637)
Government loans	**(2,941)**	(3,355)	(2,941)
Net cash/(debt)	**42,333**	(50,258)	26,968

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the half year ended 30 June 2020

1. GENERAL INFORMATION

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

The financial information set out above does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and is neither audited nor reviewed. The Financial Statements for the year ended 31 December 2019, which were prepared under IFRS as adopted by the European Union, have been reported on by the Group's previous auditors and delivered to the Registrar of Companies. The Independent Auditors' Report was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half-yearly financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The Company meets its day-to-day working capital requirements through a secured loan facility, which includes an overdraft facility. In January 2020, the Group concluded negotiations with three banking partners to put in place a £75m facility to replace the £72m facility we had in place at 31 December 2019, along with an accordion facility of £30m, which can be called upon at the Group's request. The renewed facilities commenced on 24 January 2020, with a renewal date of 24 January 2023 and an option to extend the facilities by one year, each year, for the next two years occurring on the anniversary of the facility. The renewed facilities, on improved terms, maintain covenants on the same basis as the previous facilities.

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

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

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 and that we still have the ability to curtail expenditure as described in the 2019 Annual report.

As reported in the 2019 Annual Report, one of the loan covenants references the loan to value ratio of the investment property portfolio and the full facility would not be available to the Group unless reinvestment 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 in all covenant measurement periods, for the 12 months from this report.

Their review supports the view 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 half-yearly financial information.

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

Goodwill is subjected to an impairment test at the reporting date or when there has been an indication that the goodwill should be impaired, any loss is recognised immediately through the Consolidated Statement of Comprehensive Income and is not subsequently reversed. During the period Starfish Commercial Limited has been impacted by the pandemic, which in turn has led to a reduction in opportunities in this market and not performing to a level of our initial expectations. As a consequence of this an impairment review was performed resulting in an impairment of goodwill amounting to £1.8m.

In preparing these half-yearly financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated Financial Statements for the year ended 31 December 2019.

The half-yearly financial information has been prepared using the same accounting policies and methods of computation as compared with the annual Financial Statements for the year ended 31 December 2019.

A number of other standards, amendments and interpretations became effective from 1 January 2020, which do not have a material impact on the Group's financial statements or accounting policies.

3. SEGMENT INFORMATION

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

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

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

	Half year ended 30 June 2020 Unaudited					
	Property investment and development £'000	**Land promotion £'000**	**Construction £'000**	**Group overheads £'000**	**Eliminations £'000**	**Total £'000**
Revenue						
External sales	**33,516**	**19,784**	**55,414**	—	—	**108,714**
Inter-segment sales	**148**	—	**248**	**308**	**(704)**	—
Total revenue	**33,664**	**19,784**	**55,662**	**308**	**(704)**	**108,714**
Operating profit/(loss)	**(2,086)**	**11,089**	**(770)**	**(2,900)**	—	**5,333**
Finance income	**715**	**851**	**435**	**1,795**	**(3,445)**	**351**
Finance costs	**(1,514)**	**(572)**	**(356)**	**(1,129)**	**3,012**	**(559)**
Share of profit/(loss) of joint ventures and associates	**2,061**	**(4)**	—	—	—	**2,057**
Profit/(loss) before tax	**(824)**	**11,364**	**(691)**	**(2,234)**	**(433)**	**7,182**
Tax	**357**	**(2,172)**	**(256)**	**730**	—	**(1,341)**
Profit/(loss) for the period	**(467)**	**9,192**	**(947)**	**(1,504)**	**(433)**	**5,841**

	Half year ended 30 June 2019 Unaudited					
	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
Revenue						
External sales	96,186	38,654	54,144	—	—	188,984
Inter-segment sales	152	—	6,710	310	(7,172)	—
Total revenue	96,338	38,654	60,854	310	(7,172)	188,984
Operating profit/(loss)	8,650	14,552	5,231	(3,730)	—	24,703
Finance income	669	1,346	435	3,012	(5,165)	297
Finance costs	(3,090)	(641)	(251)	(1,450)	4,427	(1,005)
Share of profit of joint ventures and associates	152	—	—	—	—	152
Profit/(loss) before tax	6,381	15,257	5,415	(2,168)	(738)	24,147
Tax	(1,026)	(2,899)	(913)	445	—	(4,393)
Profit/(loss) for the period	5,355	12,358	4,502	(1,723)	(738)	19,754

	Year ended 31 December 2019 Audited					
	Property investment and development £'000	Land promotion £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
Revenue						
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 of joint ventures and associates	1,449	(1)	—	—	—	1,448
Profit/(loss) before tax	13,428	31,807	9,379	12,281	(17,791)	49,104
Tax	(1,205)	(5,947)	(2,145)	(352)	—	(9,649)
Profit/(loss) for the year	12,223	25,860	7,234	11,929	(17,791)	39,455

	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Segment assets			
Property investment and development	**187,260**	275,510	198,024
Land promotion	**158,731**	147,315	164,300

Construction	**37,007**	38,152	42,667
Group overheads	**3,265**	2,857	3,417
	386,263	463,834	408,408
Unallocated assets			
Deferred tax assets	**7,496**	3,739	4,538
Cash and cash equivalents	**58,866**	8,039	42,303
Total assets	**452,625**	475,612	455,249
Segment liabilities			
Property investment and development	**25,551**	29,712	32,321
Land promotion	**15,307**	14,800	19,663
Construction	**43,914**	36,435	39,583
Group overheads	**4,375**	3,035	2,216
	89,147	83,982	93,783
Unallocated liabilities			
Current tax liabilities	**1,425**	4,308	4,680
Current lease liabilities	**1,519**	2,170	2,052
Current borrowings	**3,035**	52,171	9,981
Non-current lease liabilities	**1,896**	3,528	2,585
Non-current borrowings	**10,083**	428	717
Retirement benefit obligations	**36,171**	18,261	22,965
Total liabilities	**143,276**	164,848	136,763
Total net assets	**309,349**	310,764	318,486

4. REVENUE

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

		Timing of revenue recognition			**Timing of revenue recognition**	
Activity in the United Kingdom	**30 June 2020 Unaudited £'000**	**At a point in time**	**Over time**	**30 June 2019 Unaudited £'000**	**At a point in time**	**Over time**
Construction contracts:						
- Construction segment	40,933	—	40,933	38,410	—	38,410
- Property investment and development segment	10,854	—	10,854	68,859	—	68,859
Sale of land and properties:						
- Property investment and development segment	13,935	13,935	—	6,162	6,162	—
- House builder unit sales	9,284	9,284	—	16,542	16,542	—
- Land promotion	19,701	19,701	—	38,574	38,574	—
PFI concession	5,691	5,691	—	7,537	7,537	—
Revenue from contracts with customers	**100,398**	**48,611**	**51,787**	**176,084**	**68,815**	**107,269**
Plant and equipment hire	6,613			8,197		
Investment property rental income	1,620			4,234		
Other rental income	83			469		
	108,714			**188,984**		

5. EARNINGS PER ORDINARY SHARE

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

6. DIVIDENDS

	Half year ended 30 June 2020 Unaudited £'000	Half year ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Amounts recognised as distributions to equity holders in period:			
Preference dividend on cumulative preference shares	**11**	11	21
Interim dividend for the year ended 31 December 2019 of 3.70p per share (2018: 3.20p)	—	—	4,909
Final dividend for the year ended 31 December 2019 of 1.30p per share (2018: 5.80p)	**1,723**	7,691	7,691
	1,734	7,702	12,621

An interim dividend amounting to £2,919,000 (2019: £4,646,000) will be paid on 16 October 2020 to shareholders whose names are on the register at the close of business on 18 September 2020. The proposed interim dividend has not been approved at the date of the Consolidated Statement of Financial Position and so has not been included as a liability in these Financial Statements.

7. TAX

	Half year ended 30 June 2020 Unaudited £'000	Half year ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Current tax:			
UK corporation tax on profits for the period	**1,046**	4,028	9,057
Adjustment in respect of earlier periods	**65**	233	184
Total current tax	**1,111**	4,261	9,241
Deferred tax:			
Origination and reversal of temporary differences	**230**	132	408
Total deferred tax	**230**	132	408
Total tax	**1,341**	4,393	9,649

Corporation tax is calculated at 19% (31 December 2019: 19%) of the estimated assessable profit for the period being management's estimate of the weighted average corporation tax rate for the period.

Deferred tax balances at the period end have been measured at 19% (31 December 2019: 17%), being the rate expected to be applicable at the date the actual tax will arise.

8. INVESTMENT PROPERTIES

	Completed investment	Investment property under

	property	construction	Total
	£'000	£'000	£'000
Fair value			
At 1 January 2019	117,560	3,415	120,975
Direct acquisitions of investment property	79	—	79
Subsequent expenditure on investment property	66	2,136	2,202
Capitalised letting fees	67	5	72
Amortisation of capitalised letting fees	(22)	—	(22)
Disposals	(10)	(1,005)	(1,015)
Transfers to assets held for sale	(43,538)	—	(43,538)
Increase in fair value in period	350	—	350
At 30 June 2019 (unaudited)	**74,552**	**4,551**	**79,103**
Adjustment in respect of tenant incentives	930	—	930
Market value at 30 June 2019	**75,482**	**4,551**	**80,033**

Fair value			
At 1 January 2019	117,560	3,415	120,975
Subsequent expenditure on investment property	2,284	10,895	13,179
Capitalised letting fees	115	5	120
Amortisation of capitalised letting fees	(18)	—	(18)
Disposals	(20,217)	(2,563)	(22,780)
Transfer to assets held for sale	(43,844)	—	(43,844)
Transfer from investment property under construction	4,500	(4,500)	—
Increase in fair value in period	1,384	986	2,370
At 31 December 2019 (audited)	61,764	8,238	70,002
Subsequent expenditure on investment property	52	2,269	2,321
Capitalised letting fees	—	30	30
Amortisation of capitalised letting fees	(15)	—	(15)
Disposals	(2)	—	(2)
(Decrease)/increase in fair value in period	(2,596)	465	(2,131)
At 30 June 2020 (unaudited)	**59,203**	**11,002**	**70,205**
Adjustment in respect of tenant incentives	441	—	441
Market value at 30 June 2020	**59,644**	**11,002**	**70,646**

At 30 June 2020, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £4,080,000 (31 December 2019: £898,000).

9. BORROWINGS

	Half year ended 30 June 2020 Unaudited	Half year ended 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
	£'000	£'000	£'000
Bank loans	**10,177**	49,244	7,757
Lease liabilities	**3,415**	5,698	4,637
Government loans	**2,941**	3,355	2,941

	16,533	58,297	15,335

Movements in borrowings are analysed as follows:

	£'000
At 1 January 2020	15,335
Secured bank loans	2,496
Repayment of secured bank loans	(64)
Repayment of lease liabilities	(1,234)
At 30 June 2020	**16,533**

10. PROVISIONS FOR LIABILITIES AND CHARGES

Since 31 December 2019 the following movements on provisions for liabilities and charges have occurred:

- The road maintenance provision represents management's best estimate of the Group's liability under a five-year rolling programme for the maintenance of the Group's PFI asset. During the period £248,000 has been utilised and additional provisions of £577,000 have been made, all of which were due to normal operating procedures.
- The Land promotion provision represents management's best estimate of the Group's liability to provide infrastructure and service obligations, which remain with the Group following the disposal of land. During the period £882,000 has been utilised and additional provisions of £37,000 have been made.

11. DEFINED BENEFIT PENSION SCHEME

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

	30 June 2020 %	30 June 2019 %	31 December 2019 %
Retail Prices Index (RPI)	**2.80**	3.00	2.80
Consumer Prices Index (CPI)	**2.00**	2.00	2.00
Pensionable salary increases	**1.00**	1.00	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.00**	2.00	2.00
Revaluation of deferred pensions	**2.00**	2.00	2.00
Liabilities discount rate	**1.50**	2.20	2.00

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

	Half year ended 30 June 2020 Unaudited £'000	Half year ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Service cost:			
Current service cost	**438**	437	798
Ongoing scheme expenses	**286**	338	666
Net interest expense	**217**	226	439
Pension Protection Fund	**123**	82	227

Pension expenses recognised in profit or loss	**1,064**	1,083	2,130
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	**(4,715)**	(15,093)	(15,106)
Actuarial losses/(gain) arising from changes in demographic assumptions	**2,287**	—	(724)
Actuarial gain arising from experience adjustments	—	(1,606)	(1,606)
Actuarial losses arising from changes in financial assumptions	**17,671**	18,958	25,373
Actuarial losses recognised in other comprehensive income	**15,243**	2,259	7,937
Total	**16,307**	3,342	10,067

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

	Half year Ended 30 June 2020 Unaudited £'000	Half year ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Present value of scheme obligations	**226,972**	203,056	208,318
Fair value of scheme assets	**(190,801)**	(184,795)	(185,353)
	36,171	18,261	22,965

12. RELATED PARTY TRANSACTIONS

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

There have been no material changes to the related party arrangements as reported in note 30 to the Annual Report and Financial Statements for the year ended 31 December 2019.

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

13. SHARE CAPITAL

	Half year ended 30 June 2020 Unaudited £'000	Half year ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
400,000 5.25% cumulative preference shares of £1 each (31 December 2019: 400,000)	**400**	400	400
133,177,602 ordinary shares of 10p each (31 December 2019: 133,172,602)	**13,318**	13,316	13,317
	13,718	13,716	13,717

14. CASH GENERATED FROM OPERATIONS

	Half year ended 30 June 2020 Unaudited £'000	Half year ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000

Profit before tax	**7,182**	24,147	49,104
Adjustments for:			
Amortisation of PFI asset	**321**	263	555
Goodwill impairment	**1,925**	102	205
Depreciation of property, plant and equipment	**2,514**	2,682	5,911
Impairment loss on land and buildings	**84**	—	—
Revaluation decrease/(increase) in investment properties	**2,131**	(350)	(2,370)
Amortisation of capitalised letting fees	**15**	22	18
Share-based payment expense	**487**	382	826
Pension scheme credit	**(2,037)**	(708)	(1,684)
Gain on disposal of property, plant and equipment	**(360)**	(463)	(1,106)
(Gain)/loss on disposal of investment properties	**(8)**	75	238
Loss on disposal of assets held for sale	—	—	56
Finance income	**(351)**	(296)	(494)
Finance costs	**559**	1,005	1,740
Share of profit of joint ventures and associates	**(2,057)**	(152)	(1,448)
Operating cash flows before movements in equipment held for hire	**10,405**	26,709	51,551
Purchase of equipment held for hire	**(1,131)**	(2,976)	(3,700)
Proceeds on disposal of equipment held for hire	**490**	759	1,363
Operating cash flows before movements in working capital	**9,764**	24,492	49,214
Increase in inventories	**(4,085)**	(15,268)	(14,769)
Decrease/(increase) in contract assets	**8,170**	(7,880)	(33,649)
Decrease/(increase) in receivables	**14,585**	(7,704)	23,687
Decrease in payables	**(5,655)**	(7,676)	(10,040)
(Decrease)/increase in contract liabilities	**(818)**	288	7,082
Cash generated from operations	**21,961**	(13,748)	21,525

15. GROUP RISKS AND UNCERTAINTIES

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the 2020 financial year remain consistent with those set out in the Strategic Report on pages 44 to 50 of the Group's Annual Report and Financial Statements. These risks and uncertainties include, but are not limited to:

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

The CV-19 pandemic was previously identified as a principal risk affecting each of our strategic priorities including a health and safety risk to stakeholders and reduced ability to undertake activities. The Group continues to ensure staff can work remotely where possible and that safe working environments are established for all offices, sites and depots.

Forecasts and cash flows are monitored closely to ensure we can mitigate any further adverse effects and to position the Group well for when the economy starts to recover.

The Directors continue to recognise the risks associated with leaving the EU, which is identified as an integral part of our principal risks rather than as a standalone risk. As negotiations move forward we could see price inflation, restrictions to the supply of labour and materials and increased economic uncertainty. The Group puts in place contingency plans for any significant items which could be affected by this and retains a healthy net cash position with a sufficiently robust balance sheet to deal with any of these effects should they arise.

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

16. APPROVAL

The issue of these statements was formally approved by a duly appointed committee of the Board on 21 August 2020.

RESPONSIBILITY STATEMENTS OF THE DIRECTORS

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

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

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

The Directors of Henry Boot PLC are listed in the Henry Boot PLC Annual Report for the year ended 31 December 2019. A list of current Directors is maintained on the Henry Boot PLC Group website: www.henryboot.co.uk.

On behalf of the Board

T A ROBERTS	**D L LITTLEWOOD**
Director	Director
24 August 2020	24 August 2020